

24th Annual Report 2004-05



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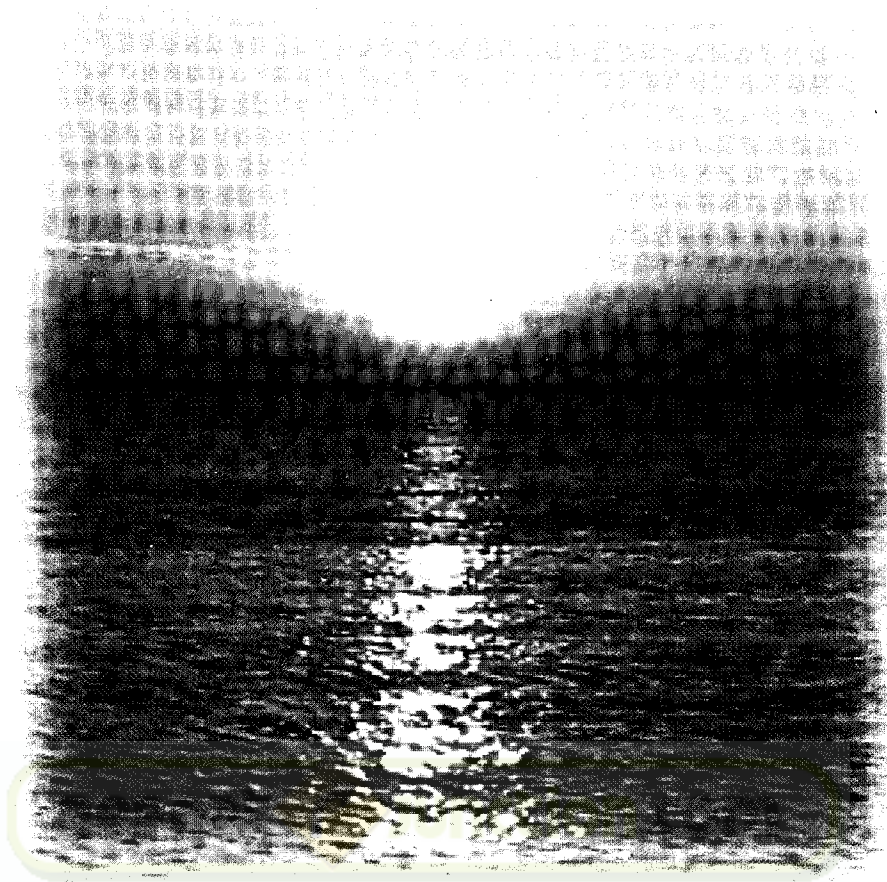
glorious years

मालको



MLCO

ordinary people extraordinary ideas



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

Shri C. Venkataramana
Shri C. R. Pradhan
Shri Harbhajan Singh
Shri V. K. Thakral
Shri S. C. Chhatwal
Shri K. K. Mallick
Shri A.R. Ray

CHIEF VIGILANCE OFFICER

Shri G. Kameswara Rao

EXECUTIVE DIRECTORS

Shri N. K. Jain
Shri B. S. Singh Deo
Shri P.K. Routray
Shri R. K. Maheswari
Shri A. Rath
Shri U. B. Patnaik
Shri A. Mahapatra

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: 2301988-99
Fax: 0674-2300470/2300580/2300677/2300740
Website: www.nalcoindia.com

STATUTORY AUDITORS

SRB & Associates
Chartered Accountants
IDCO Tower
Janpath, Bhubaneswar - 751 022

SECRETARIAL AUDITORS

T. K. Satapathy & Co.
Company Secretaries
Biswal Commercial Complex
Cuttack Road
Bhubaneswar - 751 006

Saroj Ray & Associates

Company Secretaries
737/19A, Jaydev Vihar
Bhubaneswar - 751 013

COST AUDITORS

Niran & Company
Cost Accountants
440, Sahid Nagar
Bhubaneswar - 751 007

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The Year at a glance - 2004 - 05

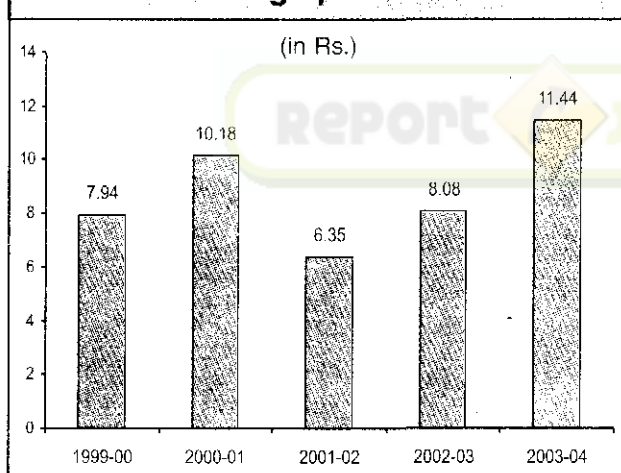
PHYSICAL

	Unit	2004-05	2003-04
Bauxite Mining	MT	48,51,726	48,16,762
Alumina Hydrate production	MT	15,75,500	15,56,100
Aluminium production	MT	3,38,483	2,98,207
Power generation (net)	MU	5,613	5,122

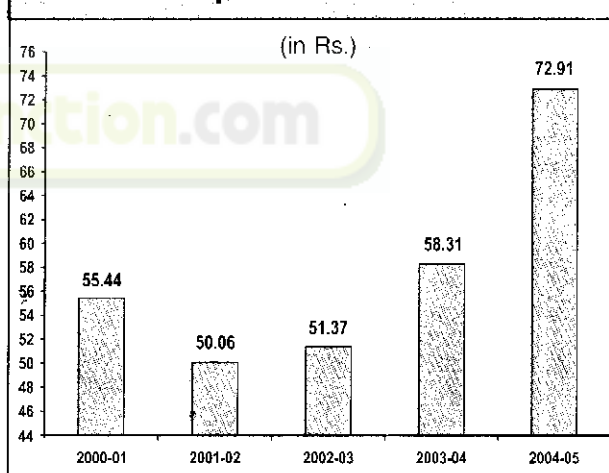
FINANCIAL

	Unit	2004-05	2003-04
Export Turnover	Rs. in crore	2,200.25	1,717.27
Gross Sales	Rs. in crore	4,439.99	3,348.57
Profit Before Tax	Rs. in crore	1,870.27	1,052.76
Profit After Tax	Rs. in crore	1,234.84	737.37
Earning Per Share	In Rs.	19.17	11.44
Book Value per Share	In Rs.	72.91	58.31
Dividend	In %	40.00	40.00

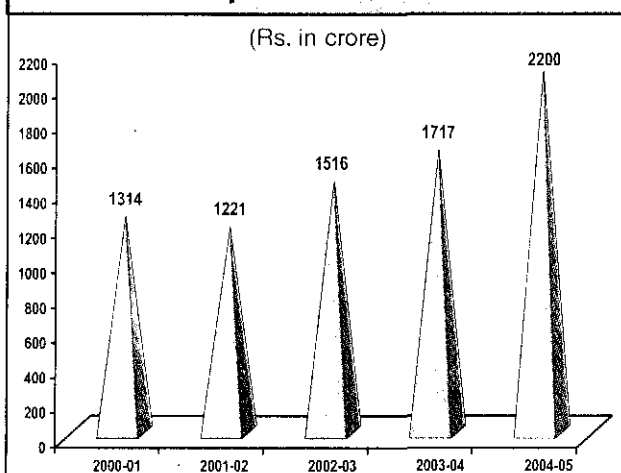
Earnings per Share



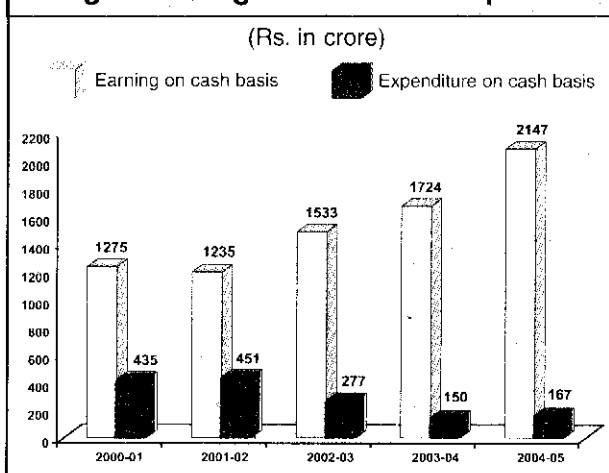
Book Value per share of Rs. 10/- each



Export Turnover



Foreign Exchange Income and Expenditure



5 years performance at a glance - Physical

Sl. No.	Particulars	Unit	2004-05	2003-04	2002-03	2001-02	2000-01
1	Production :						
	Bauxite	MT	48,51,726	48,16,762	47,77,003	35,22,059	28,34,189
	Alumina Hydrate	MT	15,75,000	15,56,100	14,80,600	11,13,000	9,39,000
	Aluminium	MT	3,38,483	2,98,207	2,44,708	2,31,674	2,30,516
	Power (net)	MU	5,613	5,122	4,291	3,970	3,833
2	Export Sales :						
	Alumina	MT	9,09,081	9,34,874	10,37,287	6,70,120	4,95,723
	Aluminium	MT	1,32,730	1,29,718	1,07,302	1,06,282	1,18,868
3	Domestic Sales :						
	Alumina/Hydrate	MT	21,177	17,784	11,190	6,297	4,124
	Aluminium	MT	2,05,797	1,66,650	1,35,193	1,23,095	1,14,082
	Power	MU	406	498	411	342	225

5 years performance at a glance - Financial

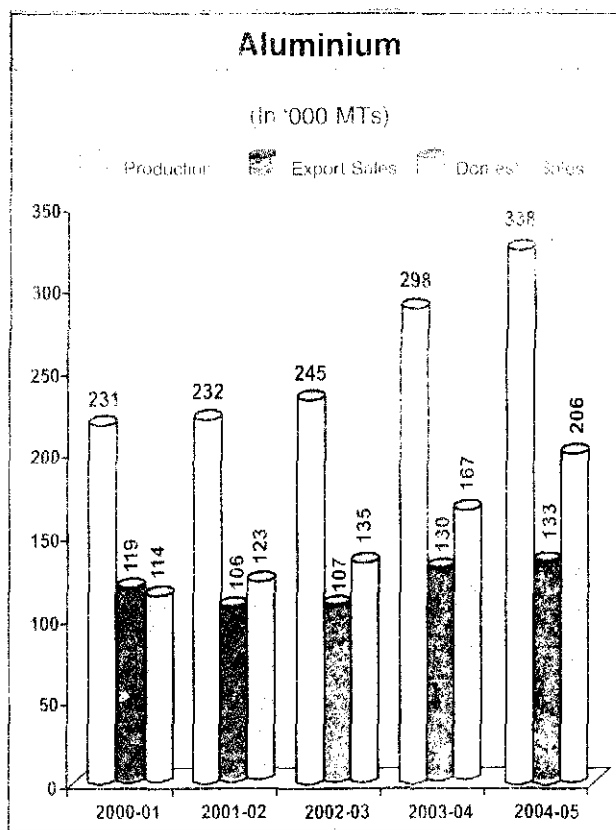
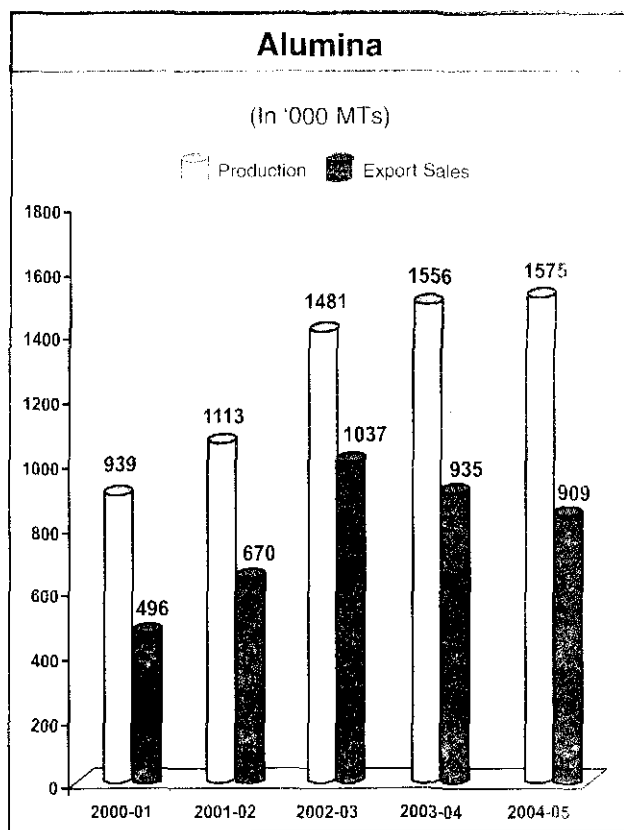
(Rs. in crore)

Sl. No.	Particulars	2004-05	2003-04	2002-03	2001-02	2000-01
A.	Income Statement :					
1.	Exports	2,200.25	1,717.27	1,500.65	1,205.32	1,314.20
2.	Domestic Sales	2,239.74	1,631.30	1,239.02	1,180.10	1,094.40
3.	Gross Sales (1+2)	4,439.99	3,348.57	2,739.67	2,385.42	2,408.60
4.	Less : Excise Duty	316.03	224.50	175.37	160.64	147.13
5.	Net Sales (3-4)	4,123.96	3,124.07	2,564.30	2,224.78	2,261.47
6.	Other Income :					
7.	Operating	174.13	131.16	186.55	129.39	130.56
8.	Non-operating	76.51	69.61	44.05	21.83	29.42
9.	Operating expenses	1,985.01	1,741.24	1,581.04	1,422.34	1,186.53
10.	Operating Profit (5+7-9)	2,313.08	1,513.99	1,169.81	931.83	1,205.50
11.	Earning before interest, dep. & taxes (EBIDT) (10+8)	2,389.59	1,583.60	1,213.86	953.66	1,234.92
12.	Interest & Financing charges	60.61	84.57	105.66	116.90	97.61
13.	Earning before dep. & taxes (EBDT) (11-12)	2,328.98	1,499.03	1,108.20	836.76	1,137.31
14.	Depreciation and Amortisation	458.71	446.27	360.15	313.07	295.02
15.	Profit Before Tax (PBT) (13-14)	1,870.27	1,052.76	748.05	523.69	842.29
16.	Provision for Tax	635.43	315.39	230.51	116.26	187.54
17.	Net Profit (PAT) (15-16)	1,234.84	737.37	517.54	407.43	654.75
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	644.31
19.	Reserves & Surplus	4,053.50	3,112.36	2,665.73	2,580.93	2,928.06
20.	Networth (18+19)	4,697.81	3,756.67	3,310.04	3,225.24	3,572.37
21.	Loans Outstanding	0.00	654.39	1,324.44	1,563.45	801.53
22.	Net Fixed Assets	4,139.00	3,903.48	3,712.95	2,889.62	2,140.06
23.	Net Current Assets	1,004.65	126.23	(5.10)	419.25	199.04
24.	Capital Employed (22+23)	5,143.65	4,029.71	3,707.85	3,308.87	2,339.10
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	56.09	48.46	45.62	41.88	53.31
26.	Net Profit Margin (%) (17/5*100)	29.94	23.60	20.18	18.31	28.95
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	24.01	18.30	13.96	12.31	27.99
28.	Return on Networth (RONW) (%) (17/20*100)	26.29	19.63	15.64	12.63	18.33
29.	Debt Equity (21/20)	0.00	17.00	40.00	48.48	22.44
D.	Others :					
30.	Book value per share of Rs.10/- each (in Rs.)	72.91	58.31	51.37	50.06	55.44
31.	Earnings per share (in Rs.)	19.17	11.44	8.03	6.32	10.16
32.	Dividend declared (%)	40.00	40.00	60.00	40.00	40.00

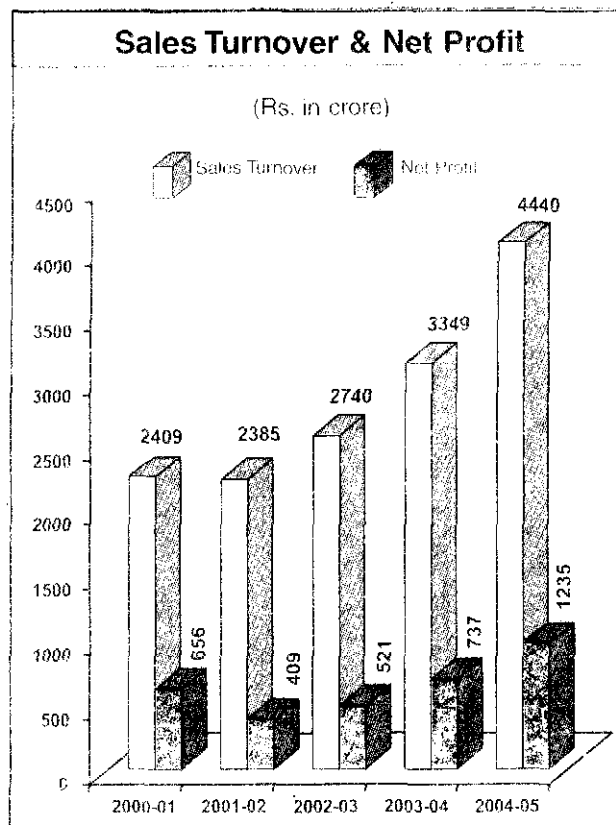
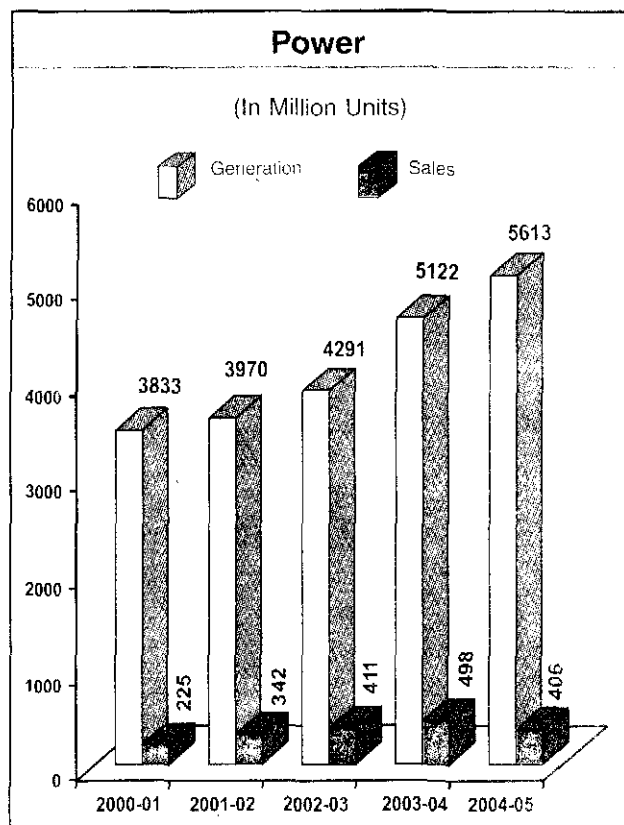
Reconciliation of Published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2004 - 05

(Rs. in crore)

Sl. No.	Particulars	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.	Gross Sales Turnover	891.35	1,062.26	1,171.95	1,312.41	4,437.97	4,439.99	2.02
	Less : Excise Duty	69.05	85.38	81.90	79.35	315.68	316.03	0.35
	Net Sales	822.30	976.88	1,090.05	1,233.06	4,122.29	4,123.96	1.67
2.	Other Income	41.67	58.88	40.78	101.89	243.22	250.64	7.42
3.	Total Expenditure	383.86	465.71	497.96	631.38	1,978.91	1,985.01	6.10
4.	Interest and Financing charges	17.25	17.30	15.06	10.88	60.49	60.61	0.12
5.	Depreciation & Provisions	113.07	113.48	117.87	119.75	464.17	458.71	(5.46)
6.	Profit Before Tax (PBT)	349.79	439.27	499.94	572.94	1,861.94	1,870.27	8.33
7.	Provision for Tax	130.76	163.77	193.87	151.11	639.51	635.43	(4.08)
8.	Net Profit (PAT)	219.03	275.50	306.07	421.83	1,222.43	1,234.84	12.41
9.	Paid-up Equity Share Capital	644.31	644.31	644.31	644.31	644.31	644.31	—
10.	Earnings per share (Rs.) (Not annualised)	3.40	4.28	4.74	6.55	18.97	19.17	—
11.	Aggregate of non-promoter shareholding :							
	Number of shares	—	—	—	—	8,28,09,993	8,28,09,993	—
	Percentage of shareholding	—	—	—	—	12.85	12.85	—



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NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Company will be held on Friday, the 30th September, 2005 at 11.00 A.M. at NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar - 751 013 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, audited Balance Sheet as on 31st March, 2005 and the Profit & Loss Account for the year ended 31st March, 2005 together with the reports of the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri S.C.Chhatwal, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4. Appointment of Shri V. K. Thakral as Director, whose period of office is liable to be determined by rotation.

To consider and if thought fit, to pass the following resolution as an ordinary resolution with or without modification(s) :

"RESOLVED THAT Shri V. K. Thakral be and is hereby appointed as a Director of the Company, whose period of office is liable to be determined by rotation in terms of Order No.2(1)/2004-Met.I dtd.18.11.2004 of Government of India."

5. Appointment of Shri C. R. Pradhan as Director, whose period of office is liable to be determined by rotation.

To consider and if thought fit, to pass the following resolution as an ordinary resolution with or without modification(s) :

"RESOLVED THAT Shri C. R. Pradhan be and is hereby appointed as a Director of the Company, whose period of office is liable to be determined by rotation in terms of Order No.2(1)/2003-Met.I dtd. 21.12.2004 of Government of India."

"FURTHER RESOLVED THAT appointment of Shri C. R. Pradhan as such shall not be deemed to constitute a break in his appointment as a whole time Director."

6. Appointment of Shri K.K. Mallick as Director, whose period of office is liable to be determined by rotation.

To consider and if thought fit, to pass the following resolution as an ordinary resolution with or without modification(s) :

"RESOLVED THAT Shri K.K. Mallick be and is hereby appointed as a Director of the Company, whose period of office is liable to be determined by rotation in terms of Order No.2(2)/2003-Met.I dtd. 28.01.2005 of Government of India."

"FURTHER RESOLVED THAT appointment of Shri K.K. Mallick as such shall not be deemed to constitute a break in his appointment as a whole time Director."

7. Appointment of Shri A. R. Ray as Director, whose period of office is liable to be determined by rotation.

To consider and if thought fit, to pass the following resolution as an ordinary resolution with or without modification(s) :

"RESOLVED THAT Shri A. R. Ray be and is hereby appointed as a Director of the Company, whose period of office is liable to be determined by rotation in terms of Order No.2(2)/2004-Met.I dtd. 10.02.2005 of Government of India."

"FURTHER RESOLVED THAT appointment of Shri A. R. Ray as such shall not be deemed to constitute a break in his appointment as a whole time Director."

8. Fixation of remuneration of Statutory Auditors.

To consider and if thought fit, to pass the following resolution as an ordinary resolution with or without modification(s) :

"RESOLVED THAT pursuant to sub-clause (aa) of Section 224(8) of the Companies Act, 1956 as amended, the Board of Directors of the Company be and are hereby authorised to fix a suitable remuneration for the Statutory Auditors of the Company for the financial year 2005-06 as may be mutually agreed upon between the Board of Directors and the Statutory Auditors of the Company, on their appointment by the Comptroller and Auditor General of India (C&AG)."

By order of the Board



(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 22.08.2005

Notes:

- (a) Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 4, 5, 6, 7 & 8 set out above are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 27th September, 2005 to Friday, the 30th September, 2005 (both days inclusive).
- (d) If dividend on shares as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made within 30 days of its declaration to those shareholders, whose names appear :
 - i) as Beneficial Owners as at the end of the business on 26th September, 2005 as per the beneficial owners position to be downloaded by NSDL & CDSL in respect of the shares held in the electronic form and

- ii) as members in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company on or before 26th September, 2005.
- (e) Details of Directors seeking re-appointment/appointment as new directors in this Annual General Meeting are attached separately to the Notice.
- (f) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend from the financial year 1997-1998 onwards and debenture interest from 1999-2000 onwards, which remain unpaid or unclaimed for a period of seven years will be transferred by the Company to the **Investor Education and Protection Fund** established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The unpaid or unclaimed dividend for the financial year 1997-1998 remaining at the credit of the Unpaid Dividend Account of the Company is due for transfer to the aforesaid Fund on or before 13.12.2005. The details of unpaid or unclaimed dividend and interest on 14.5% NCDs are available in the Company's website www.nalcoindia.com. Members who have not so far received their dividend/interest are requested to make a claim in writing to the Company and also those who have not encashed their dividend warrants so far are requested to make a claim by writing and sending the original Dividend Warrants to the Company. **No claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**
- (g) Members holding shares in physical form, are requested to notify immediately, change in their address in block letters with PIN CODE and/or change in their Bank particulars, if any, to the Registered Office of the Company, quoting their Folio Number. Members holding shares in electronic form are requested to notify their change of address and/or bank particulars to their respective Depository Participants (DPs) only.
- (h) As per the provisions of the Companies Act, 1956, facility for making nominations is available to shareholders in respect of the shares held by them. In case shares are held in electronic form, registration of nomination has to be done with the respective Depository Participants (DPs) only without referring the matter to the Company. Nomination Forms (Form 2B) if needed, can be obtained from the Registered Office of the Company. This form can also be downloaded from the Company's website www.nalcoindia.com.
- (i) The Company provides the facility of centralised ECS (Credit Clearing) to the shareholders, holding shares in electronic and physical forms, residing in the following 15 designated centers of Reserve Bank of India for payment of dividend as per Notification No. F.No.5/99-CL.V; General Circular No. 5/2002, dtd. 01.03.2002 of Department of Company Affairs :

Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

Shareholders holding shares in physical form and residing in any of the above locations, may authorize the Company with their ECS mandate in the prescribed form for payment of dividend through ECS on or before 30th September, 2005. A blank ECS Mandate form is attached herewith for use by such shareholders. This form can also be downloaded from the Company's website www.nalcoindia.com. The mandate given by the shareholder would be used for all future payments unless amended / withdrawn / rejected by RBI for any reason. Those who have already given their ECS mandate earlier need not send their ECS mandate again unless there is any change in their bank particulars.

Shareholders holding shares in electronic form, residing in any of the above 15 designated centers of Reserve Bank of India, may please note that the Company will use the 9 digit MICR Code along with Bank particulars, as downloaded by their respective Depositories, for the purpose of payment of dividend through ECS.

- (j) Members holding shares in electronic form may please note that their bank details as downloaded by the respective Depositories to the Company will be printed on their dividend warrants/used for making payment of dividend through ECS as per the applicable regulations of the Depositories. However, if there is any change in their Bank particulars and/or change in address after the date of download of beneficial owners position by the Depositories but before the date of despatch of dividend warrant/demand draft/ECS credit, the Company may consider such requests provided that such requests are received through their respective Depository Participants, duly certified by them. Further, instructions, if any, already given to the Company by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give fresh instructions regarding particulars of their bank accounts and address in which they wish to receive dividend, to their respective Depository Participants only.
- (k) It is observed that some of the shareholders are still holding the pre-capital restructured shares. The Company has been giving circulars / reminders to surrender such old pre-capital restructured shares for issuing corresponding new series of shares. Shareholders may please note that these old shares can neither be traded in the market nor can be dematerialized. Shareholders holding such old shares are requested to surrender the certificates to the Company so that new series of shares and cash refund, if any, as per entitlement may be issued to them.

The Company has created a dedicated e-mail Id in the name and style of investorservice@nalcoindia.co.in for exclusive shareholder/investor related correspondence/grievances for prompt and efficient investor service by the Share Registry of the Company. Shareholders/Investors are requested to send their queries/complaints through this e-mail Id for quick and prompt reply from the Company.

ANNEXURE TO NOTICE

Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 4 :

Shri V. K. Thakral was inducted to the Board as an Additional Director of the Company w.e.f. 18.11.2004. In terms of Section 260 of the Companies Act, 1956, Shri Thakral holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with the prescribed deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Thakral as Director of the Company, whose period of office is liable to be determined by rotation.

Shri Thakral is an IAS Officer and at present is serving as Joint Secretary in the Ministry of Mines, Government of India. He is also holding Directorship in Hindustan Copper Limited. Your directors feel that his association with the Board will be in the interest of the Company. It is considered desirable that the Company should continue to avail his services as a director and recommend this resolution for approval of the shareholders.

None of your directors except Shri Thakral, whose appointment is proposed herein, is interested in the proposed resolution.

Item No.5

Shri C.R. Pradhan was inducted to the Board as an Additional Director of the Company w.e.f. 21.12.2004. In terms of Section 260 of the Companies Act, 1956, Shri Pradhan holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with the prescribed deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Pradhan as Director (Projects & Technical) of the Company, whose period of office is liable to be determined by rotation.

Shri Pradhan is a BE in Electrical and is presently serving as Director (Projects & Technical) in NALCO. He is also holding additional charge of Chairman-cum-Managing Director with effect from 01.02.2005. Before joining NALCO as a Director, he was working as Executive Director (Mines & Refinery) of the Company. He does not have directorship in any other Company. Your directors feel that his association with the Board will be in the interest of the Company. It is considered desirable that the Company should continue to avail his services as a director and recommend this resolution for approval of the shareholders.

None of your directors except Shri Pradhan, whose appointment is proposed herein, is interested in the proposed resolution.

Item No. 6:

Shri K. K. Mallick was inducted to the Board as an Additional Director of the Company w.e.f. 28.01.2005. In terms of Section 260 of the Companies Act, 1956, Shri Mallick holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with the prescribed deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Mallick as Director (Commercial) of the Company, whose period of office is liable to be determined by rotation.

Shri Mallick is a BE in Mechanical and is presently serving as Director (Commercial) in NALCO. Before joining NALCO as a Director, he was working as Executive Director (Marketing) of the Company. He does not have directorship in any other Company. Your directors feel that his association with the Board will be in the interest of the Company. It is considered desirable that the Company should continue to avail his services as a director and recommend this resolution for approval of the shareholders.

None of your directors except Shri Mallick, whose appointment is proposed herein, is interested in the proposed resolution.

Item No. 7 :

Shri A. R. Ray was inducted to the Board as an Additional Director of the Company w.e.f. 10.02.2005. In terms of Section 260 of the Companies Act, 1956, Shri Ray holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with the prescribed deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Ray as Director (Personnel & Administration) of the Company, whose period of office is liable to be determined by rotation.

Shri Ray is a BE in Electrical and is presently serving as Director (Personnel & Administration) in NALCO. Before joining NALCO as a Director, he was working as Executive Director (Smelter & Power) of the Company. He does not have directorship in any other Company. Your directors feel that his association with the Board will be in the interest of the Company. It is considered desirable that the Company should continue to avail his services as a director and recommend this resolution for approval of the shareholders.

None of your directors except Shri Ray, whose appointment is proposed herein, is interested in the proposed resolution.

Item No. 8 :

As per the amended Section 619(2) of the Companies Act, 1956 Auditors of a Government Company are appointed or re-appointed by the Comptroller and Auditor General of India (C&AG).

As per sub-clause (aa) of Section 224(8) of the Companies Act, 1956 the remuneration of an auditor appointed under Section 619 of the Companies Act, 1956 by C&AG, shall be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine.

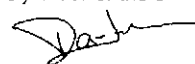
Members in the 23rd Annual General Meeting held on 28.09.2004 had authorised the Board of Directors of the Company to fix a suitable remuneration to be paid to the Statutory Auditors of the Company as may be mutually agreed upon between the Board of Directors and Statutory Auditors of the Company on their appointment by C&AG for the financial year 2004-05. Accordingly, the Board of Directors, on the recommendation by the Audit Committee has fixed Rs.7,00,000/- plus reimbursement of out of pocket expenses as the remuneration of Statutory Auditors for the year 2004-05.

Statutory Auditors have not been appointed by C&AG for the financial year 2005-06 so far. Shareholders may authorise the Board of Directors of the Company to fix a suitable remuneration to be paid to the Statutory Auditors of the Company as may be mutually agreed upon between the Board of Directors and Statutory Auditors of the Company on their appointment by C&AG for the financial year 2005-06.

Your Directors, therefore, recommend this Ordinary Resolution authorizing the Board for fixation of the remuneration of the Statutory Auditors of the Company on their appointment.

None of your Directors is interested in the proposal.

By order of the Board



(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 22.08.2005