

21st Annual Report 2001-2002



नालको  **NALCO**

A Company of global repute in Aluminium Sector

VISION

**To be a company of
global repute
in Aluminium Sector**

MISSION

**To achieve growth in business with
global competitive edge providing
satisfaction to the customers,
employees, shareholders and
community at large.**

National Aluminium Company Limited

BOARD OF DIRECTORS

CHAIRMAN-CUM-MANAGING DIRECTOR

Shri C. Venkataramana (w.e.f. 19.04.2002 A.N)

Shri S. C. Tripathi (upto 19.04.2002 A.N)

DIRECTORS

Smt. Adarsh Misra

Dr. S. Behuria

Shri S. K. Banerjee

Shri G. Upadhyaya

Shri B. N. Jha

Shri G. P. Gupta

Shri P. Mohapatra

EXECUTIVE DIRECTORS

Dr. R. C. Mohanty

Maj. A. Chowdhury

Shri S. K. Misra

Shri N. K. Jain

Shri S. D. Chouharia

Shri K. K. Mallick

Shri C. R. Pradhan

Shri B. S. Singh Deo

COMPANY SECRETARY

Shri K. N. Ravindra

BANKERS

State Bank of India

REGISTERED & CORPORATE OFFICE

NALCO BHAWAN,

Plot No. - P/1, Nayapalli,

Bhubaneswar - 751 013 (Orissa)

Tel : 301988-99

Fax : 0674-300470/300580/300677/300740

Website : www.nalcoindia.com

STATUTORY AUDITORS

Tej Raj & Pal

Chartered Accountants

1, Kalpana Square

Bhubaneswar - 751 014.

COST AUDITORS

M/s. S. S. Sonthalia & Co.

Cost Accountants

20 No. HIG Duplex

Shailashree Vihar

Bhubaneswar

CONTENTS

The Year at a glance	2
Expansion programmes and JRP with MISA for Romelt Technology.....	6
Directors' Report	9
Report on Corporate Governance	23
Management Discussion & Analysis Report	29
Review of Accounts by C&AG	30
Auditors' Report	33
Annual Accounts	35
Cash Flow Statement	57
Offices and Customer Contract Centres	60

The Year at a glance - 2001-2002

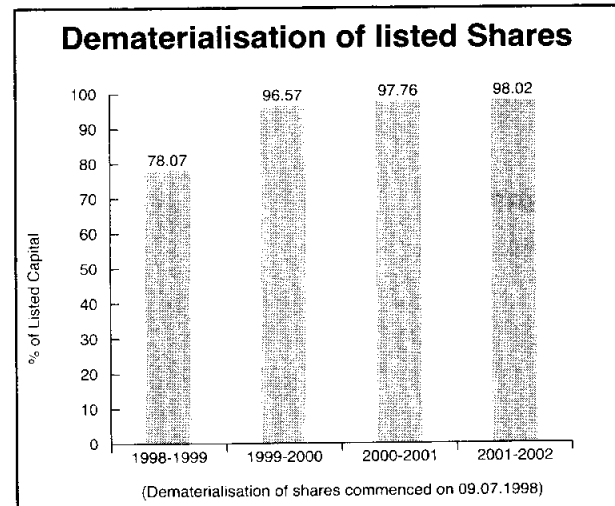
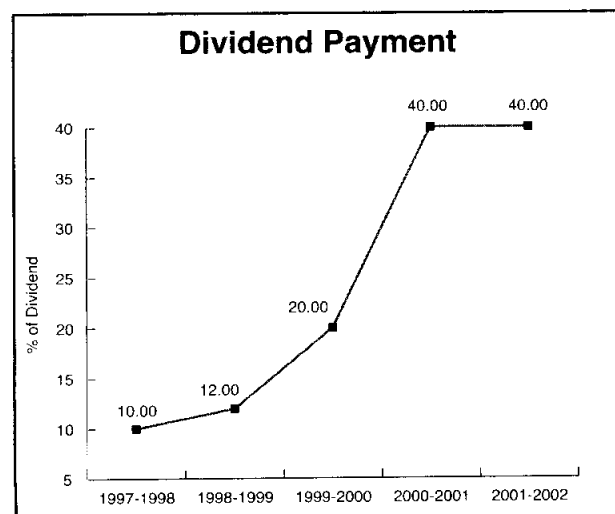
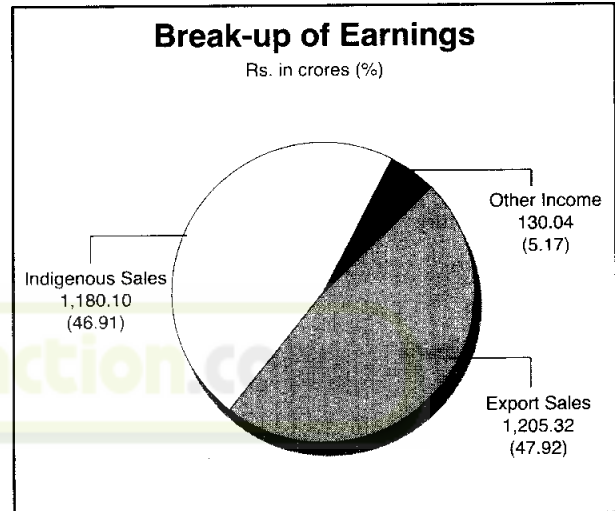
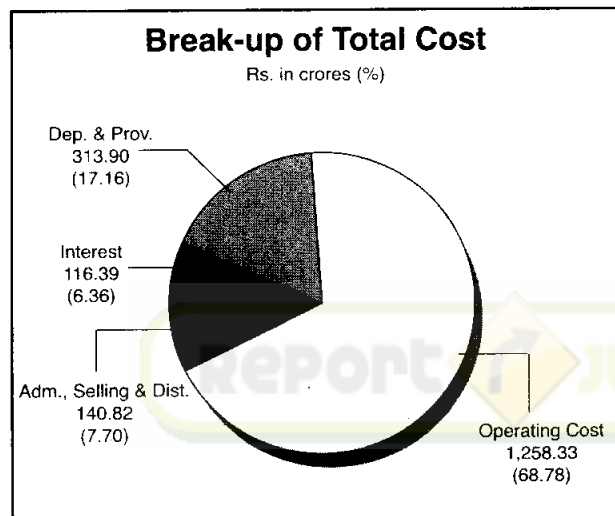
PHYSICAL

	Units	2001-2002	2000-2001
Bauxite mining	MT	35,22,059	28,34,189
Alumina production	MT	11,13,000	9,39,000
Aluminium production	MT	2,31,674	2,30,516
Power generation (net)	MU	3,970	3,833

FINANCIAL

	Units	2001-2002	2000-2001
Export Turnover	Rs. in Crore	1,220.71 *	1,314.20
Gross Sales	Rs. in Crore	2,400.81 *	2,408.60
Profit Before Tax	Rs. in Crore	525.61	843.37
Profit After Tax	Rs. in Crore	409.35	655.83
Earning Per Share	In Rs.	6.35	10.18
Book Value Per Share	In Rs.	50.06	55.44

* Inclusive of sale out of trial operation.



5 years performance at a glance - Physical

Sl. No.	Particulars	Units	2001-2002	2000-01	1999-2000	1998-99	1997-98
1.	Production :						
	Bauxite	MT	35,22,059	28,34,189	28,22,464	28,06,288	26,61,557
	Alumina	MT	11,13,000	9,39,000	8,86,000	8,94,500	8,83,300
	Aluminium	MT	2,31,674	2,30,516	2,12,663	1,46,206	2,00,162
	Power (net)	MU	3,970	3,833	3,985	3,588	3,902
2.	Export Sales :						
	Alumina	MT	6,70,120	4,95,723	4,79,620	6,10,940	4,79,801
	Aluminium	MT	1,06,282	1,18,868	95,185	39,865	55,475
3.	Domestic Sales :						
	Alumina/Hydrate	MT	6,297	4,124	8,027	6,151	5,119
	Aluminium	MT	1,23,095	1,14,082	1,20,171	98,573	1,40,660
	Power	MU	342	225	595	920	658

5 years performance at a glance - Financial

(Rs. in crore)

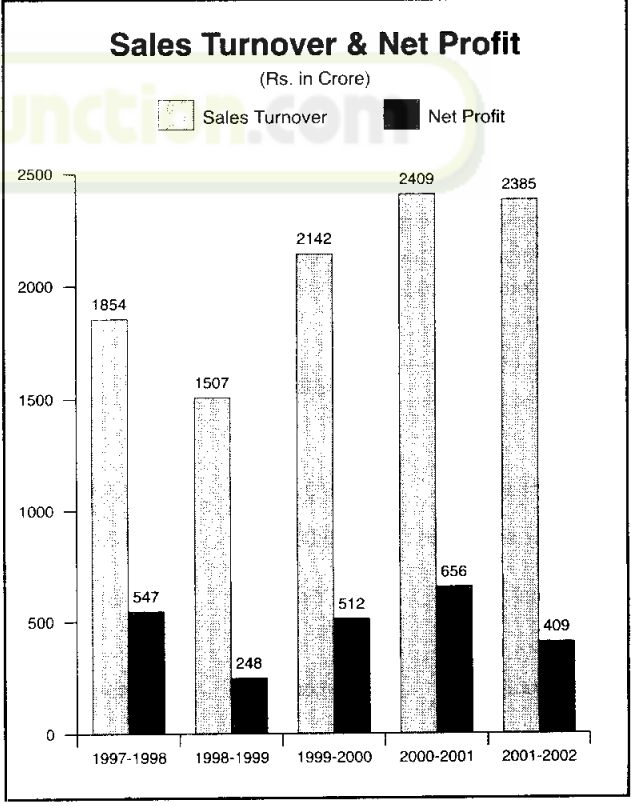
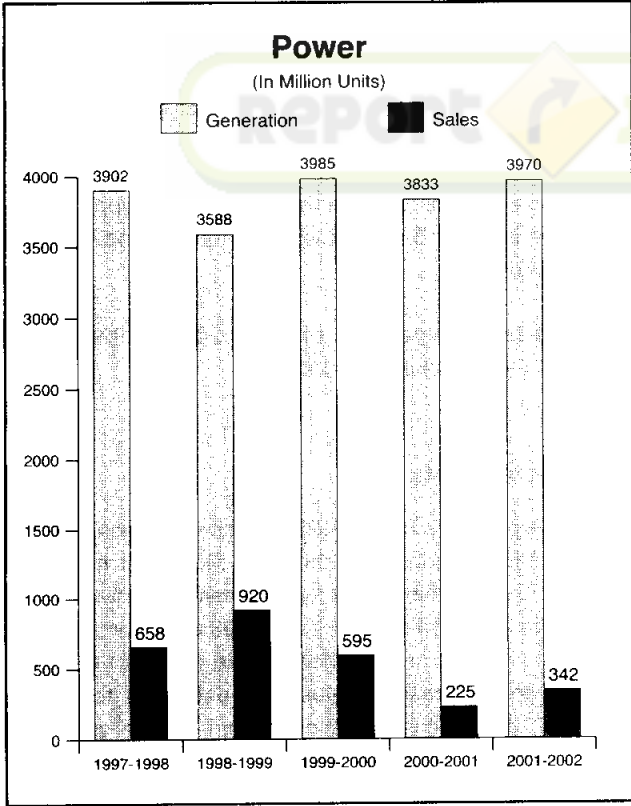
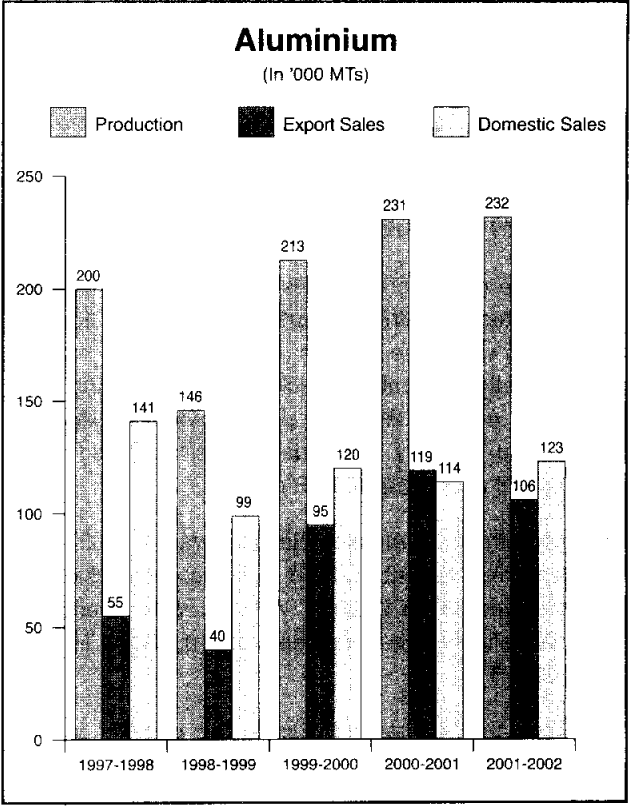
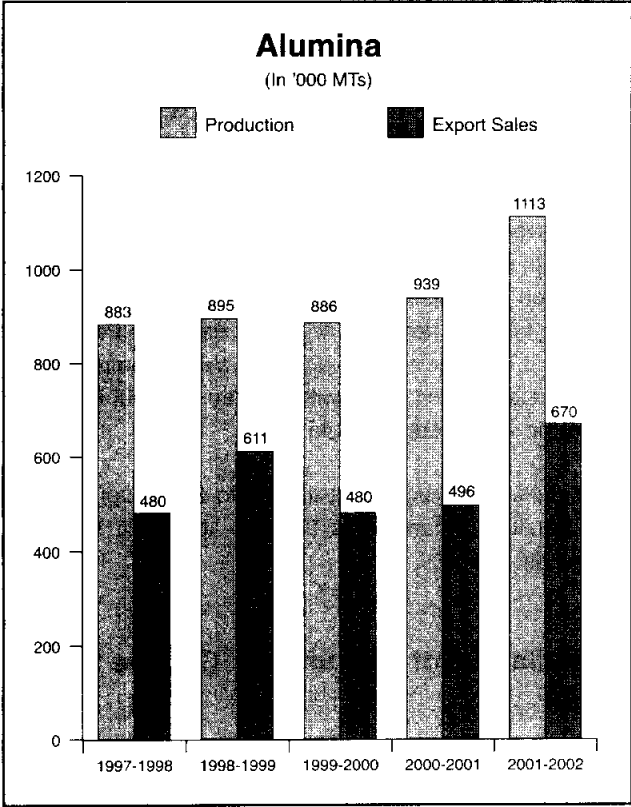
Sl. No.	Particulars	2001-2002	2000-01	1999-2000	1998-99	1997-98
A.	Income Statement :					
1.	Exports	1,205.32	1,314.20	1,031.64	632.17	679.48
2.	Domestic Sales	1,180.10	1,094.40	1,110.68	874.48	1,174.06
3.	Gross Sales (1+2)	2,385.42	2,408.60	2,142.32	1,506.65	1,853.54
4.	Less : Excise Duty	160.41	147.13	155.00	109.04	148.11
5.	Net Sales (3-4)	2,225.01	2,261.47	1,987.32	1,397.61	1,705.43
6.	Other Income :					
7.	Operating	108.21	126.09	93.62	82.20	10.24
8.	Non-operating	21.83	29.42	31.28	88.57	90.93
9.	Operating expenses	1,399.15	1,181.59	1,048.14	908.97	870.99
10.	Operating Profit (5+7-9)	934.07	1,205.97	1,032.80	570.84	844.68
11.	Interest & Financing charges	116.39	97.61	63.43	38.06	36.92
12.	Gross Margin (10+8-11)	839.51	1,137.78	1,000.65	621.35	898.69
13.	Depreciation and Amortisation	313.07	295.02	283.00	283.10	272.30
14.	Provisions	0.83	(0.61)	36.65	1.03	0.96
15.	Profit before Tax (PBT) (12-13-14)	525.61	843.37	681.00	337.22	625.43
16.	Provision for Tax	116.26	187.54	169.47	88.97	78.46
17.	Net Profit (PAT) (15-16)	409.35	655.83	511.53	248.25	546.97
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	1,288.62
19.	Reserves & Surplus	2,580.93	2,928.06	2,556.19	2,191.17	2,088.50
20.	Networth (18+19)	3,225.24	3,572.37	3,200.50	2,835.48	3,377.12
21.	Loans Outstanding	1,563.45	801.53	663.54	643.58	594.10
22.	Net Fixed Assets	2,889.62	2,140.06	2,251.99	2,379.45	2,545.35
23.	Net Current Assets	419.25	199.04	517.99	635.01	1,192.65
24.	Capital Employed (22+23)	3,308.87	2,339.10	2,769.98	3,014.46	3,738.00
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	41.98	53.33	51.97	40.84	49.53
26.	Net Profit Margin (%) (17/5*100)	18.40	29.00	25.74	17.76	32.07
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	12.37	28.04	18.47	8.24	14.63
28.	Return on Networth (RONW) (%) (17/20*100)	12.69	18.36	15.98	8.76	16.20
29.	Debt Equity (%) (21/20*100)	48.48	22.44	20.73	22.70	17.59
D.	Others :					
30.	Book value per share of Rs.10/- each (in Rs.)	50.06	55.44	49.67	44.01	26.21
31.	Earnings per share (in Rs.)	6.35	10.18	7.94	3.85	4.24
32.	Dividend declared (%)	40.00	40.00	20.00	12.00	10.00

Note : Paid-up Equity Capital was reduced by 50% by conversion into Debentures at face value w.e.f. 26.03.1999.

Reconciliation of Published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2001-2002

Sl. No.	Particulars	(Rs. in crore)						
		1st Quarter (Unaudited)	2nd Quarter (Unaudited)	3rd Quarter (Unaudited)	4th Quarter (Unaudited)	Total of four quarters	Variances	Full Year (Audited)
1	2	3	4	5	6	7	8	9
1.	Sales Turnover	591.99	527.34	593.10	673.24	2,385.67	(0.25)	2,385.42
2.	Other Income	33.92	34.27	35.87	41.20	145.26	5.96	151.22
3.	Total Expenditure	323.09	449.36	377.93	431.33	1,581.71	(0.97)	1,580.74
4.	Interest and Financing charges	24.34	26.33	30.54	32.06	113.27	3.12	116.39
5.	Depreciation & Provisions	74.66	77.43	80.49	78.09	310.67	3.23	313.90
6.	Profit before taxation (PBT)	203.82	8.49	140.01	172.96	525.28	0.33	525.61
7.	Provision for Taxation :							
	– Current Tax	49.22	3.05	30.59	38.18	121.04	1.84	122.88
	– Deferred Tax		(0.14)	(0.77)	(2.28)	(3.19)	(3.43)	(6.62)
	Sub total of 7	49.22	2.91	29.82	35.90	117.85	(1.59)	116.26
8.	Net Profit (PAT)	154.60	5.58	110.19	137.06	407.43	1.92	409.35
9.	Paid up Equity Share Capital	644.31	644.31	644.31	644.31	644.31		644.31
10.	Reserves excluding Revaluation Reserves					2,928.06 *		2,580.93
11.	Basic and diluted Earnings per share (Rs.) (Not annualised)	2.40	0.09	1.71	2.13	6.32		6.35
12.	Book value per share					55.44 *		50.06
13.	Aggregate of non-promoter shareholding :							
	Number of shares					8,28,09,993		8,28,09,993
	Percentage of shareholding					12.85		12.85

Note : * Subject to adjustment of dividend and tax thereon for 2001-2002



Expansion Programmes

EXPANSION OF M&R COMPLEX

The expansion of Bauxite Mines from 24,00,000 TPY to 48,00,000 TPY was completed on 29.12.1999.

The bauxite charging to the first debottlenecked stream was achieved on 26th May, 2000 and the same for the 2nd stream was done on 27th June, 2000. This marked the completion of Debottlenecking of the existing two streams of Alumina Refinery. Under Debottlenecking of the Alumina Refinery, the capacity has increased from 8,00,000 TPY to 10,50,000 TPY.

The third stream of Alumina Refinery was mechanically completed in September, 2001 and the commissioning was achieved on 15.12.2001. With this the capacity of Alumina Refinery has increased from 10,50,000 TPY to 15,75,000 TPY.

The Company has started reaping the benefits of this expansion. The expanded Alumina Refinery was dedicated to the Nation by the then Hon'ble Minister of Coal and Mines, Shri Ram Vilas Paswan on 18th April, 2002.

It is heartening to know that the Company has managed to fund the total expenditure of about Rs.1289.91 crore for this expansion proposal from internal resource only. It is expected that there will be a saving of about Rs. 250 crore in this expansion proposal from the approved cost of Rs.1665 crore after settlement of all account.

EXPANSION OF S&P COMPLEX

The approval for expansion of Aluminium Smelter and CPP at Angul has been conveyed by Government of India vide its letter dtd.03.02.98. The salient features of the expansion are :

	Smelter	CPP
Capacity		
– Existing	2,30,000 TPY	6 X120 MW
– After expansion	3,45,000 TPY	7 X120 MW
Project cost	Rs.1641.98 crore	Rs.420.00 crore
Project Duration	51 months	51 months
Project Completion	May, 2002	May, 2002

Smelter Expansion

The commissioning of Pots have started at site and 10 Pots have been commissioned by 31.08.2002. It is expected that the mechanical completion of the project will be achieved by December, 2002 with a delay of about 7 months from the approved schedule. Based on the present trends, it is expected that 120 Pots will be commissioned by February/March, 2003 with a delay of about 6 months from the approved schedule.

The present physical progress up to 20th August, 2002 for Smelter Expansion is 94.50% against a schedule progress of 100%.

Installation of 7th unit of Captive Power Plant

All the major packages/tenders have been awarded and the construction activities at site are in full swing.

There has been a delay of about 7 months in the ordering of the Main Power House package as one of the unsuccessful bidder went to the Orissa High Court. Considering a delivery period of 30 months the contractual completion of the 7th Unit is 14.07.2002, a delay of two months from the Government approved schedule.

However, the present progress indicates that the project is now going to be completed by September, 2002.

The main reasons of delay is the delay in supply of the equipment by M/s BHEL and some of the civil and structural contractors.

The present progress as of 20.08.2002 is 93.30% as against the schedule of 100%.

Financial Status

A total expenditure of Rs. 1433.64 crore has been incurred for S&P Expansion till 31.08.2002. Most of it has been funded through internal resource generation only. Further, out of the approved cost of Rs. 2061.98 crore commitments for Rs.1778.93 crore has been made as on 31.08.2002. Based on the present status, it is estimated that there will not be any cost variation except for the variations due to foreign exchange and other statutory levies.

Other Areas

The work in Township expansion and Rail Transport System are also progressing satisfactorily and it is expected that the same will be completed along with the Smelter and Power.

Installation of 8th unit of Captive Power Plant

The approval for installation of 8th unit of CPP at Angul was conveyed by Government of India vide its letter dated 14.02.2001 with an implementation schedule of 36 months. The schedule date of commissioning is 14.02.2004.

M/s. Dasturco are the consultant for this project also.

The order for Main Power House package has been placed on M/s. BHEL on repeat order basis with the same price. The time period for this package is 26 months.

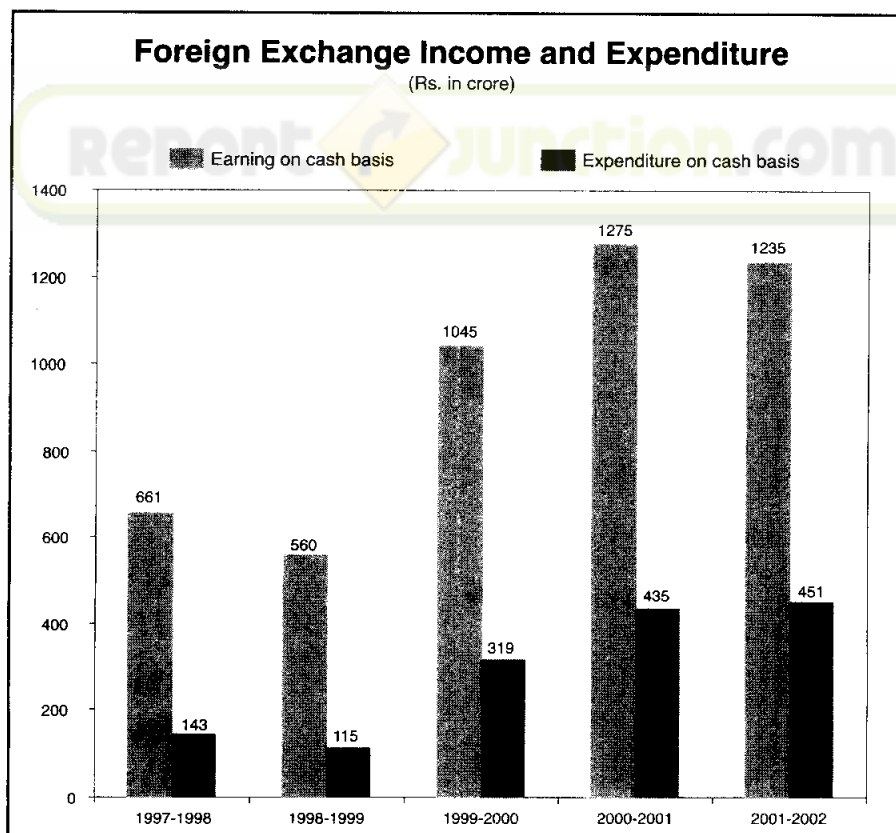
The order for Civil and Structural Works have also been placed and the site work is under progress. The ordering activities for other tenders/equipments are under way.

The approved capital cost for this project is Rs.480.00 crore. Against the same, a commitment of Rs. 287.08 crore and expenditure of Rs. 109.13 crore has been made till 31.08.2002.

JRP WITH MISA FOR ROMELT TECHNOLOGY

Moscow Institute of Steel and Alloys (MISA), Russia has developed & mastered a new Smelting Reduction Process for making liquid hot metal in association with Novolipetsk Iron & Steel Works (NLSW), Russia. The process is marketed under the name Romelt. From the special features of Romelt Process it is observed that the process has the potential to eliminate the disposal problem associated with Red Mud, boost Company's financial performance and being first in the world can help in earning revenue through technology supply route. In view of these features, an agreement was signed between NALCO, Moscow Institute of Steel and Alloys (MISA), Russia and Romelt SAIL India Limited (RSIL), New Delhi on 17th May, 2001 for undertaking a Joint Research Project (JRP) to establish suitability of the Romelt Process & to develop optimum technological indices for extraction of Iron from NALCO's Red Mud and preparation of Techno-Economic Feasibility Report (TEFR) for setting up of an optimal size commercial plant at a cost of Rs.123.66 lakhs which includes fees to MISA & RSIL, travel expenses and taxes/duties.

The Project is on schedule from the effective date of September, 2001. The TEFR, being on schedule, is expected to be submitted by MISA in March, 2003.



**NALCO'S VARIOUS PRODUCTION UNITS, THEIR
LOCATION & INSTALLED CAPACITIES**

1. Bauxite Mines	Panchpatmali	48,00,000	TPY
2. Alumina Refinery	Damanjodi	15,75,000	TPY
3. Smelter Plant	Angul	2,30,000	TPY
4. Captive Power Plant	Angul	720	MW
5. Port Facilities	Visakhapatnam	9,12,000	TPY
		(Alumina Export)	
		1,46,000	TPY
		(Caustic Soda Lye import)	

