



**The Madras Aluminium Company Limited**  
51st Annual Report 2010-11

## 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 our 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.

## Contents

Corporate information	<b>01</b>	Corporate identity	<b>02</b>	Financial overview, 2010-11	<b>04</b>
The Chairman's thoughts	<b>06</b>	Our business	<b>10</b>	Touching lives	<b>12</b>
Report of the Board of Directors	<b>15</b>	Directors' profile	<b>24</b>	Shareholder information	<b>26</b>
Global Compact Principles: Communication of progress	<b>28</b>				
Financial section	<b>29</b>	Notice	<b>55</b>		

# Corporate information

## Board of Directors

Navin Agarwal *Chairman*  
Agnivesh Agarwal *Whole-time Director*  
A.R. Narayanaswamy  
Haigreve Khaitan  
Arun Todarwal  
Ramesh Ramachandran Nair

## Head – Operations

V. Krishnan

## Head – Finance

Kamal Jain

## 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](mailto:masec@vedanta.co.in)  
Website: [www.malco-india.com](http://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](mailto:einward.ris@karvy.com)

**From 2008 onwards, our business was threatened by rising power costs and unviable aluminium manufacture.**

**Rather than hope / wait / pray that things would improve, MALCO decisively transformed its business model from an aluminium producer to a power generator.**

### **Vision**

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

### **Parentage**

Part of the US\$ 11 billion Vedanta Resources Plc – a diversified metal and mining conglomerate listed on the London Stock Exchange.

### **Profile**

The Company is engaged in the business of power generation, marketing power to Tamil Nadu Electricity Board and private customers. The Company marketed around 821 units in 2010-11, a 6.44% increase over the previous financial year.

### **Existence**






Headquarters and power plant located in Mettur, Tamil Nadu.

### **Distinction**






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

# Financial overview, 2010-11






## Revenues (gross) (Rs. in million)

2006-07		4,029.56
2007-08		4,744.19
2008-09		4,920.77
2009-10		4,693.76
2010-11		4,339.96






## EBIDTA (Rs. in million)

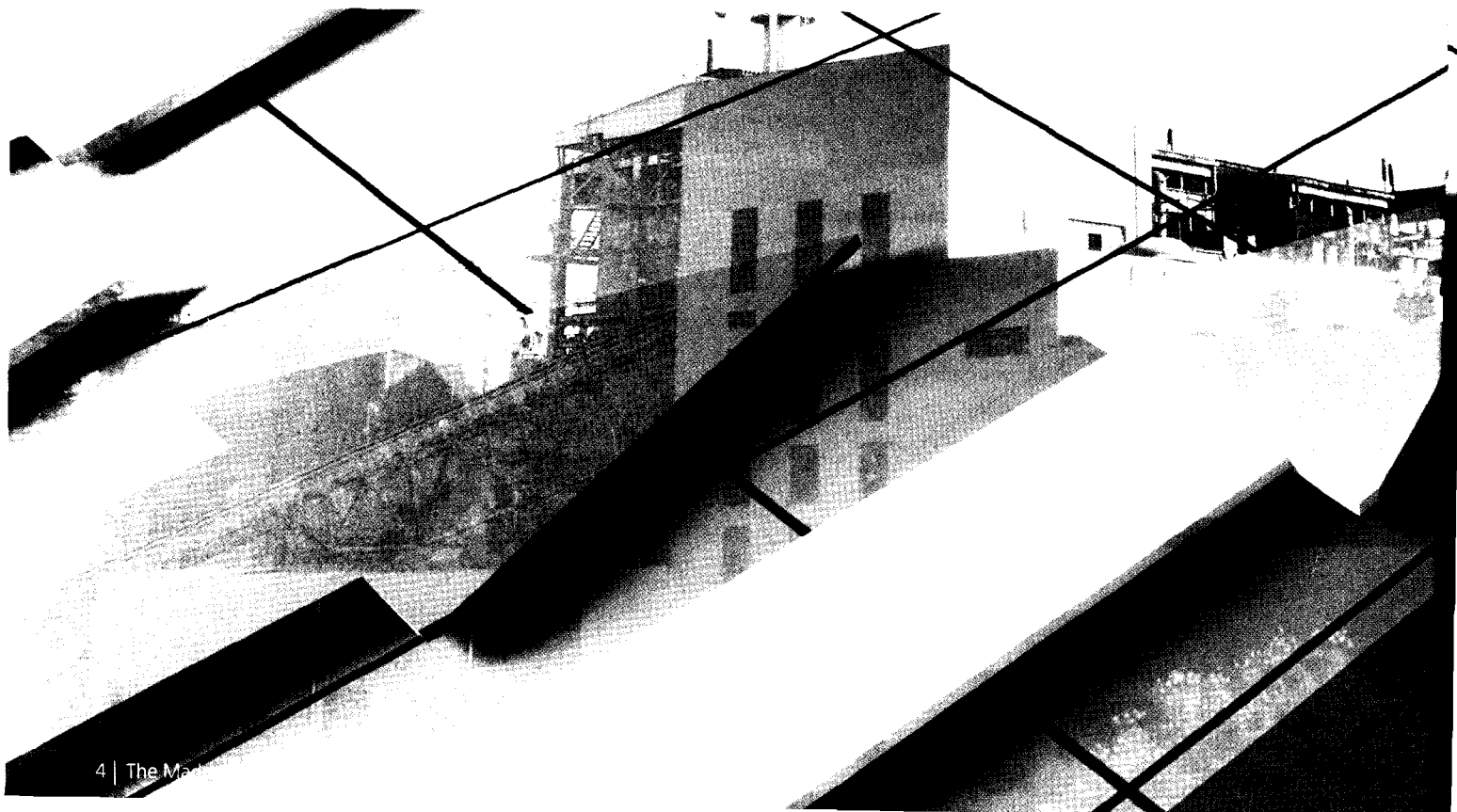
2006-07		1,707.94
2007-08		1,238.68
2008-09		920.13
2009-10		2,276.39
2010-11		1,499.28

## Post-tax profit (Rs. in million)






2006-07		1,353.56
2007-08		652.82
2008-09		458.64
2009-10		1,465.51
2010-11		1,875.62

## Cash profit (Rs. in million)






2006-07		1,531.75
2007-08		891.29
2008-09		659.19
2009-10		1,775.33
2010-11		1,140.68








### EBIDTA margin (%)

2006-07		40.79
2007-08		24.37
2008-09		17.56
2009-10		45.69
2010-11		32.24






### Net margin (%)

2006-07		36.17
2007-08		14.81
2008-09		9.05
2009-10		35.55
2010-11		25.52






### Gross block (Rs. in million)

2006-07		4,756.25
2007-08		5,048.34
2008-09		5,091.33
2009-10		6,039.91
2010-11		6,111.59






### Return on capital employed (%)

2006-07		34.28
2007-08		19.48
2008-09		13.17
2009-10		30.85
2010-11		17.40

### Earnings per share (basic)\* (Rs.)

2006-07		12.03
2007-08		5.80
2008-09		4.08
2009-10		13.03
2010-11		16.67

### Plant load factor (%)

2006-07		118.00
2007-08		118.00
2008-09		107.14
2009-10		103.33
2010-11		104.79

\* Due to sub-division of shares from Rs. 10 to Rs. 2, EPS has been restated for the year 2006-07 and 2007-08





“

**We demonstrated  
courage to change  
with speed and  
surety leading to  
sustainability.**

”

Mr. Navin Agarwal,  
Chairman, explains MALCO's  
transformation and indicates the road ahead

*Dear Shareholders,*

I welcome you to the 51st Annual General Meeting of the Company with an overriding message: our Company responded to the changing business dynamics with speed and surety, resulting in our business model generating attractive returns for our shareholders.



## Performance

In a business where the end product is in short supply, our performance has been satisfactory, deriving its strength from the production expertise that has endured across the decades.

Our performance during the year was largely influenced by the following factors:

- Imported coal prices increased more than 40% during the year
- We sweated our assets more efficiently resulted in an increase in plant load factor from 103.33% in 2009-10 to 104.8% in 2010-11

Your Company generated 918 MU of power during the year under review compared with 860 MU in the previous year. Power sales contributed to 821.18 MU compared with 771.47 MU in the previous year. Of the total power generated, 70% was marketed to the state electricity board while the rest was wheeled to third party consumers.

The result is visible in the financials: your Company posted an EBIDTA of Rs. 149.93 crore and a profit after tax (PAT) of Rs. 187.56 crore (including a deferred tax credit). Your Company's EBIDTA margin decreased from 45.69% in 2009-10 to 32.24%, mainly due to lower sales realisation and increased coal cost.

## Powering sector

The scenario for the power industry appears more encouraging than ever.

The 'Power for All by 2012' target by the government, when achieved, could result in around 1,000 Kwh (units) being consumed per capita. This indicates that increased power supply will not actually satiate demand for power in India, but catalyse it.

In view of this, the government provided the fiscal incentive for companies to invest in the sector. During Budget 2010-11, the government doubled Plan allocation for

**We sweated our assets more efficiently, raising plant load factor from 103.33% in 2009-10 to 104.80% in 2010-11.**



the power sector (excluding Rajiv Gandhi Grameen Vidyutikaran Yojana) from US\$ 501.30 million in 2009-10 to US\$ 1.20 billion in 2010-11. The Ministry of Power and Central Electricity Authority (CEA) projected a US\$ 4.30 billion power industry renovation and modernisation programme to extend the life of old power plants during the Eleventh and Twelfth Five Year Plans. This indicates a growing role for the country's power sector across the future.

### Our team

Your Company expects to capitalise on this national reality through maximised asset utilisation. In turn, this high asset sweating has been – and progressively will be – achieved through talent selection, training and retention. Our new recruits are trained under senior executives, accelerating their learning