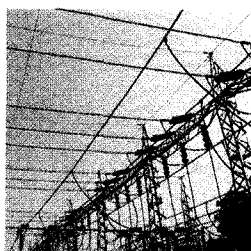
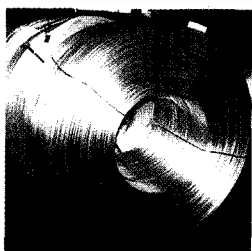
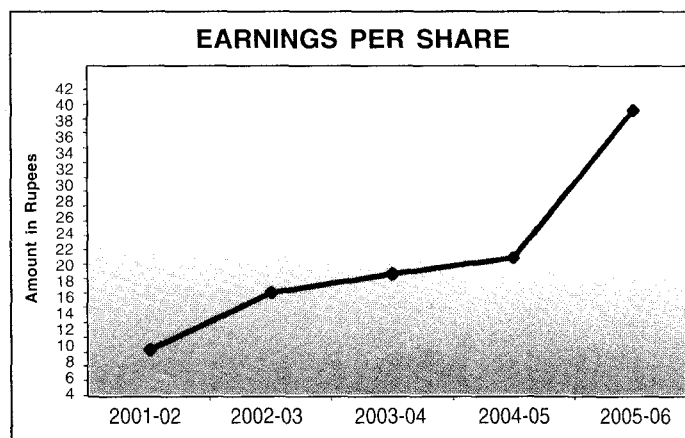
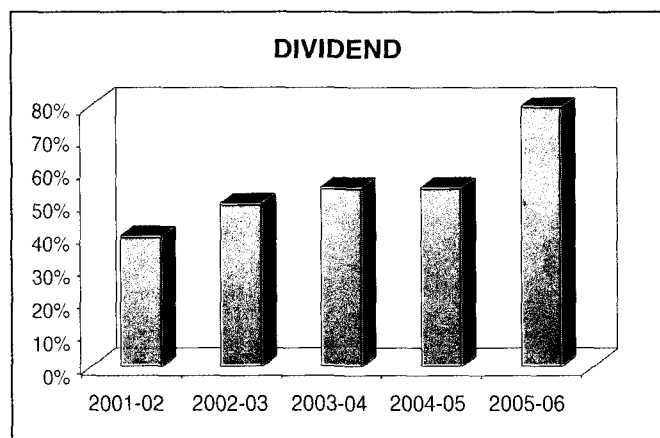
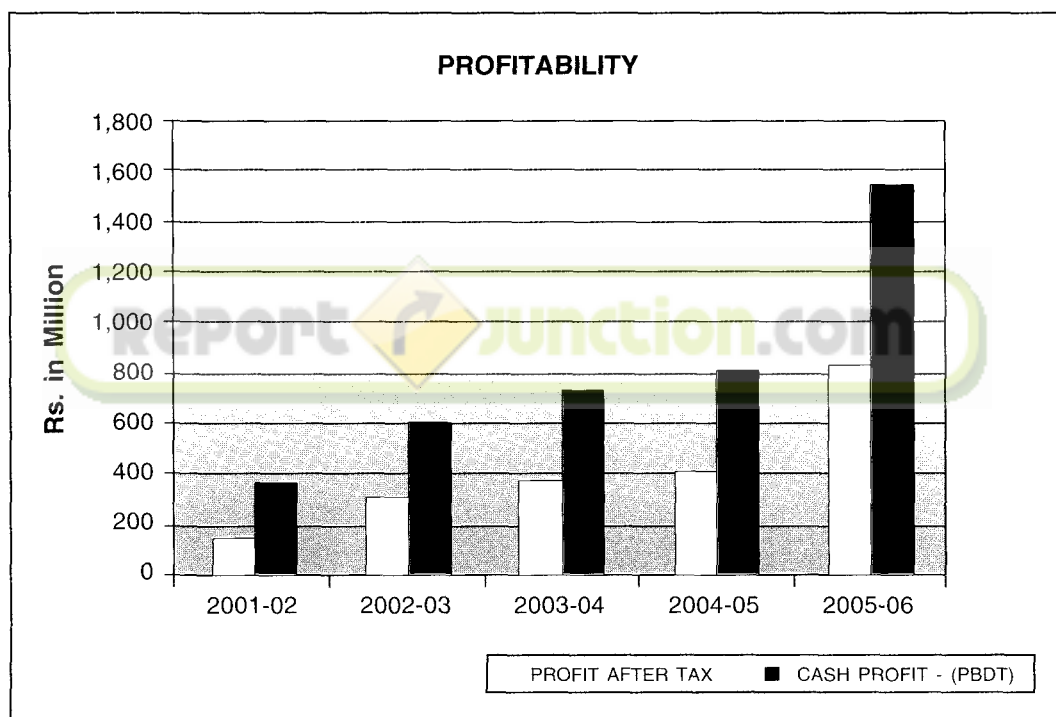
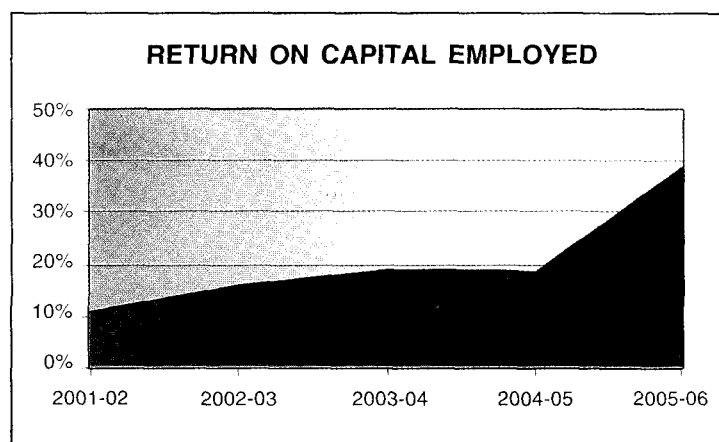
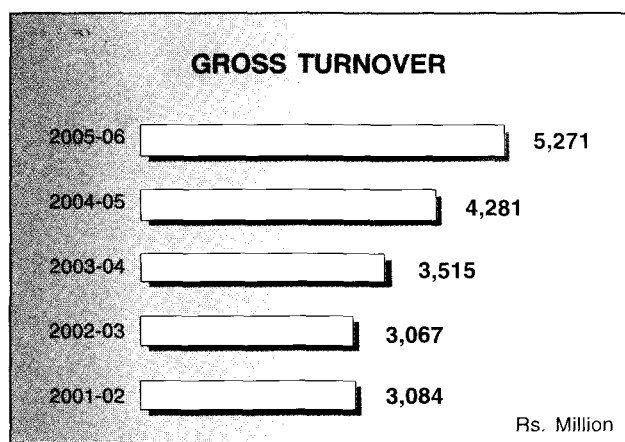


## 46th Annual Report 2005-2006



# The Madras Aluminium Company Limited

## FINANCIAL PERFORMANCE



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## **BOARD OF DIRECTORS**

NAVIN AGARWAL  
*Chairman*

PRAVIN AGARWAL  
*Whole-time Director*

AGNIVESH AGARWAL  
*Whole-time Director*

A.R. NARAYANASWAMY

HAIGREVE KHAITAN

ARUN TODARWAL

TARUN JAIN

SURESH RATHI  
*CEO & Whole-time Director*

## **BANKERS**

ABN AMRO BANK N.V  
HDFC BANK  
ICICI BANK  
INDIAN BANK  
STANDARD CHARTERED BANK  
STATE BANK OF INDIA

## **REGISTERED OFFICE & WORKS**

METTUR DAM R.S 636 402  
SALEM DIST, TAMIL NADU  
Phone : 04298 222061-67  
Fax : 04298 222069 / 222215  
E-mail : masec@vedanta.co.in  
Website : www.malco-india.com

## **TRANSFER AGENTS**

KARVY COMPUTERSHARE PRIVATE LIMITED  
PLOT NO 17 - 24, VITTAL RAO NAGAR,  
CYBERABAD, MADHAPUR,  
HYDERABAD - 500 081  
Phone : 040 23420815-824  
Fax : 040 23420814  
E-mail : mailmanager@karvy.com

**REPORT OF THE BOARD OF DIRECTORS****To the Members of The Madras Aluminium Company Limited****Dear Shareholders**

Your Directors have pleasure in presenting the Forty-sixth Annual Report of your Company with the Audited Accounts for the year ended 30th June, 2006.

**FINANCIAL PERFORMANCE****(Rs. Million)**

	2005-2006	2004-2005
Income from Operations	4,525.72	3,688.10
Less : Operating Expenses	2,982.48	2,877.69
<b>Operating Profit</b>	<b>1,543.24</b>	<b>810.41</b>
Add : Other Income	26.39	30.81
<b>PBDIT</b>	<b>1,569.63</b>	<b>841.22</b>
Less : Interest	25.97	38.06
<b>PBDT</b>	<b>1,543.66</b>	<b>803.16</b>
Less : Depreciation	206.34	205.00
<b>Profit Before Exceptional Item</b>	<b>1,337.32</b>	<b>598.16</b>
Less : Exceptional item - Provision for diminution in value of investments	130.00	-
<b>Profit Before Tax and after Exceptional Item</b>	<b>1,207.32</b>	<b>598.16</b>
Less : Provision for Taxation		
Current	126.25	42.11
Deferred	246.53	133.59
Fringe Benefit Tax	3.19	0.50
<b>Profit After Tax</b>	<b>831.35</b>	<b>421.96</b>
Add : Profit brought forward	826.24	587.59
<b>Profit available for appropriation</b>	<b>1,657.59</b>	<b>1,009.55</b>
Less : Appropriations		
Dividend	180.00	123.75
Tax on Dividend	25.25	17.36
Transfer to General Reserve	300.00	42.20
<b>Balance carried forward to next year</b>	<b>1,152.34</b>	<b>826.24</b>

**MODERNISATION AND EXPANSION PLANS**

Your Company has embarked on ambitious plans for augmentation of Alumina capacity by 30,000 MT, Hot metal capacity by 15,000 MT and setting up of an additional Captive Power Plant unit of 37.5 MW in the near future. The enhanced capacity will enable the Company to enhance the top-line by 36% and improve the bottom-line proportionately.

The Company, in its pursuit of environmental excellence / conservation, is installing a Dry Scrubber unit to reduce the emissions and the flue gases from the Pot room and also to improve the Cryolite recovery.

**OPERATIONAL PERFORMANCE**

This year, your Company achieved impressive performance on back of favourable business environment and better operating efficiencies. The year under review witnessed an increase in production of Aluminium to 36,868 MT from the previous year's production of 36,062 MT, registering a growth of about 2.2%. Production of Alumina Hydrate also saw an increase to 83,149 MT from the previous year's production of 81,791 MT, registering a growth of 1.7%. Volume growth was possible mainly on account of consistent efforts to increase productivity, commissioning of a new pot and the de-bottlenecking initiatives taken up by your Company.

The Net sales turnover of your Company aggregated Rs. 4,525.72 Million, compared to previous year's turnover of Rs. 3,688.10 Million, registering an increase of 22.7%.

The operational performance of your Company's power plant is amongst the best thermal power plants operating globally. The power plant generated 757 Million units during the year compared to 748 Million units during the previous year.

Your Company's strategy and initiatives taken to improve the profitability have been fairly successful, as the Cash profit before taxation of your Company has gone up to the level of Rs. 1,543.66 Million as against Rs. 803.16 Million in the previous year, registering a remarkable increase of 92.2%. The Net profit after tax has increased to Rs. 831.35 Million as against Rs. 421.96 Million in the previous year, registering an unprecedented increase of 97.1%.

## **DIVIDEND**

The Board of Directors has recommended a dividend of Rs. 8 per share (80%) for the year ended 30th June, 2006 as against Rs. 5.50 per share (55%) for the previous year. The dividend outflow aggregates Rs. 205.25 Million (including dividend tax of Rs. 25.25 Million), compared to the dividend of Rs. 141.11 Million for the previous year (including dividend tax of Rs. 17.36 Million).

## **DIRECTORS**

### **A. RE-APPOINTMENT**

Mr. Navin Agarwal, Mr. Pravin Agarwal and Mr. Haigreva Khaitan, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### **B. APPOINTMENT**

Mr. Suresh Rathi has been appointed as a Whole-time Director in the Board Meeting held on 17th January, 2006 for a period of three years commencing from 17th January, 2006 and his appointment is subject to confirmation at the ensuing Annual General Meeting.

Mr. Arun Tadarwal was appointed as an Additional Director of your Company by the Board of Directors at its meeting held on 30th December, 2005 in accordance with Section 260 of the Companies Act, 1956. Mr. Arun Tadarwal would hold office till the conclusion of the ensuing Annual General Meeting of your Company. The requisite notice together with necessary deposits have been received from a member pursuant to Section 257 of the Companies Act, 1956 proposing the election of Mr. Arun Tadarwal as a Director of your Company.

### **C. RESIGNATION**

Mr. J.R.Venkatraman and Mr. Rajeev Kumar Jain have relinquished the office as Directors of your Company during the year.

The Board of Directors places on record its appreciation for the valuable contributions made by Mr. J.R.Venkatraman and Mr. Rajeev Kumar Jain during their tenure as Directors of your Company.

## **STATUTORY AUDITORS**

The existing Statutory Auditors Deloitte Haskins & Sells shall retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment as the statutory auditors of your Company pursuant to Section 224 of the Companies Act, 1956.

Pursuant to the recommendation of the Audit Committee at their meeting held on 14th July, 2006, for re-appointment of Deloitte Haskins & Sells as the Statutory Auditors of your Company for the financial year 2006-07 to hold office till the conclusion of next Annual General Meeting of your Company, the Board of Directors has, at their meeting held on 14th July, 2006 approved the re-appointment of Deloitte Haskins & Sells as the Statutory Auditors of your Company for the financial year 2006-07 to hold office till the conclusion of next Annual General Meeting of your Company. This is subject to the approval of the Shareholders at the ensuing Annual General Meeting.

## **COST AUDITOR**

Your Company has re-appointed S. Mahadevan & Co as the Cost Auditor for the year ending 30th June, 2007.

## **DEMATERIALISATION OF EQUITY SHARES**

Your Company has entered into agreements with the National Securities Depository Limited and the Central Depository Services (India) Limited for providing electronic connectivity and dematerialised trading in your Company's Equity shares. As at the year-end date 4,183,067 Equity shares, constituting 18.6% of the total paid-up equity share capital, are being held in electronic form. Members who wish to dematerialise their shares may forward their request to the Share Transfer Agents of your Company, M/s. Karvy Computershare Private Limited, Plot no 17 - 24, Vittal Rao Nagar, Cyberabad, Madhapur, Hyderabad - 500 081 through any registered Depository Participant.





## CORPORATE GOVERNANCE

A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, including the Management Discussion and Analysis, Shareholders' Information and Auditors' Certificate on its compliance, forms a part of this Annual Report.

## ADEQUACY OF INTERNAL CONTROLS

Your Company has a system of effective internal controls to ensure that all assets are safeguarded and protected against loss due to unauthorised use or disposal and that all the transactions are properly recorded, duly authorised and correctly reported.

Your Company's internal control systems are supplemented by internal audit by a reputed firm of independent Chartered Accountants, regular review by the Management and documented policies and procedures, which ensure reliability of the financial statements and other operational data.

## CERTIFICATION

Your Company places utmost emphasis on quality systems as evident from accreditations of ISO 9001(2000), ISO 14001(2004) and OHSAS 18001(1999). Your Company is one among the few, to achieve this rare milestone of obtaining all the three certifications together, in the maiden attempt. During the year, ISO Surveillance Audit has been successfully completed and Yercaud mines has also been accredited with all the above system certifications altogether in the maiden attempt.

## INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

### A. CONSERVATION OF ENERGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, viz., a report on conservation of energy, technology absorption, foreign exchange earnings and outgo, is given in the Annexure attached hereto and forms part of this report.

### B. PARTICULARS OF EMPLOYEES

Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is to be given in Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of Companies Act, 1956, the report and the accounts are being sent to all Members of the Company excluding the aforesaid information. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

### C. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sub-section 2AA of Section 217 of the Companies Act, 1956 in the preparation of the Annual Accounts, it is hereby confirmed that:

- i) The applicable accounting standards have been followed and wherever required, proper explanations relating to material departures have been given.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The accounts have been prepared on a going concern basis.

## GROUP

The Company is controlled by the Agarwal Group being a Group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. A list of these entities is given below:

- Volcan Investments Limited, Bahamas
- Twinstar Holdings Limited, Mauritius
- Vedanta Resources plc, United Kingdom
- Vedanta Resources Holdings Limited, United Kingdom
- Mr. Dwarkaprasad Agarwal
- Mr. Agnivesh Agarwal

## LISTING

Your Company's shares are listed on Bombay Stock Exchange Limited and The Madras Stock Exchange Limited and the listing fee of these Stock Exchanges up to the year 2006-07 have been paid by the Company. Your Company is planning to delist its shares from The Madras Stock Exchange Limited, due to non-trading of its shares since 1996.

**AUDITORS' REPORT ON ACCOUNTS**

Auditors' Report is self-explanatory and therefore do not call for any further comments / explanations.

**SUSTAINABLE DEVELOPMENT REPORT**

Your Company is very proud to share with all the Stakeholders that, the triple bottom-line focussed approach of the Company fetched the First Prize for Excellent Environmental Management and Innovative Initiatives from the renowned and reputed institution, TERI. The Award was received from the golden hands of Honorable President of India, Dr. A.P.J. Abdul Kalam.

Your Company's efforts have also been recognised by Confederation of Indian Industry (CII), in the form of Excellence in Water Management Award, Leadership and Excellence Award for SHE (Safety, Health & Environment) Management and Commendation Award for Sustainable Development in this financial year.

**A. ENVIRONMENT**

Continuing its efforts to ensure a clean, safe and greener environment, your Company made significant contributions by :

- Recycling 81% of Red Mud and 100% of Fly Ash, solid wastes generated to Cement Industries.
- Commencing recycling of waste material, Spent Pot Lining (carbon content) for use as fuel after treatment.
- Planting 15,000 saplings at Mines and Factory premises and 1,000 saplings of *Jatropha Curcus* on Red Mud.
- Reducing Water consumption by 17%.
- Reducing 3.8 Million units of Energy per annum.
- Providing natural draft roof extraction ventilators for Furnace area.
- Focus on CDM Projects to reduce greenhouse emissions.

**B. SAFETY**

The initiatives taken to improve the standard of safety helped your Company to bring down the LTIFR (Lost Time Injury Frequency Rate) from 8.14 in the previous year to 2.46 in this financial year.

The contributions made by the safety stewards, (i.e.), nominated employees of the Company, to enhance the safety standard were recognised and rewarded by the Management.

Besides meeting the safety requirements and compliances, your Company encourages active participation of all employees in organising,

- Safety Exhibition
- Seminars on Accident Prevention
- Safety Competitions.

**C. SOCIAL WELFARE**

With a conducive policy framework, robust implementation plans and governance structure in place, your Company is committed to enhancing the quality of life of the community around its operational locations.

With a view to provide quality Education in and around Mettur, your Company continues to effectively run MALCO Vidyalaya Matriculation Higher Secondary School, having strength of around 2,750 students.

The Department of Social Welfare, Loyola College was engaged to identify the needs of local communities, prioritise them and chalk out a time bound action plan.

Initiatives implemented under the following focus areas :

**1. HEALTH**

- MALCO Speciality clinic for under-privileged people.
- Cardiology camp at Mettur covering 607 people on a single day.
- Sponsored Open Heart surgery of two children from economically weaker section.
- Co-sponsored Pulse polio programme and conducted awareness classes on T.B, Leprosy and HIV/AIDS.
- DOTS Centre (Directly Observed Treatment Scheme) for identification and treatment of Tuberculosis at MALCO clinic in partnership with District Authorities.
- Blood Donors' Club at Mettur.
- Multi Speciality Medical camps conducted at Kolli and Yercaud Hills.
- Mobile Health clinic service to Kolli Hills.

## 2. EDUCATION

- Introduced Scholarship Scheme for meritorious Secondary class students joining Higher Secondary Course in MALCO Vidyalaya, by reimbursing the actual expenses for two years.
- Awarded Sterlite Scholarship for top three rankers of school final exam (+2), who are pursuing Engineering course.
- Co-sponsored the Rural Talent Search and National Talent Search classes held at Mettur.
- Distributed Study materials to the students of a primary school at Thippampatti, along with face-lifting of the school.
- Conducted Coaching classes for the TNPCEE for the economically weak students.
- Initiated Evening Study Centre at Mettur for under-privileged children.

## 3. INFRASTRUCTURE

- Renovation of bridge connecting two villages at Kolli Hills.
- Construction of separate toilet for ladies at Mettur.
- Renovation of Bus shelters at Mettur.
- "Project Re-birth" to Anganvadi centres around MALCO - Renovation of Anganvadi centres and development of the same into a "Model Anganvadi centre".
- Renovation of rooms for ration shop at Mettur.
- Renovation of Shevaroy temple at Yercaud for Tourism development.
- De-weeding (removal of water hyacinth) of Yercaud Lake every year.

## 4. OTHERS

- Sponsored food to the homeless during the floods at Cauvery, Mettur Dam.
- Participation in local cultural festivals at Mettur, Kolli and Yercaud Hills.
- Free distribution of saplings to the people of Yercaud and plantation of saplings in Government offices and public places for "Green Yercaud Town" Project.
- Shortfall in the supply of drinking water to the nearby villages made up by MALCO's water supply of 8 Lakh litres per day.
- Contribution in the form of food and clothing to the orphanage houses at Mettur by MALCO Ladies Club

## 5. AWARDS AND ACCOLADES

- Best Social Work award received from the Minister of Social Work, Government of Tamilnadu for the Social activities carried at Yercaud Lake.
- Accolades from the Deputy Director - Rural Health services, Salem, expressing that, MALCO Clinic as the only private authorised DOTS centre in Salem District.
- Memento from Namakkal District Collector for social activities carried out in Kolli.

## HUMAN RESOURCES

Your Company has always taken extra effort to put human capital in the forefront. To have a true global vision, your Company aspires to be a preferred employer by choice. The Company makes all efforts to improve knowledge, skill and attitude of Human resources.

In order to identify and nurture deserving talent, your Company has taken various initiatives like identifying Star performers, initiating Entrepreneurship programme within the organisation. Various leadership initiatives have also been undertaken to empower the Human resources for the next level.

Several recognition and motivational schemes such as, "Team of the Quarter" award, "On the Spot Recognition" award, etc., have been initiated to sustain a vibrant work culture in your Company.

To maintain a healthy work life balance, your Company continuously anchors activities such as,

- Screening of movies
- Renovation of Swimming Pool
- Various Family Get-togethers
- Celebrating Cultural and Sports events to mark the occasion of "MALCO Day", "Energy Week", "Independence Day", etc.,



**GLOBAL COMPACT'S PRINCIPLES****A. PROTECTION OF HUMAN RIGHTS**

Your Company is committed to protect the human rights and ensure every human being is treated equally in all aspects.

**B. NO HUMAN RIGHT ABUSES**

All employees are treated equally in dignity and rights without discrimination such as race, colour, sex, language, religion, political or other opinion, national or social origin.

**C. FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING**

Long Term Settlement has been reached with Workmen by collective bargaining without any loss of man-hour.

**D. ELIMINATION OF FORCED AND COMPULSORY LABOUR**

Your Company does not employ any forced labour or child labour directly or indirectly.

**E. ABOLITION OF CHILD LABOUR**

No one below 18 years is employed in your Company.

**F. ELIMINATION OF DISCRIMINATION (EMPLOYMENT & OCCUPATION)**

Your Company provides equal opportunity without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin. Women hold key positions and are encouraged to excel. Women are working as Shift Engineers also.

**G. PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES**

Your Company has taken up precautionary measures to environmental challenges by Up-gradation of Air Pollution control like, revamping of ESPs of Kilns, switching over to Pulse Jet Bag Filter system from Shaker Bag Filter system, Coke Pulveriser, Alumina Silos etc., Due to effective recycling and reusing, your Company has achieved 50 % reduction of Effluent Discharges.

A Dry Scrubber in place of existing Wet Scrubber, is under installation for commissioning by December 2006, to control the flue gas emission. Your Company has also taken effective steps for reduction in generation of solid waste and effective utilisation of waste (Red Mud/Fly Ash for Cement manufacturing, Spent Pot Lining being disposed for use as fuel).

**H. INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITIES**

Rain water harvesting is fully operational and your Company is committed to Adoption of Kyoto Protocol. As a first step, the Clean development Mechanism projects have been identified.

**I. DEVELOPMENT AND DIFFUSION OF ENVIRONMENT FRIENDLY TECHNOLOGIES**

Your Company has taken up Enviro-friendly initiatives like installation of Dustless Loading Spout to arrest fugitive emission while loading Fly Ash into Bulklers, Ultra-filtration for DM Plant feed water, Dry Mud Stalking, Coal movement through Closed Conveyor System from Railway Yard to Coal Yard instead of using trucks and installation of Back Pressure Turbine to utilise the potential energy of steam meant for process consumption.

**J. ANTI - CORRUPTION & BRIBERY**

Your Company has a model code of conduct, which is strictly adhered to by all the employees as a core value.

**ACKNOWLEDGEMENT**

The focus on Environment, Social and Economic bottom-lines yielded sustainable results.

Your Directors acknowledge their gratitude for the co-operation and assistance received from the Central and State Governments, Local Authorities, Bankers, Financial Institutions, Customers and Suppliers.

Your Directors would also like to acknowledge the continued support of the Company's Shareholders.

In conclusion, your Directors would like to place on record their appreciation to the hard work, commitment and unstinting efforts put in by your Company's employees at all levels.

For and on behalf of the Board

Place : Mumbai  
Date : 14th July, 2006

Sd/-  
**Suresh Rathi**  
CEO & Whole-time Director

## ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information under section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended 30th June, 2006.

### A. CONSERVATION OF ENERGY

#### a. Energy conservation measures taken

As a part of sustainable development initiatives, the following measures to conserve energy have been taken :

- i. Installation of VFDs for Soda Pump, De-silication, Dilution pumps, Wash liquor, Hydro cyclone pump etc., resulted in energy reduction of 2,400 units per day.
- ii. Provided 400 Kvar Capacitor banks at Alumina plant, which resulted in energy reduction of 350 units per day.
- iii. Reducing Anode effect frequency from 1.9 to 1.4 AE/Day/Pot resulting in energy saving of 100 units / MT.
- iv. Regular tightening of clamps by Pneumatic wrench resulting in energy savings of 70 units / MT.
- v. Replacement of Multi-staged Boiler feed pumps for better efficiencies resulted in energy saving of 1,920 units per day.
- vi. Sizing of the impellers of Water jet pump to required size, which avoided pumping of water, which is not required, resulted in energy saving of 720 units per day.
- vii. Replacement of common Forced Draft Fan with energy efficient one resulted in energy saving of 1,700 units per day.

#### b. Additional investments and proposals if any being implemented for reduction of consumption of energy

Following measures are under consideration for reduction of energy conservation :

- i. Installation of two numbers of VFD for Aluminate pump, six numbers of VFD for Weak soda pump will result in a energy reduction of 2,700 units per day.
- ii. Replacement of inefficient vacuum pumps with higher efficiency pumps.
- iii. Replacement of inefficient Fuel Oil burners in Calciner.
- iv. Monitoring of Bath Temperature and Super heat in pots on daily basis for improving Current efficiency by 1% and reducing energy consumption by 20mV by Cryotherm is being evaluated.
- v. Installation of Split condensing system at Captive Power Plant, which will result in a reduction of 6 gm of Coal per unit of electricity generated.
- vi. Optimising Bath Chemistry to reduce energy by 175 Units / MT is under trial.
- vii. Optimisation of Pitch content in Paste for reducing anode drop and also would lead to improved work environment is under trial.

#### c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods.

The efforts taken to conserve energy will not only bring down the cost of production, but also will help us to conserve coal and improve environmental performance.

#### d. Total energy consumption and energy Consumption per unit of production

As per Form A annexed.