

25th Annual Report 2005 - 2006

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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

Dr. Pradeep Kumar

Shri V. K. Thakral

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 U. B. Patnaik

Shri P. K. Parida

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

737/10, 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

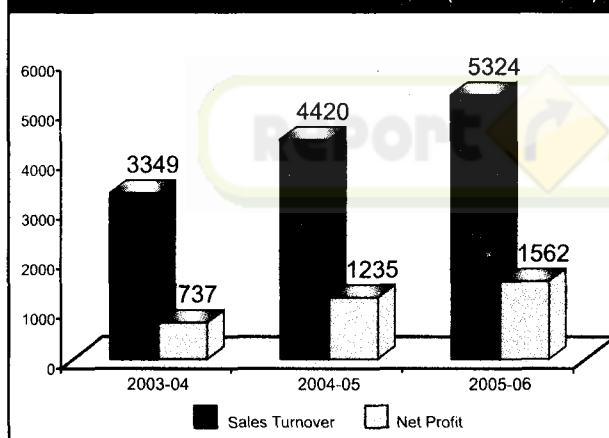
PHYSICAL

	Unit	2005-06	2004-05
Bauxite Mining	MT	48,54,253	48,51,726
Alumina Hydrate production	MT	15,90,000	15,75,500
Aluminium production	MT	3,58,954	3,38,483
Power generation (net)	MU	5,679	5,613

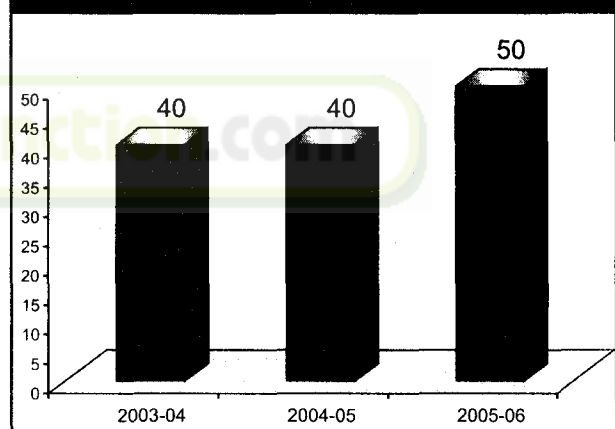
FINANCIAL

	Unit	2005-06	2004-05
Export Turnover	Rs. in crore	2,306.20	2,200.25
Gross Sales	Rs. in crore	5,324.16	4,420.14
Profit Before Tax	Rs. in crore	2,429.64	1,870.27
Profit After Tax	Rs. in crore	1,562.20	1,234.84
Earnings Per Share	In Rs.	24.25	19.17
Book Value per Share	In Rs.	91.46	72.91
Dividend	In %	50.00	40.00

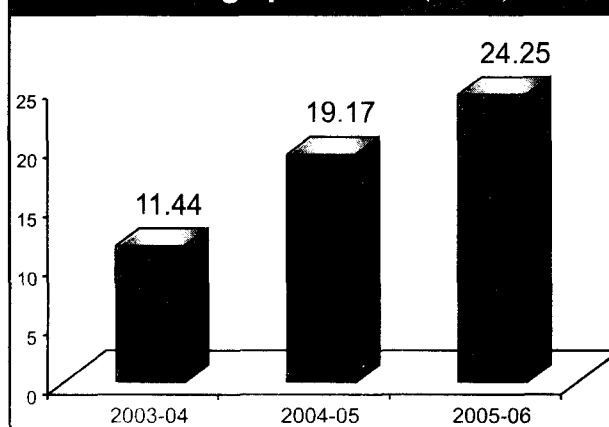
Sales Turnover & Net Profit (Rs. in crore)



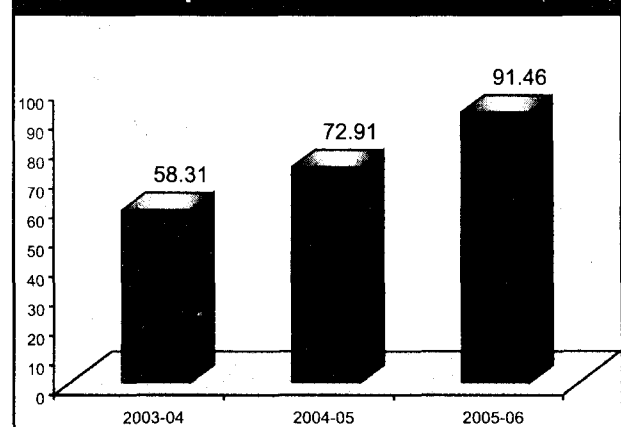
Dividend Declared (In %)



Earnings per share (In Rs.)



Book Value per share of Rs. 10/- each (In Rs.)



5 years performance at a glance - Physical

Sl. No.	Particulars	Unit	2005-06	2004-05	2003-04	2002-03	2001-02
1.	Production :						
	Bauxite	MT	48,54,253	48,51,726	48,16,762	47,77,003	35,22,059
	Alumina Hydrate	MT	15,90,000	15,75,500	15,56,100	14,96,600	11,14,000
	Aluminium	MT	3,58,954	3,38,483	2,98,207	2,44,708	2,31,674
	Power (net)	MU	5,679	5,613	5,122	4,291	3,970
2.	Export Sales :						
	Alumina	MT	8,62,616	9,09,081	9,34,874	10,37,287	6,70,120
	Aluminium	MT	95,747	1,32,730	1,29,718	1,07,302	1,06,282
3.	Domestic Sales :						
	Alumina/Hydrate	MT	12,994	21,177	17,784	11,190	6,297
	Aluminium	MT	2,58,094	2,05,797	1,66,650	1,35,193	1,23,095
	Power	MU	322	406	498	411	342

5 years performance at a glance - Financial

(Rs. in crore)

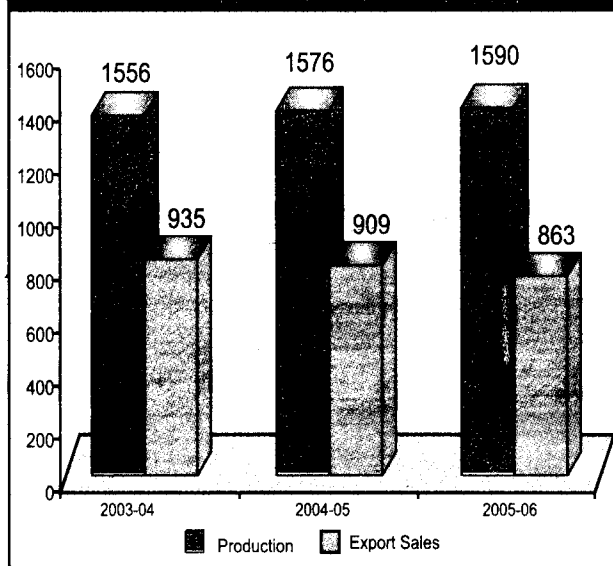
Sl. No.	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
A.	Income Statement :					
1.	Exports	2,306.20	2,200.25	1,717.27	1,500.65	1,205.32
2.	Domestic Sales	3,017.96	2,219.89	1,631.30	1,239.02	1,180.10
3.	Gross Sales (1+2)	5,324.16	4,420.14	3,348.57	2,739.67	2,385.42
4.	Less : Excise Duty	435.46	316.03	224.50	175.37	160.64
5.	Net Sales (3-4)	4,888.70	4,104.11	3,124.07	2,564.30	2,224.78
6.	Other Income :					
7.	Operating	101.80	174.13	131.16	186.55	129.39
8.	Non-operating	131.89	76.51	69.61	44.05	21.83
9.	Operating expenses	2,311.15	1,965.16	1,741.24	1,577.66	1,420.42
10.	Operating Profit (5+7-9)	2,679.35	2,313.08	1,513.99	1,173.19	933.75
11.	Earning before interest, dep. & taxes (EBIDT) (10+8)	2,811.24	2,389.59	1,583.60	1,217.24	955.58
12.	Interest & Financing charges	0.00	60.61	84.57	105.66	116.90
13.	Earning before dep. & taxes (EBDT) (11-12)	2,811.24	2,328.98	1,499.03	1,111.58	838.68
14.	Depreciation and Amortisation	381.60	458.71	446.27	360.15	313.07
15.	Profit Before Tax (PBT) (13-14)	2,429.64	1,870.27	1,052.76	751.43	525.61
16.	Provision for Tax	867.44	635.43	315.39	230.51	116.26
17.	Net Profit (PAT) (15-16)	1,562.20	1,234.84	737.37	520.92	409.35
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	644.31
19.	Reserves & Surplus	5,248.36	4,053.50	3,112.36	2,665.73	2,580.93
20.	Networth (18+19)	5,892.67	4,697.81	3,756.67	3,310.04	3,225.24
21.	Loans Outstanding	0.00	0.00	654.39	1,324.44	1,563.45
22.	Net Fixed Assets	3,944.51	4,139.00	3,903.48	3,712.95	2,889.62
23.	Net Current Assets	2,357.73	1,004.65	126.23	(5.10)	419.25
24.	Capital Employed (22+23)	6,302.24	5,143.65	4,029.71	3,707.85	3,308.87
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	54.81	56.36	48.46	45.75	41.97
26.	Net Profit Margin (%) (17/5*100)	31.96	30.09	23.60	20.31	18.40
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	24.79	24.01	18.30	14.05	12.37
28.	Return on Networth (RONW) (%) (17/20*100)	26.51	26.29	19.63	15.74	12.69
29.	Debt Equity (21/20)	0.00	0.00	17.00	40.00	48.48
D.	Others :					
30.	Book Value per share of Rs.10/- each (in Rs.)	91.46	72.91	58.31	51.37	50.06
31.	Earnings per share (in Rs.)	24.25	19.17	11.44	8.08	6.35
32.	Dividend declared (%)	50.00	40.00	40.00	60.00	40.00

Reconciliation of published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2005 - 06

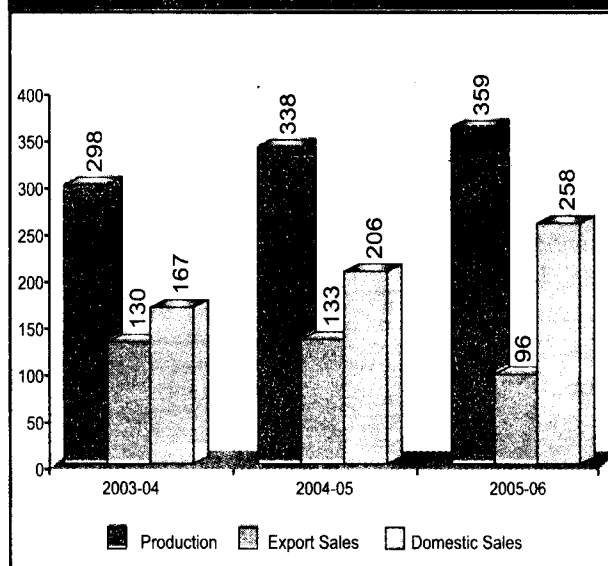
(Rs. in crore)

Sl. No.	Particulars	1st Quarter (Unaudited)	2nd Quarter (Unaudited)	3rd Quarter (Unaudited)	4th Quarter (Unaudited)	Total of four quarters	Full Year (Audited)	Variances
1	2	3	4	5	6	7	8	9
1.	Gross Sales Turnover	1,071.70	1,149.98	1,442.59	1,659.93	5,324.20	5,324.16	(0.04)
	Less : Excise Duty	92.97	102.99	117.68	121.89	435.53	435.46	(0.07)
	Net Sales	978.73	1,046.99	1,324.91	1,538.04	4,888.67	4,888.70	0.03
2.	Other Income	40.64	47.35	54.45	85.14	227.58	233.69	6.11
3.	Total Expenditure	489.18	588.12	660.41	567.54	2,305.25	2,311.15	5.90
4.	Interest and Financing charges	—	—	—	—	—	—	—
5.	Depreciation & Provisions	98.26	99.21	91.86	89.38	378.71	381.60	2.89
6.	Profit Before Tax (PBT)	431.93	407.01	627.09	966.26	2,432.29	2,429.64	(2.65)
7.	Provision for Tax	151.37	123.97	234.06	358.24	867.64	867.44	(0.20)
8.	Net Profit (PAT)	280.56	283.04	393.03	608.02	1,564.65	1,562.20	(2.45)
9.	Paid-up Equity Share Capital	644.31	644.31	644.31	644.31	644.31	644.31	—
10.	Earnings per share (Rs.)	4.35	4.39	6.09	9.44	24.28	24.25	—
	(Not annualised)							
11.	Aggregate of non-promoter shareholding :							
	Number of shares	—	—	—	—	8,28,09,993	8,28,09,993	—
	Percentage of shareholding	—	—	—	—	12.85	12.85	—

Alumina (in '000 MTs)

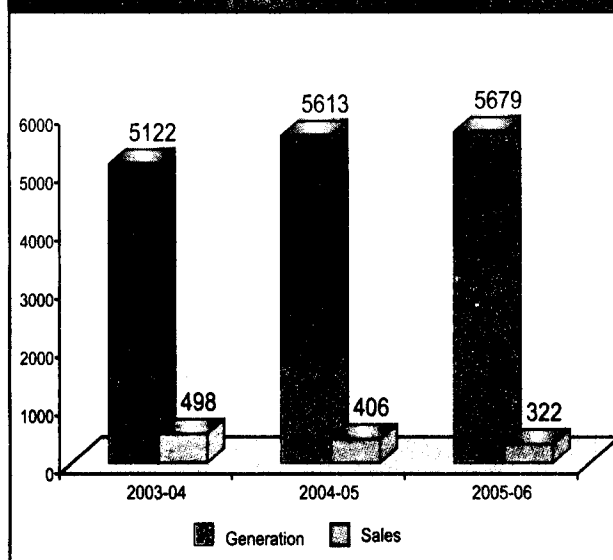


Aluminium (In '000 MTs)

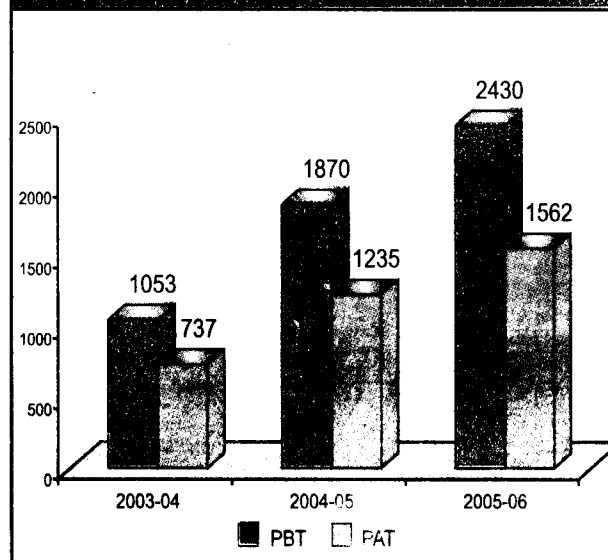


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Power (In Million Units)



PBT and PAT (Rs. in crore)



NOTICE

Notice is hereby given that the 25th Annual General Meeting of the Company will be held on Thursday, the 28th September, 2006 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 audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.
- 2 To declare dividend.
- 3 To appoint a Director in place of Shri V.K.Thakral, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

- 4 Appointment of Dr. Pradeep Kumar as Director, whose period of office is liable to be determined by rotation.

To consider and if thought fit, to pass with or without

modification(s), the following resolution as an ordinary resolution :

"RESOLVED THAT Dr. Pradeep Kumar be and is hereby appointed as a Director of the Company in terms of Order No.2(1)/2004-Met.I dtd.05.06.2006 of Government of India, whose period of office is liable to be determined by rotation."

5. 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 2006-07 as may be mutually agreed upon between the Board of Directors and the Statutory Auditors of the Company, appointed by the Comptroller and Auditor General of India (C&AG)."

By order of the Board



(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 24.08.2006

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Notes:

- (a) Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 4 & 5 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 shall remain closed from Tuesday, the 26th September, 2006 to Thursday, the 28th September, 2006 (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 25th September, 2006 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 25th September, 2006.
- (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 and debenture interest, 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 details of unpaid or unclaimed dividend and interest on 14.5% NCDs are available in the Company's website **www.nalcoindia.com**. Members/Debentureholders, who have not so far encashed their Dividend Warrants/ Debenture Interest Warrants are requested to make a claim by writing and sending the original Dividend Warrants/Debenture Interest 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.**

Unpaid or unclaimed dividend and debenture interest as on 16.08.2006 is given below:

UNPAID/UNCLAIMED DIVIDEND				
Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid/unclaimed dividend	Unpaid / Unclaimed amount (Rs.)	Due date for transfer to IEPF
1998-1999	30.09.1999	29.09.2006	4,24,624	28.10.2006
1999-2000 (Interim)	02.05.2000	01.05.2007	3,66,054	30.05.2007
1999-2000 (Final)	30.09.2000	29.09.2007	3,41,690	28.10.2007
2000-2001	05.11.2001	04.11.2008	7,34,076	03.12.2008
2001-2002	30.10.2002	29.10.2009	10,79,787	27.11.2009
2002-2003	29.09.2003	28.09.2010	11,47,992	27.10.2010
2003-2004	28.09.2004	27.09.2011	8,03,700	26.10.2011
2004-2005 (Interim)	21.01.2005	20.01.2012	4,93,320	18.02.2012
2004-2005 (Final)	30.09.2005	29.09.2012	4,19,455	28.10.2012
2005-2006 (Interim)	12.01.2006	11.01.2013	5,57,022	09.02.2013
UNPAID/UNCLAIMED DEBENTURE INTEREST				
Period	Due date of payment	Last date for claiming unpaid/unclaimed interest	Unpaid / Unclaimed amount (Rs.)	Due date for transfer to IEPF
1st Half-Year (26.03.99 to 25.09.99)	25.09.1999	24.09.2006	77,755	23.10.2006
2nd Half-Year (26.09.99 to 25.03.2000)	25.03.2000	24.03.2007	97,372	22.04.2007
3rd Half-Year (26.03.2000 to 25.09.2000)	25.09.2000	24.09.2007	1,14,728	23.10.2007
4th Half-Year (26.09.2000 to 25.03.2001)	25.03.2001	24.03.2008	1,30,706	22.04.2008
5th Half-Year (26.03.01 to 25.09.01)	25.09.2001	24.09.2008	1,42,112	23.10.2008
6th Half-Year (26.09.01 to 25.03.02)	25.03.2002	24.03.2009	1,92,675	22.04.2009
7th Half-Year (26.03.02 to 25.09.02)	25.09.2002	24.09.2009	1,96,441	23.10.2009
8th Half-Year (26.09.02 to 25.03.03) (as well as 1/3rd redemption amount)	25.03.2003	24.03.2010	10,92,299	22.04.2010
9th Half-Year (26.03.03 to 25.09.03)	25.09.2003	24.09.2010	1,76,185	23.10.2010
10th Half-Year (26.09.03 to 25.03.04) (as well as 1/3rd redemption amount)	25.03.2004	24.03.2011	10,53,202	22.04.2011
11th Half-Year (26.03.04 to 25.09.04)	25.09.2004	24.09.2011	97,154	23.10.2011
12th Half-Year (26.09.04 to 25.03.05) (as well as balance 1/3rd redemption amount)	25.03.2005	24.03.2012	11,07,704	22.04.2012

(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 or from the DPs. 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 28th September, 2006. 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 also unless amended / withdrawn.

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 and the Company will not entertain any direct request from such members for change/deletion of such bank details. 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 as per entitlement may be issued to them.

(l) Recently SEBI has issued a circular to make PAN mandatory for all Demat Accounts. All existing Demat Account holders are required to submit their PAN to their respective DPs by end of September, 2006, failing which their Demat Accounts shall be suspended for any transactions thereafter.

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.