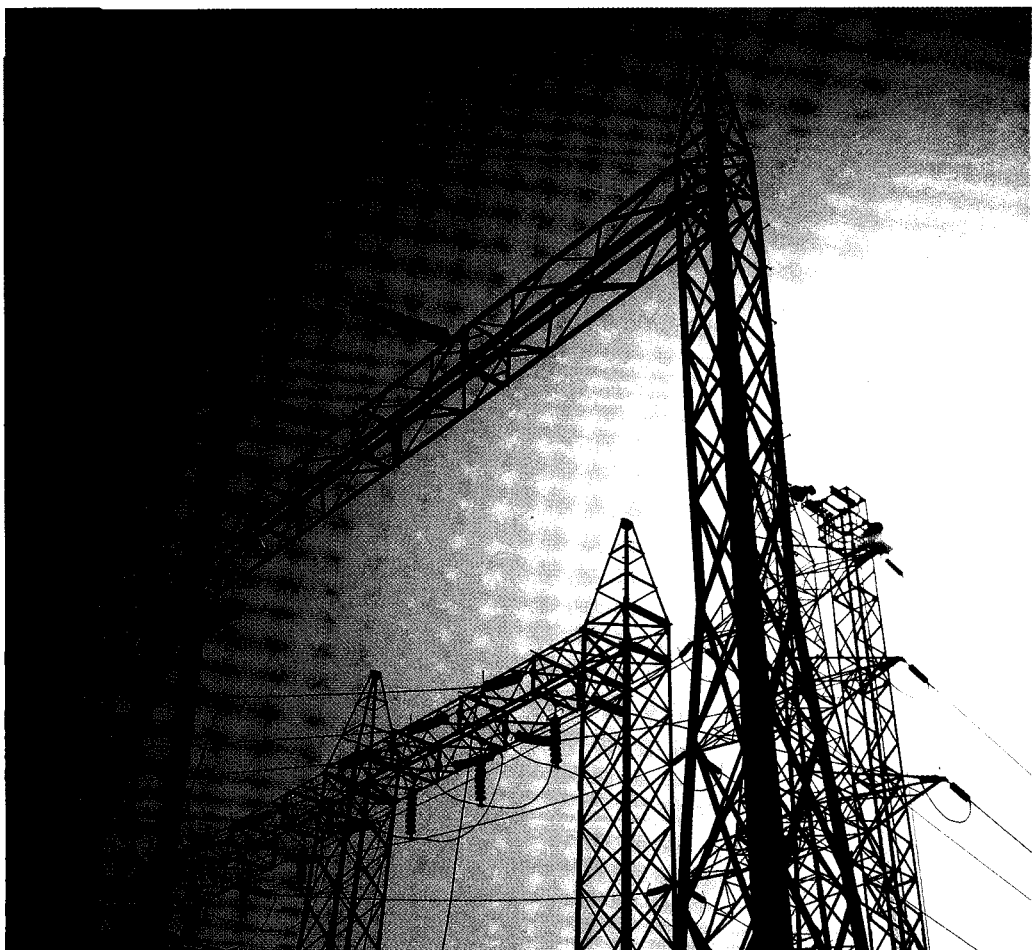
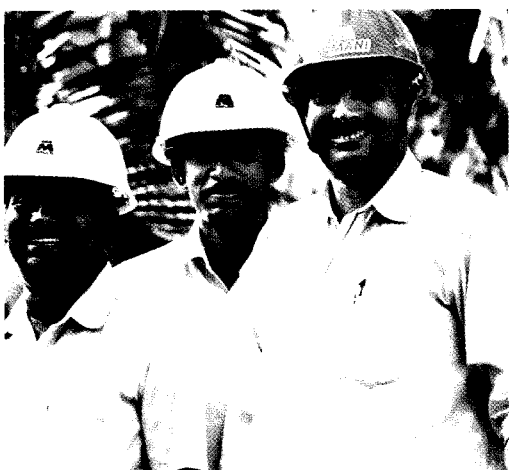




Empowered!

MALCO reinvents itself



The Madras Aluminium Company Limited | 50th Annual Report 2009-10

Forward-looking statement

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 'anticipates', 'estimates', '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 realised, 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*

Agnivesh Agarwal *Whole-time Director*

A.R. Narayanaswamy

Haigreve Khaitan

Arun Tadarwal

Ramesh Ramachandran Nair

Head – Operations

V. Krishnan

Head – Finance

C. Prabhakaran

Deputy Company Secretary and Compliance Officer

Aravind R Menon

Auditors

Deloitte Haskins & Sells

Bankers

HDFC Bank

ICICI Bank

Indian Bank

Standard Chartered Bank

State Bank of India

Registered Office and Works

Mettur Dam R.S. 636 402.

Salem Dist, Tamil Nadu

Phone: 04298 304309/348

Fax: 04298 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,

Madhapur,

Hyderabad – 500 081.

Phone: 040 44655000

Fax: 040 23420814

E-mail: einward.ris@karvy.com

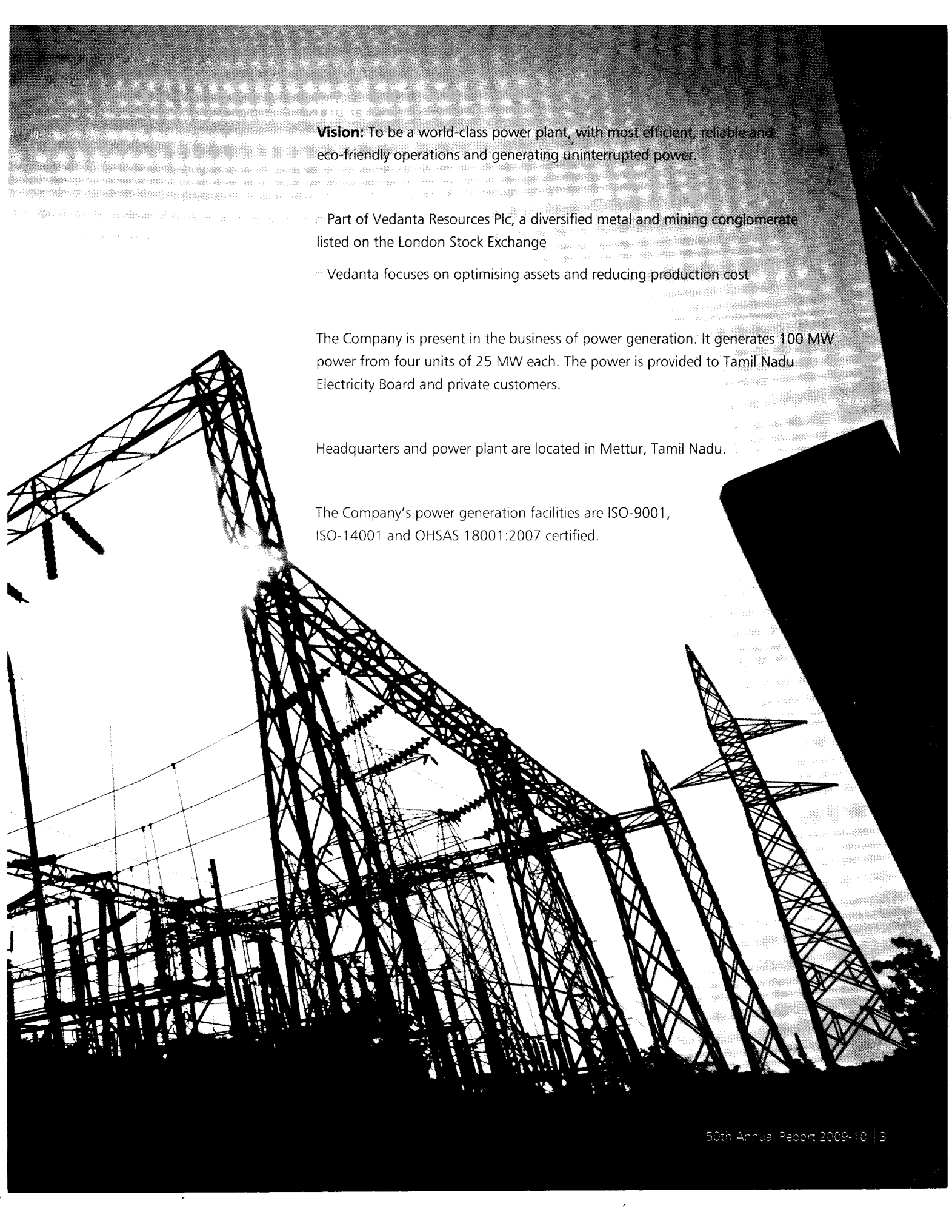
When aluminium realisations collapsed in the midst of the economic slowdown of 2008-09, MALCO prudently suspended metal production.

MALCO emerged stronger instead.

Because the Company evolved its business model from that of a high-cost aluminium producer to a margin-accretive power generator.

The result: 147% growth in EBIDTA and 220% jump in post-tax profit in 2009-10.

Creating the foundation of a new MALCO.



Vision: To be a world-class power plant, with most efficient, reliable and eco-friendly operations and generating uninterrupted power.

Part of Vedanta Resources Plc, a diversified metal and mining conglomerate listed on the London Stock Exchange

Vedanta focuses on optimising assets and reducing production cost

The Company is present in the business of power generation. It generates 100 MW power from four units of 25 MW each. The power is provided to Tamil Nadu Electricity Board and private customers.

Headquarters and power plant are located in Mettur, Tamil Nadu.

The Company's power generation facilities are ISO-9001, ISO-14001 and OHSAS 18001:2007 certified.

The Chairman's thoughts

"Prudent decision-making and opportunity identification helped MALCO strengthen its business growth."

Dear Shareholders,

It is a privilege to welcome you to the 50th Annual General Meeting of the Company. It gives me pleasure to share the highlights of your Company's performance in FY 2009-10. We are particularly delighted to have posted a robust financial turnaround and shown an exemplary resilience in adapting to the new power business model.

Change in business model

MALCO was primarily an integrated aluminium manufacturing company with a captive power plant. When global aluminium realisations plunged in 2008-09, the shortcoming of our manufacturing technology (Soderberg) was exposed, especially as it accounted for 30% costlier production over the contemporary pre-baked technology. A switch in technology would have entailed a significant investment, equivalent to that of creating a new production facility from scratch. Besides, this would have also entailed a significant capital expenditure on account of the need to graduate to higher scale economies in line with the prevailing standards. Besides, the non-renewal of leases to use bauxite mines made it uneconomical for the Company to source raw material from distant locations in a cost-effective manner.

In view of these realities, the Company considered it prudent to alter its business model from aluminium manufacture to power generation. There were a number of reasons behind this: aluminium manufacture by the Company had become unviable; power generation was viable even during the most challenging days of the slowdown. The Company grabbed this power sales opportunity and scaled generation by commissioning a new unit.

The Company has showcased in its power business, all the positive attributes that had been evident in aluminium manufacture: the ability to sweat assets, enhance operating efficiencies and pare costs. The result was that the Company posted a high plant load factor, translating into attractive financials for the year under review.

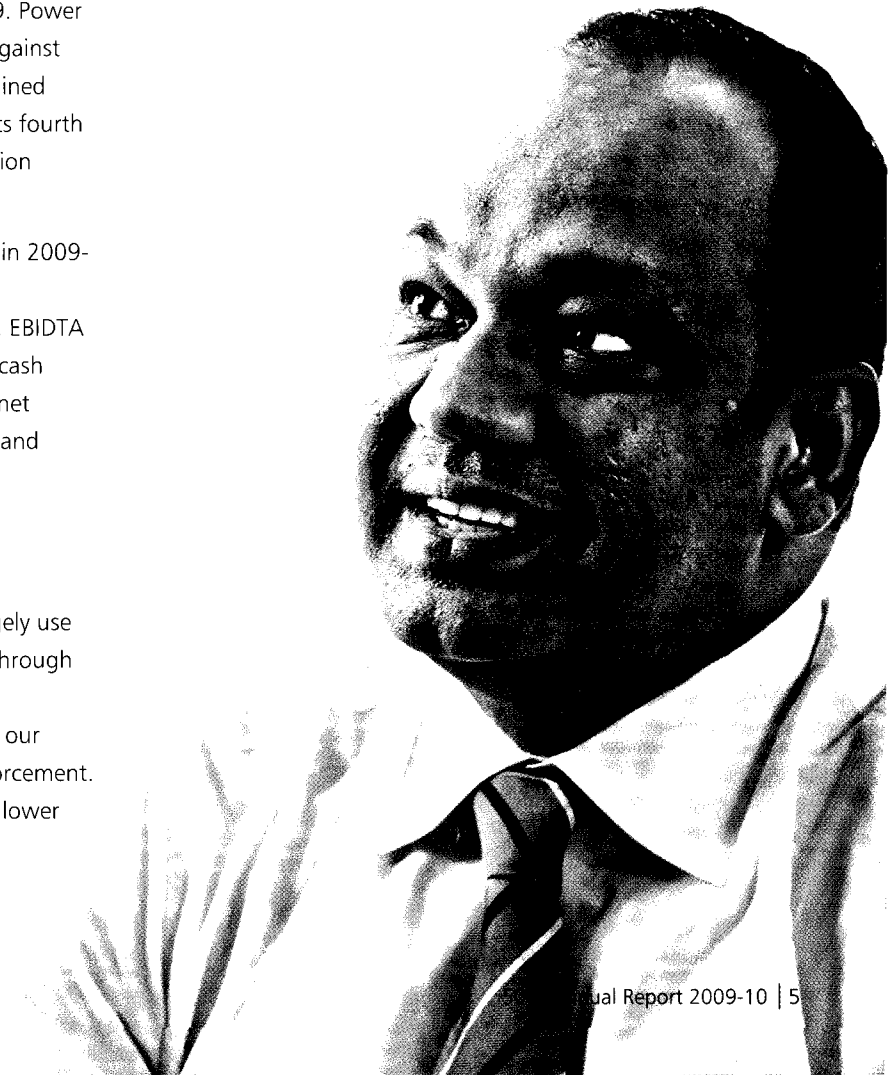
The Company generated 860 million units of power during 2009-10 compared with 704 million units in 2008-09. Power sales accounted for 771 million units in 2009-10 as against 225 million units in 2008-09. Encouraged by its sustained operational excellence, the Company commissioned its fourth power plant (25 MW), enhancing cumulative generation capacity to 100 MW.

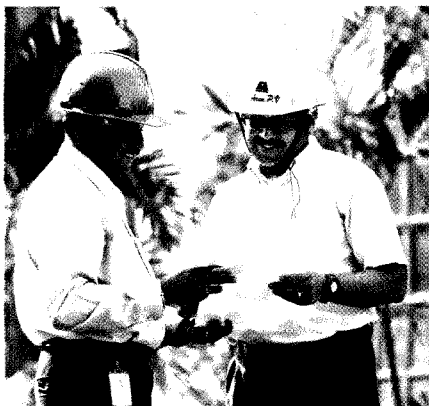
The result was that despite a near 5% topline decline in 2009-10 compared with 2008-09 (the Company reported aluminium sales in the first two quarters of 2008-09), EBIDTA strengthened by 147%, profit after tax by 220% and cash profit by 194 %. The Company's EBIDTA margin and net margin for 2009-10 strengthened 27.13 basis points and 21.83 basis points over the previous financial year.

Strengthening the power business

A culture of operational excellence is reflected in the Company's new business. Since our power plants largely use imported coal, we will secure our coal requirements through long-term contracts. As a further de-risking, we are graduating to the use of domestically sourced coal as our input of choice, with imports serving a back-up reinforcement. The peak performance of our power plant resulted in lower costs, higher efficiencies and lower downtime.

An important asset not reflected in our balance sheet is people. Over the years, we have built a meritocracy. We are in the process of manpower optimisation through benchmarking studies with leading power companies and with the Group's various power units.





Sectoral outlook

The sectoral outlook for power generation appears attractive from a generator's point of view. India's per capita power consumption of a low 704 KWh against a global average of 2,596 KWh is expected to correct as the country has targeted a per capita consumption of 1,000 KWh by the end of the Eleventh Five Year Plan. Besides, India's peak power deficit was an average 12.61% during 2009-10, which indicates room for several new large power plants to be commissioned. Tamil Nadu's power shortage was estimated at around 2,000-2,500 MW in 2009-10 with a peak power deficit of 1,400-3,400 MW between June 2010 and May 2011. This indicates that the Company is at the right place in the right sector at the right time.

Focus on people

An important asset not reflected in our balance sheet is people. Over the years, we have built a meritocracy. We are in the process of manpower optimisation through benchmarking studies with leading power companies and with the Group's various power units. We are training our people, building new leaders and making learning continuous.

Safety, health and environment

MALCO is a responsible corporate citizen. It is committed to

provide a safe and healthy workplace for employees. The Company focused on accident probability reduction that could injure, disable and affect life and property. There were two reportable accidents in 2009-10; the LTIFR (lost time injury frequency rate) was 1.94. As part of health initiatives, audiometric and eye testing was conducted for all power plant employees.

MALCO's environmental initiatives included the commissioning of a reverse osmosis plant with a capacity of 1330 m³/ day, wherein power plant waste water was recycled. The result was a zero liquid discharge during the year under review. During 2009-10, the Company posted its highest-ever red mud disposal of 1,23,308 MT and 36,131 MT of fly ash, mainly owing to new cement and brick manufacturing capacities added during the year. The Company was able to dispose 4,564 MT of bottom ash, earlier dumped as industrial waste, for the first time ever.

Corporate social responsibility

Corporate social responsibility represents the DNA of our Company, reflecting Vedanta's values. Over the last number of years, MALCO mapped community needs and espoused sustainable development in the field of health, education, livelihood, women empowerment and environment

Enhancing growth in the coming years

Enhance PLF

Focus on
long-term
contracts

Generate
additional power
through steam
utilisation

Focus on
cost reduction

management, amongst others. During 2009-10, the Company invested Rs. 47.10 lacs in CSR activities.

De-listing of shares

Aligned with our Group resolution to consolidate promoter holdings and simplify the Group structure, MALCO was delisted from the stock exchanges from June 19, 2009. Twinstar Holdings Limited, the promoter company, raised its shareholding to 94.46% of the outstanding equity shares through this delisting offer. The Company provided an attractive additional exit offer of Rs. 115 per share against SEBI's floor price of Rs.74.77 per share for residual shareholders. The remaining shares are held by Tamil Nadu Industrial Investment Corporation Limited and fragmented owners.

Road ahead

The emerging dynamics of the Indian power sector will require players to align their business models around project execution and operational efficiency.

Prospects appear favourable as GDP growth for 2010 and 2011 is estimated at 8-9% on the back of robust industrial growth, which will strengthen power demand.

In view of this, the Company is embarking on a number of

PLF-enhancing initiatives and entering into realisation-enhancing long-term contracts with third party customers.

Acknowledgements

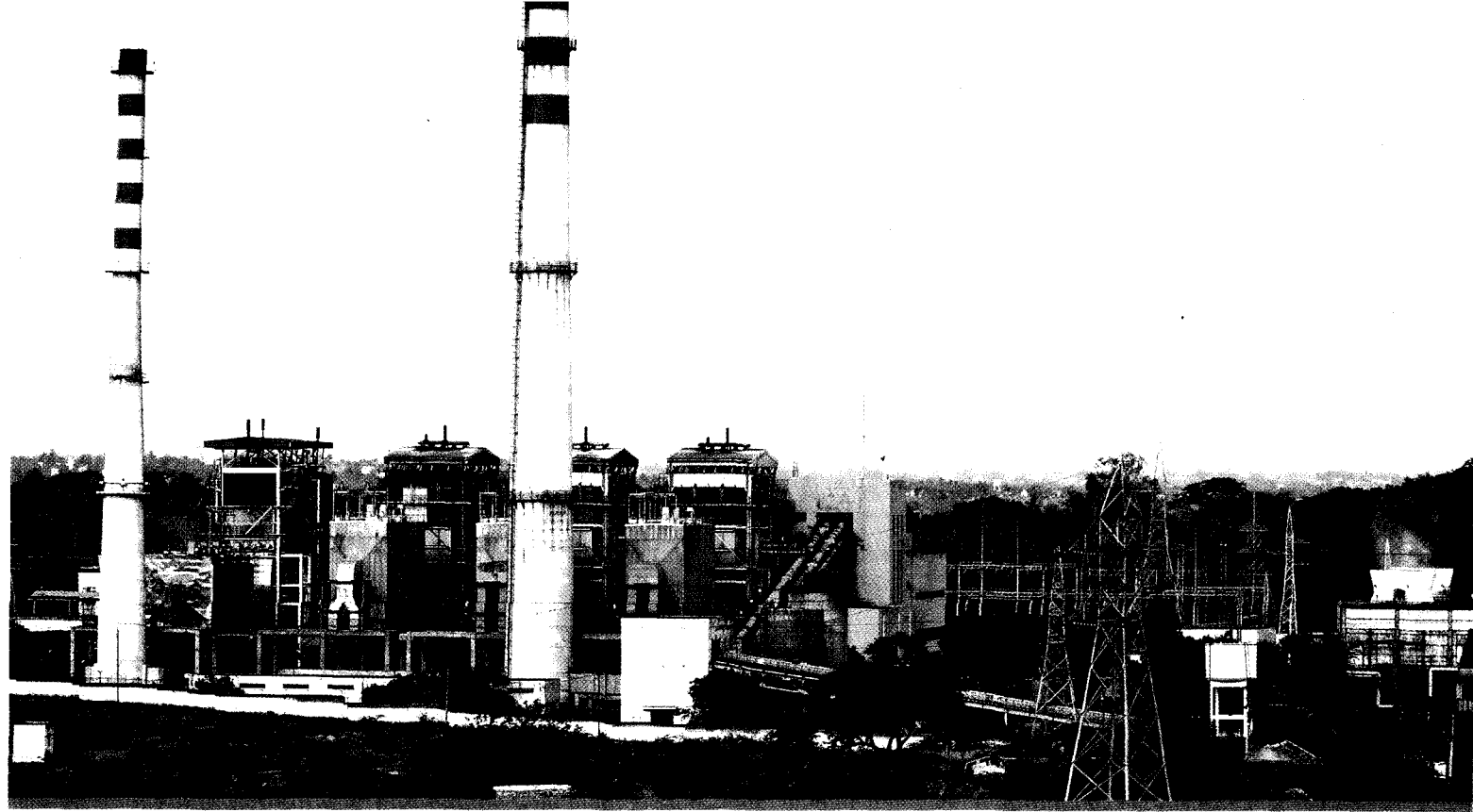
I am thankful to our shareholders, commercial banks and state government for reposing confidence in us. I am grateful to my Board colleagues for their invaluable counsel. I am sincerely grateful to our employees for their dedication in this critical phase of our business transformation. I am confident that your support for our corporate reinvention exercise will continue.

Sincerely,



Navin Agarwal
Chairman,

The Madras Aluminium Company Limited



Performance, 2009-10

