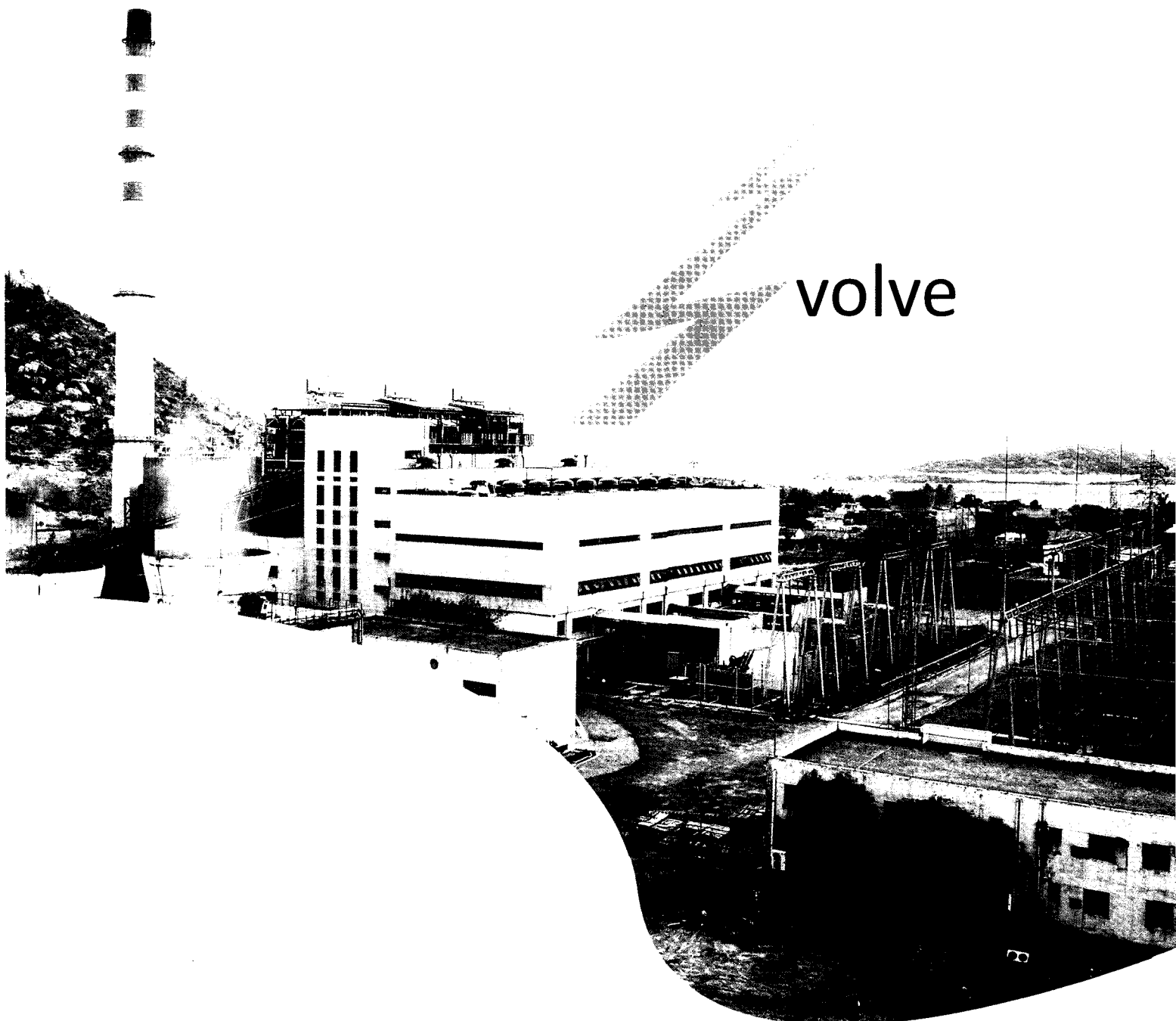


The Madras Aluminium Company Limited
52nd Annual Report 2011-12

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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.

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Board of Directors

Navin Agarwal	Chairman
Agnivesh Agarwal	Whole-time Director
P Ramnath.....	Additional Director
C Murugeswaran.....	Whole-time Director

Head — Operations

C Murugeswaran

Head — Finance

Kamal Jain

Deputy Company Secretary

M.Aruna

Auditors

Deloitte Haskins & Sells

Bankers

HDFC Bank

ICICI Bank

Indian Bank

State Bank of India

Registered Office and Works

Mettur Dam R.S. 636 402.

Salem Dist, Tamil Nadu

Phone: 04298 304309/350

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

Corporate

Information

Dear Shareholders,

It gives me great pleasure in welcoming you to the 52nd Annual General Meeting of the Company with a report on our performance during the year 2011-12. I am happy to inform you that your team at MALCO exemplified incredible strength and perseverance, amidst a year characterized by drastically changing business environment to bring us back on track.

Performance

The adverse macro environment conditions in the state coupled with rising cost of vital raw materials had its direct impact on the performance of the Company. The Company registered a reduction in its turnover by 29.5 % and accounted power sales of 518 MU compared to 821 MU in the previous year, a reduction of 29 %.

The cost of coal, vital raw material to the operations has been substantially higher at ₹ 7129 per MT compared to ₹ 5921/- per MT in the previous year, i.e 20 % higher which had its impact on the financial performance of the Company. Apart from higher coal prices in international market, an increase in logistics cost by around 33% and a constantly weakening rupee against dollar contributed to increase in cost of coal.

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Environment protection and societal well being are entwined with the core objectives of the Company.

To say the least, Vedanta has a rich tradition not only spearheading Industry Performance but also of 'Creating Happiness'.



Chairman,
The Madras Aluminium Company Limited



Sectoral Review

Tamil Nadu as a State is aspiring to become one of the top hub for investment in the country. The State is fast transforming and evolving into a major contributor to the GDP of the Country. To equip itself for the challenges ahead in infrastructure, various new-policies have been launched in the state to attract substantial investment.

Power remains on top of the agenda for the State in fruition of its endeavours, with shortage of electricity touching new peaks in 2011-12. Significant initiatives are anticipated in favour of the sector.

Fitch ratings stated that accomplishment of objectives set out in Tamil Nadu State Budget 2012 is contingent on strong economic growth and power sector performance. The State's economic projections may prove optimistic, which could lead to some fiscal slippage although this may partially be offset by the power sector's likely robust performance. In short, Power sector performance is pivotal for the state in achieving its economic projections.

In the coming fiscal year, MALCO plans to continue its role as a major player in the private segment in the State and play its part in the overall objective of the Government.

MALCO Family

At MALCO we believe that the most critical element of organization is its people. In consistent with our belief,

the most important asset - 'People', are given training across a host of arenas to harness their skills and keep abreast with current developments.


The success of an organization is keenly rooted in its employees. In 2011-12, the term employee engagement was redefined in the organization by hosting a plethora of events for employees to interact, socialize with togetherness. We take constant vigil in providing the right environment and training to our employees which helps everyone in the MALCO family to grow not only as a better professional but also at a personal level as a better individual.

Restructuring

In line with restructuring process for simplified holding structure (the Scheme) announced by Vedanta Group, MALCO is expected to become a part of Sesa Sterlite, a Company which is expected to be seventh largest global diversified natural resources major by EBITDA.

To 'quote', Mr. Anil Agarwal, Chairman of Vedanta,:

"Sesa Sterlite will be one of the largest global diversified natural resources major, supporting country's industrial growth. This transaction is a natural evolution, leading to simplification of the Group's structure. Sesa Sterlite will be the principal operating company in the group and with its high quality assets, growth projects and strong management; it is well placed to create value for all shareholders."



The merger is expected to synergize the operations of the Sesa Sterlite generating cost savings of about ₹ 1000 Crore per annum and result in accretive increase in shareholders earnings post merger.

The merger is consistent with the overall group strategy to simplify group structure and eliminate cross holdings. The whole process is expected to improve allocation of capital, enhance visibility of earnings and cash flows, provide broader access to capital at lower cost and create better tax efficiency. The resulting company will have a wider geographical footprint negating the constraints of operating in limited geography and associated risks involved in the process.

The resultant company is expected to catalyze India's growth story by providing access to metals domestically. Sesa Sterlite is expected to account for 80% of India's market share by sales volume for zinc, 40% of India's aluminium, copper and lead consumption and 20% of India's domestic crude oil production.

Sustainability

Environment protection and societal well being are entwined with the core objectives of the Company. Vedanta group has always been raising the benchmark and has been constantly re-defining corporate responsibility by investing profusely in development of people and their livelihood. To say the least, Vedanta has a rich tradition not only spearheading industrial performance but also of 'Creating Happiness'.

Safety of employees is given utmost


priority at MALCO. Various safety related awareness programs are organized at MALCO. There were no reportable accidents during the year 2011-12.

"The LTIFR (lost time injury frequency rate) stood at 0.00 compared with 1.36 in the previous year underlining the efforts of Company in safety front."

MALCO in line with the overarching objective of Sustainable development, has installed an Evaporator, which will convert the waste discharge from Reverse Osmosis (RO) plant to salt, enabling the Company to achieve zero liquid discharge and in-turn, contributing to the Company's sustainable initiatives. During 2011-12, the Company supplied 1,81,705 MT of red mud, 26,333 MT of fly ash and 5,346 MT of bottom ash to cement and brick manufacturing industries as a part of its responsible material allocation and commitment.

Future Outlook

Even in an environment where questions are raised to India's growth story by a dip in its ratings by S&P in April 2012, we are confident that India's growth story will continue and MALCO in its new form will fuel the growth to greater heights. The resultant company in the coming years is expected to contribute across umpteen number of areas, not only providing more tax revenue to the exchequer but also making significant contribution to energy efficiency front, crude oil production and access to metals domestically.



Acknowledgement

I must assure shareholders that, we have been proactively taking courageous decisions and have created our own methodologies to face economic uncertainties. We at the Board strongly feel that a restructure at this point of time is the need of the hour and will create unique competitive advantages for the Company and its stakeholders at large.

I am confident that with an experienced team of Board of Directors in variety of areas, and efficient team of management together with our competent employees we will be able to navigate through challenging times.

I am thankful to our shareholders, commercial banks and the Central &

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State government for their continued support and trust in our abilities. I extend my gratitude to my fellow Board members for their sincere support in taking timely decisions. Finally, I offer my sincere gratitude to the Company's employees for their perseverance and competence.

Sincerely,

Navin Agarwal

*Chairman,
The Madras Aluminium Company Limited*



Our merger to form Sesa Sterlite, though a bold move, is a prudently calculated and opportunely timed one with the intent to harness the gains accruing from this synergetic union.

Yes, we are in the midst of an evolutionary phase. Yes, we are evolving. And yes, we are confident that this evolution can be a game changer and would act as a catalyst, powering our growth momentum.



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MALCO is one of the largest private sector players in the State of Tamil Nadu, having a power generation capacity of 100 MW. Forgone fiscal was a challenging year for power sector at large in the state of Tamil Nadu. However, Company continued to strive to make the best of situation therein and had undertaken various initiatives for betterment of performance.

Achievements, 2011-12

- Utilization of low grade coal such as high moisture coal and lignite.
- Reduced auxiliary consumption by 3756 Units/Day by optimizing boiler feed pump scoop and by replacement of recirculation header valves and air pre heater lower bank.
- Replacement of Air Pre Heater in unit # 3 for reliable operations.
- Installation of Evaporator system for Zero discharge.
- Replacement of Governor Valve in Unit # 1 & 3.



Key initiatives planned for FY 2012-13

- Revamping boiler feed pumps to improve the reliability with common standby.
- Introduction of motor current signature analysis as a part of condition monitoring to support effective preventive maintenance.
- Replacement of Air Pre Heater in Boiler # 1 & 2.
- Installation of Static Excitation System in Unit #4.
- Replacement of Automatic Recirculation Valve in Boiler feed Pump for energy saving.
- Revamping circulating water pumps for auxiliary power reduction by 1440 Units/Day and enhancing cooling water system reliability.
- Revamping Unit#4 Coal feeders to improve plant load factor.
- Replacement of Governor Valve in Unit # 2.