

Touching lives everywhere...



vedanta

The Madras Aluminium Company Limited 48th Annual Report 2007-08

Disclaimer

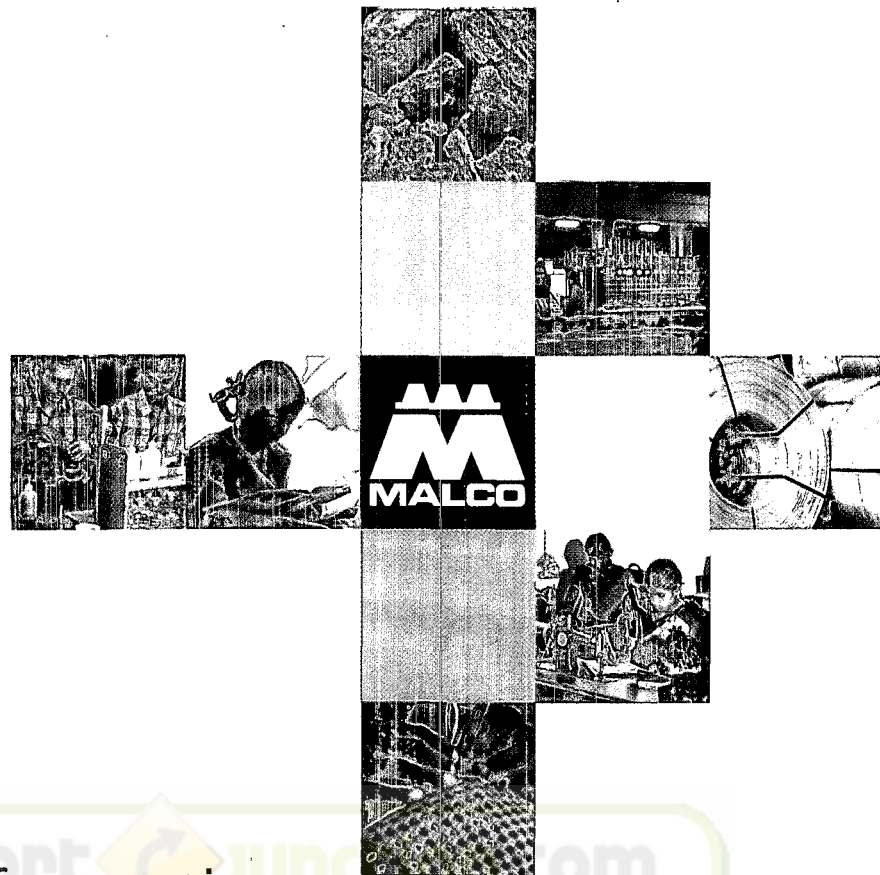
In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Corporate information

Board of Directors

Navin Agarwal

Chairman

Suresh Rathi

CEO and Whole-time Director

Agnivesh Agarwal

Whole-time Director

Pravin Agarwal

Tarun Jain

A.R. Narayanaswamy

Haigreva Khaitan

Arun Todarwal

Head Finance

Sridhar N

Company Secretary & Head Legal

Rajiv Choubey

Bankers

HDFC Bank

ICICI Bank

Indian Bank

Kotak Mahindra Bank

Standard Chartered Bank

State Bank Of India

Registered Office and Works

Mettur Dam R.S. 636 402.

Salem Dist, Tamil Nadu

Phone: 04298 222061-66

Fax: 04298 222215

E-mail: masec@vedanta.co.in

Website: www.malco-india.com

Aluminium Complex

Mettur Dam R.S. 636 402.

Salem Dist, Tamil Nadu

Phone: 04298 222061-66

Fax: 04298 222215

E-mail: masec@vedanta.co.in

Captive Power Plant

Mettur Dam R.S. 636 402.

Salem Dist, Tamil Nadu

Phone: 04298 222061-66

Fax: 04298 222215

E-mail: masec@vedanta.co.in

Transfer Agents

Karvy Computershare Private Limited

Plot No 17 - 24, Vittal Rao Nagar,

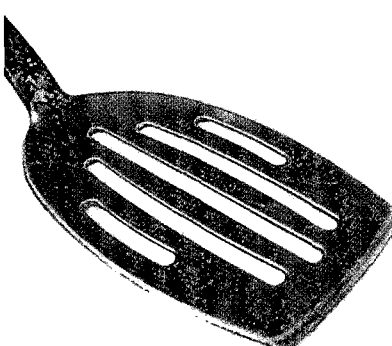
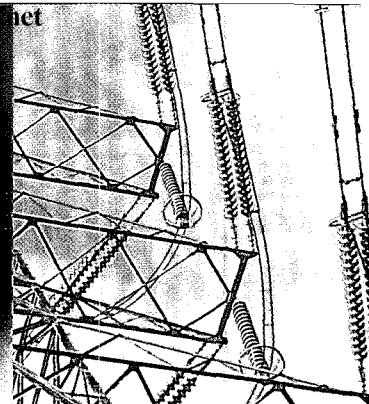
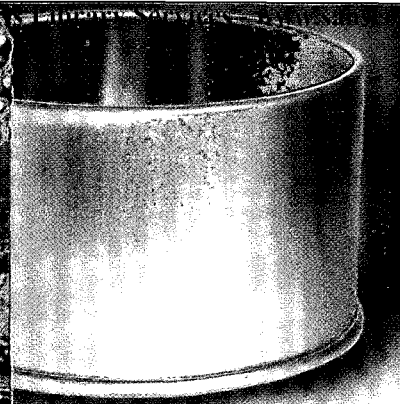
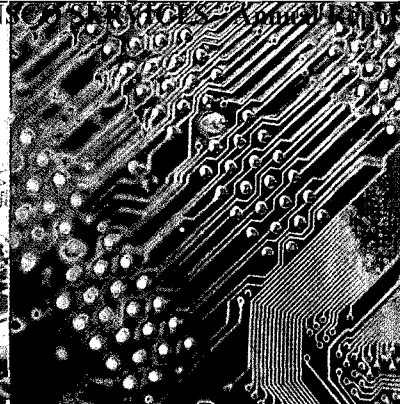
Cyberabad, Madhapur,

Hyderabad - 500 081.

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Fax: 040 23420814

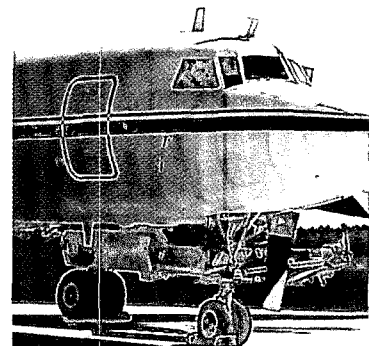
E-mail: mailmanager@karvy.com



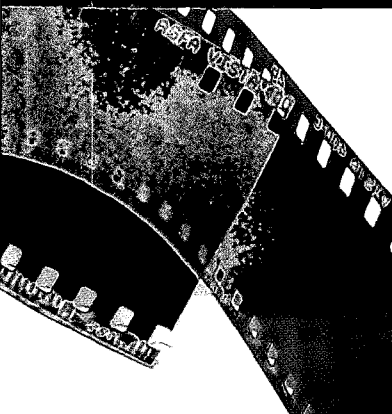
□ From the wrapper of the chocolate, to the packaging of medicines.

□ From transmission lines that energise homes and work places to the packaging of food and beverages.

□ From the kitchenware to home appliances.



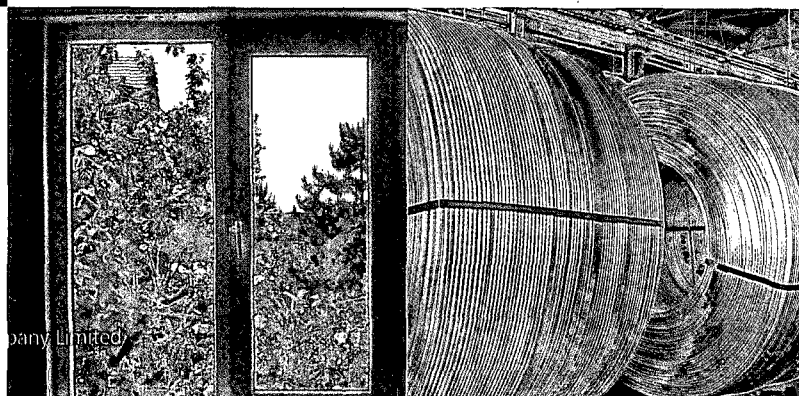
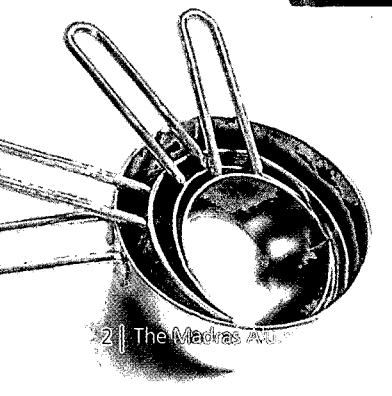
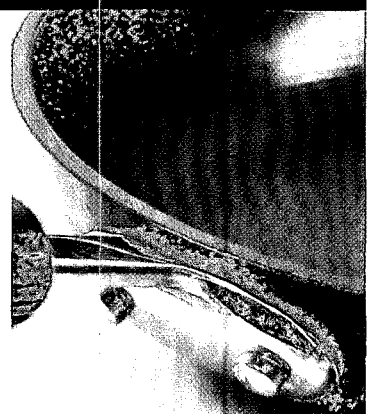
MALCO touching lives everywhere...



□ From vehicles that are used to transport people and goods to the warmth of homes where we live.

□ From the engine of your car to aircraft in which we fly.

□ In almost every facet of modern life, aluminium plays an essential, meaningful and expanding role.



□ **Vision:** To be the most efficient integrated primary aluminium producer in the world which shall be the standard by which other similar producers measure quality and operational performance and build organisation that people are proud to associate with.

□ **Purpose:** Harnessing natural resources in harmony with nature to enhance economic well-being and quality of life.

□ **Integration:** Fully integrated primary aluminium producer, the only one in South India.

□ **Core values:** Trustworthy, entrepreneurial and innovative; concern for the environment; respect and care for people; passion to excel.

□ **Lineage:** Group Company of Vedanta Resources Plc, a diversified metals and mining conglomerate, listed on the London Stock Exchange.

□ **Systems certifications:** Accredited for both manufacturing and mining facilities, has unified certification: ISO-9001, ISO-14001 and OHSAS-18001, together on the first attempt.



Operational excellence, 2007-08

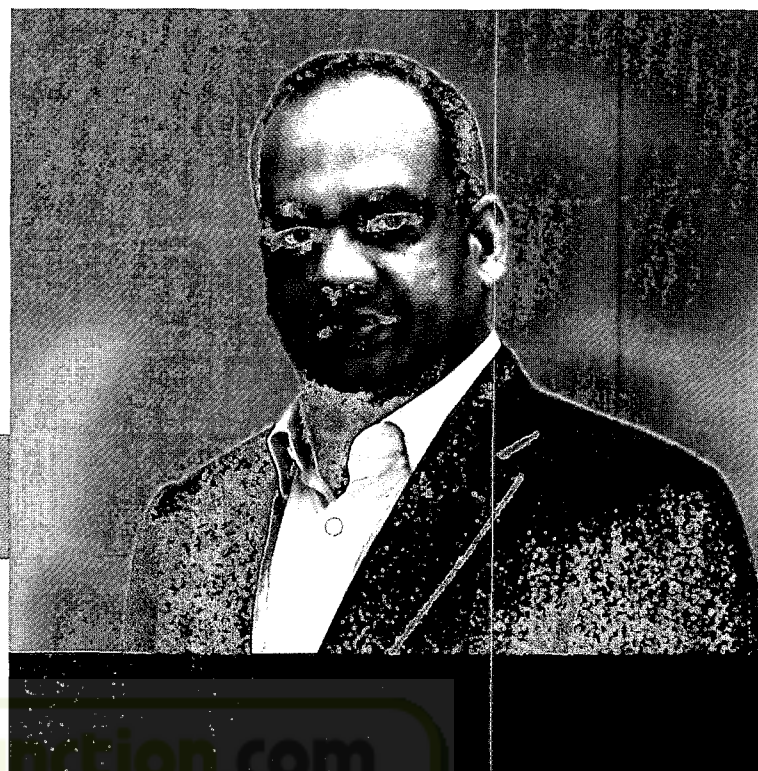
- Highest-ever aluminium production at 37635 MT
- Highest-ever aluminium sales at 37684 MT
- Highest-ever gross revenue at Rs 5083.35 million
- Highest-ever PLF reported by the Captive Power Plant (CPP) at 118 percent

Awards and recognitions

- ▣ ICWAI National Award for Excellence in Cost Management, 2007 – *1st Prize in the Manufacturing Sector in the Private Sector*
- ▣ Golden Peacock Finalist Award for Environment Management, 2007
- ▣ Greentech Environmental Excellence Award 2007 in mining and mineral sector – *Silver Award*
- ▣ Revenue Performance Award 2007 in large scale sector – highest excise duty paying unit in Salem Commissionerate for 2006-07
- ▣ Good Green governance award from GCUBE
- ▣ Construction world Nicmar award 2007 – Fastest growing aluminium company – *1st rank*

From the Chairman's desk

"Strong business fundamentals and cogent strategies will see us through challenging times."



Dear Shareholders,

I take this opportunity to share your Company's performance for the financial year, ended 31st March 2008.

Operating in an extremely challenging business environment, characterised by rising resource costs and currency volatility, I am pleased to report that Team Malco stood tall to face these adverse headwinds to make significant strides in 2007-08:

- Record aluminium production at 37,635 MT.
- Record plant load factor of our captive power plant at 118.09 percent
- Record aluminium sales at 37,684 MT.

- Highest-ever gross revenue at Rs. 5083.35 million.

The above numbers reflect one compelling reality: that the fundamentals of the business remain strong. In line with this reality, we continued to reward shareholders with a 90 percent dividend payout for 2007-08.

2008-09 and beyond

Going forward, our business blueprint will reconcile the following strategies:

- **Profitability focus:** Although higher inputs costs led to a 19.52 percent moderation in the operating profit margin and 36 percent decline in our

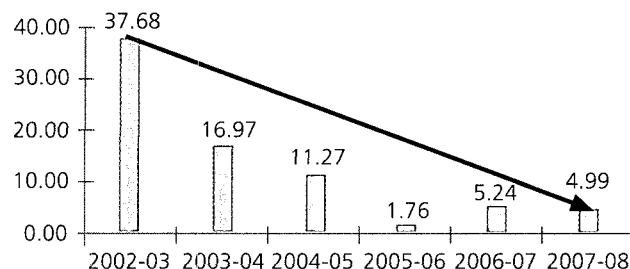
post-tax profit, we will continue to focus on profitability and to measure our performance in terms of the return on the employed capital. We intend to scale our captive power plant capacity to 100 MW and achieve 100 percent capacity utilisation on the expanded alumina capacity by the second quarter of FY 2008-09. Your Company has planned to generate additional revenues through larger volumes from the sale of dry hydrate alumina out of the incremental capacity.

- **Cost management focus:** Cost rationalisation reinforces sustainability in these challenging times. During the year under review, inputs costs were

Severity index

Year	Mandays lost	Severity index
April '02 – March '03	866	3.00
April '03 – March '04	599	1.48
March '04 – April '05	1428	3.79
April '05 – March '06	292	0.82
April '06 – March '07	6439	18.01
April '07 – March '08	213.5	0.53

Total Injury Frequency Rate (TIFR)



higher by almost 40 percent. However operational efficiencies and lower specific energy consumption partly helped to offset the higher input cost. The Company remains a virtually debt free company with a comfortable cash surplus.

□ **Customer-connect focus:** Happy customers dictate today's business and drive tomorrow's solutions; we will continue to extend our customer focus by delivering win-win solutions that drive the customer's business and concurrently result in enhanced returns, respect and recall for Malco.

The following pages of this report will help you appraise our present and

inform you of our future to help you evaluate our performance better and convince you of why we are attractively positioned to capitalise on future opportunities.

Safety is important

For Team Malco, respect for safety practices is not a day-to-day challenge; it's a life-long commitment. And that commitment reflects in our disciplined process excellence. Our Severity Index, indicating the man days lost due to accidents, dropped from 3.00 in 2002-03 to 0.53 in 2007-08 as our total recordable rate was 4.99, down from 37.68 in 2002-03. However, we are not complacent and we are

probing deep to identify difficult-to-predict, low-probability events with a potential for unfortunate consequences and analysing the causes of human error and ways of prevention, even as we strengthen our resolve to achieve our ultimate goal: zero occurrence.

Green Earth, clean Earth

With one sixth of the world's population, India has more than a billion good reasons to be concerned about the environment. Given our demographics – 70 percent of our population is below 30 – tomorrow's world will be very much Indian. MALCO is aware of its role as an

environment steward to embrace the green challenge and transform it into an opportunity for innovation and prosperity.

Our green initiatives comprise reducing landfill waste, streamlining water use and planting thousands of trees in the vicinity of our plant and mines. We have extended our 'green' concern to comprise a CDM project for the reduction of PFC emissions from the smelter. The methodology of the project has been approved by the executive board of the UNFCCC and we are working towards achieving the certification. Besides, we continue to emphasise the solid waste disposal of 'red mud' to cement industries under our reduce-reuse-recycle-recover initiatives. Red mud is the residue of

bauxite and contains iron and aluminium oxide, which fortifies cement strength. We have registered our improved quality of red mud as 'Ferral' to reflect properties, reinforcing the criticality of our 'waste-to-wealth' initiatives.

We care

Guided by our overarching philosophy of creating and sustaining value and equity, year on year, our connection with the communities in which we operate has continued to strengthen.

Corporate Social Responsibility (CSR) at MALCO is a separate and focused function being managed by a young and enthusiastic team, with the complete involvement of the entire MALCO fraternity. We have made significant investments in improving

health and education and generating livelihood opportunities with the overall objective of enhancing the quality of life. One of our most recent and successful initiatives has been the creation of self-help groups (SHGs) in partnership with registered NGOs/bodies with a view to empower women to not only enhance their skill sets but also actively contribute to their household incomes. We will continue these initiatives and will attempt to add new vocational courses to our portfolio.

People first

At MALCO, people empowerment remains the bedrock of our sustainability. The Company recruits young, talented minds and trains them aggressively to instill entrepreneurship

Our green initiatives comprise reducing landfill waste, streamlining water use and planting thousands of trees in the vicinity of our plant and mines.

and the love for challenges.

In line with this overarching philosophy, we continue to drive the 'Entrepreneurship Development Program', which encourages employees to come up with innovative ideas and projects to showcase their entrepreneurial skills. The ideas and proposals are evaluated based on the Company's overall objective, the successful projects are implemented and the entrepreneur being suitably rewarded. The success stories are used as motivational tools to groom future leaders. Besides, we promote a culture of ownership in every thing we do, which is reflected in the fact that many of our employees have become shareholders. The Company issued options / shares of Vedanta Resources

Plc., our flagship company under the Employee Stock Option Scheme (ESOS).

I am also proud to share that MALCO, being an equal opportunity employer, encourages women employees to assume leadership positions.

The Company continued to enjoy cordial industrial relations.

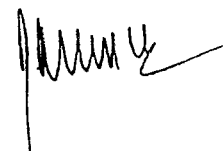
Challenging objectives and cogent strategies reinforce a compelling vision

As we look ahead, market conditions remain strong with alumina and primary aluminium downstream markets growing rapidly. While we will continue to confront cost and market challenges, we are applying a lot of rigour towards sustained cost savings

and operational efficiencies to offset higher input costs.

I am confident that together we will succeed to emerge not only as an admired global player, but an unmatched value creator for all our stakeholders.

Sincerely,



Navin Agarwal

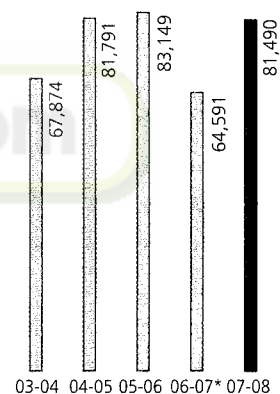
Chairman

The Madras Aluminium Company Ltd.

Our financial performance in 2007-08

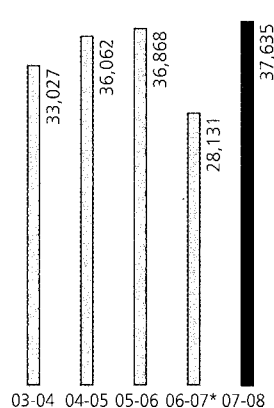
At MALCO, we faced a challenging business environment in 2007-08. While resource costs and forex challenges moderated our profitability, we continued to strengthen and tighten factors under our control. This led to a respectable operational performance during the year under report, generating optimism.

Alumina hydrate production (MT)



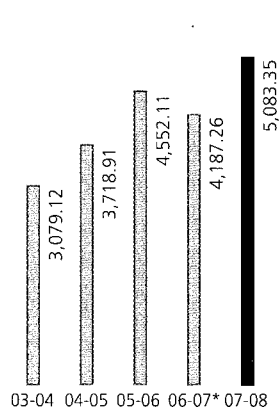
*Nine-month period ending March 31, 2007

Aluminium production (MT)



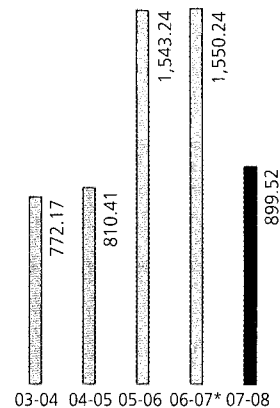
*Nine-month period ending March 31, 2007

Gross revenues (Rs in mn)



*Nine-month period ending March 31, 2007

Operating profit (Rs in mn)



*Nine-month period ending March 31, 2007