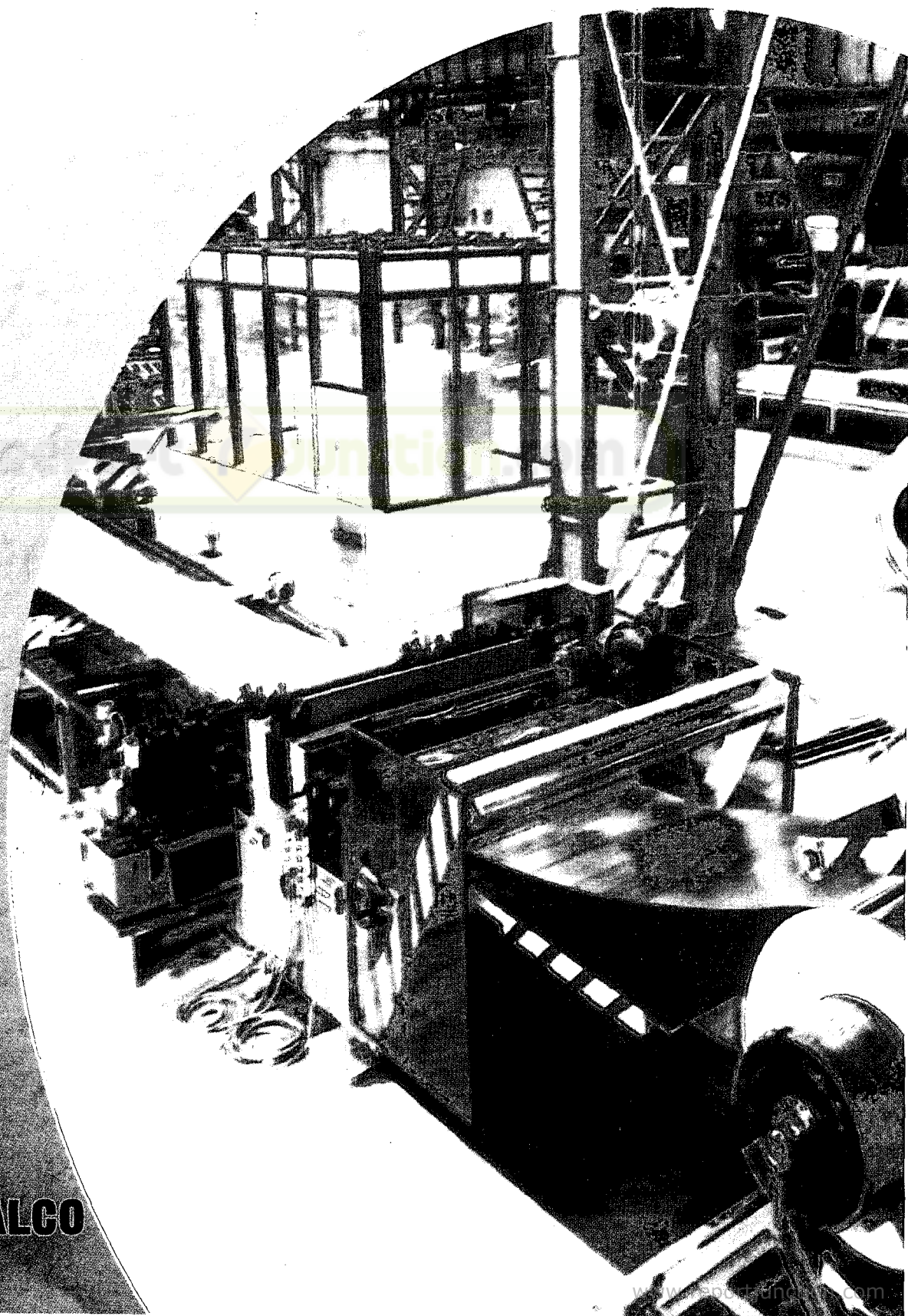


26th Annual Report 2006-07



VISION

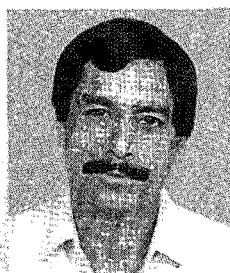
*To be a company of
global repute
in Aluminium sector*

MISSION

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



C. R. Pradhan



Dr. Pradeep Kumar

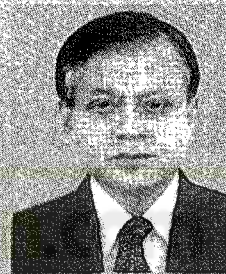


V. K. Thakral



K. K. Mallick

*Board
of
Directors*



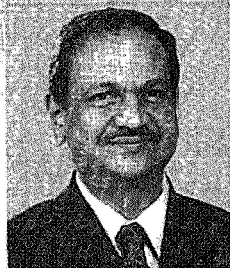
A. R. Ray



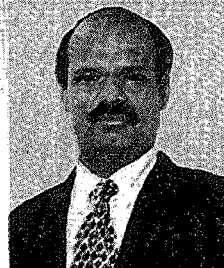
P. K. Routray



B. L. Bagra



G. Kameswara Rao
C.V.O.



K. N. Ravindra
Company Secretary



The year at a glance

PHYSICAL

	Unit	2006-07	2005-06
Bauxite Mining	In '000 MT	4,623	4,854
Alumina Hydrate production	In '000 MT	1,475	1,590
Aluminium production	In '000 MT	359	359
Power generation (net)	In Million Units	5,968	5,679

FINANCIAL

	Unit	2006-07	2005-06
Export Turnover	Rs. in crore	2,585	2,306
Gross Sales	Rs. in crore	6,515	5,324
Profit Before Tax	Rs. in crore	3,620	2,430
Profit After Tax	Rs. in crore	2,381	1,562
Earnings per share	In Rs.	36.96	24.25
Book value per share	In Rs.	119.43	91.46
Dividend	In %	75	50
Core = 10 Million			

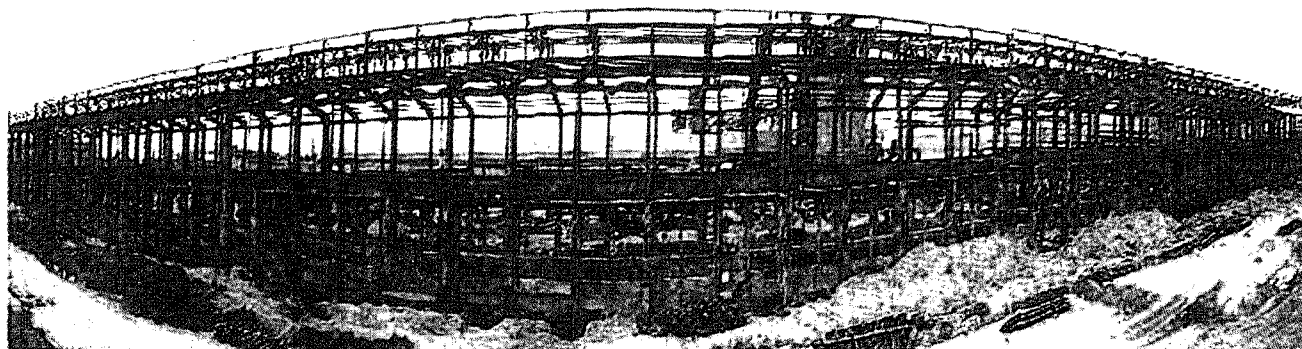
REGISTERED & CORPORATE OFFICE

NALCO Bhawan
Plot No. - P/1, Nayapalli
Bhubaneswar - 751 013 (Orissa)
Tel: 2301988-99
Fax: 0674-2300470/2300580/2300677/2300740
Website: www.nalcoindia.com

26th Annual General Meeting – Friday, the
21st September, 2007 at 11.00 A.M. at
NALCO Bhawan, Plot No. - P/1, Nayapalli,
Bhubaneswar - 751 013

CONTENTS

The year at a glance	2
Directors' Report	5
Report on Corporate Governance	28
Management Discussion & Analysis Report	40
C & AG Comments	45
Auditors' Report	46
Annual Accounts	49
Cash Flow Statement	72
5 years performance at a glance - Physical & Financial	73
Offices and Customer Contact Centres	76



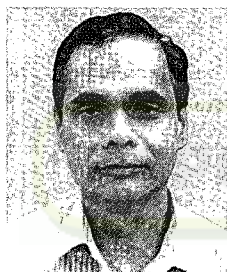
Full view of Potline-H under construction



N. K. Jain

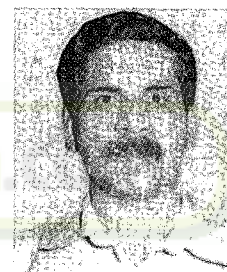


R. K. Maheswari



U. B. Patnaik

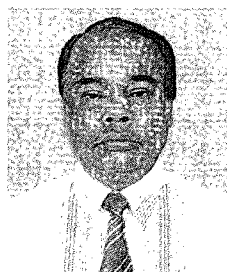
*Executive
Directors*



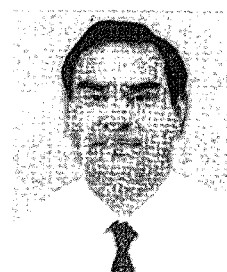
P. K. Parida



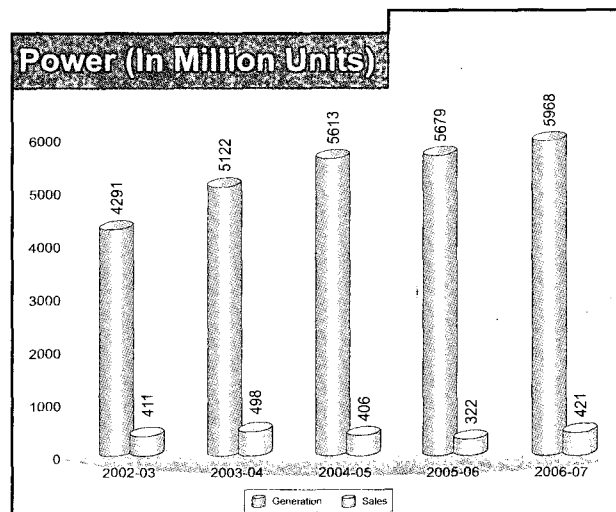
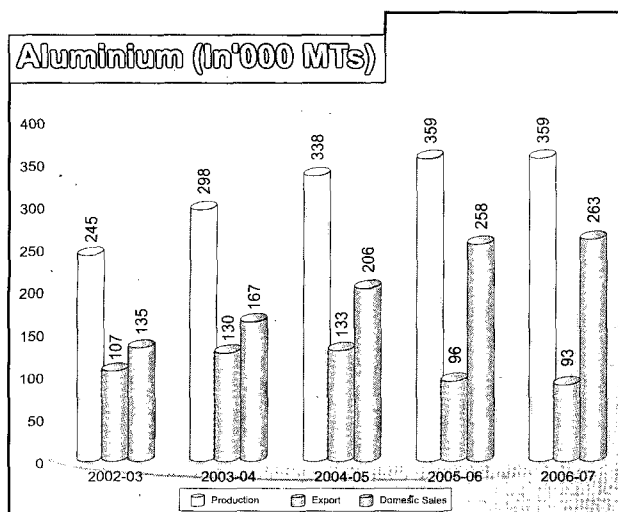
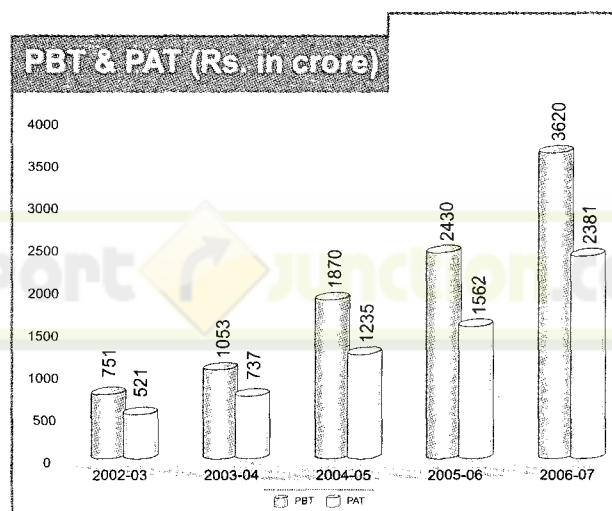
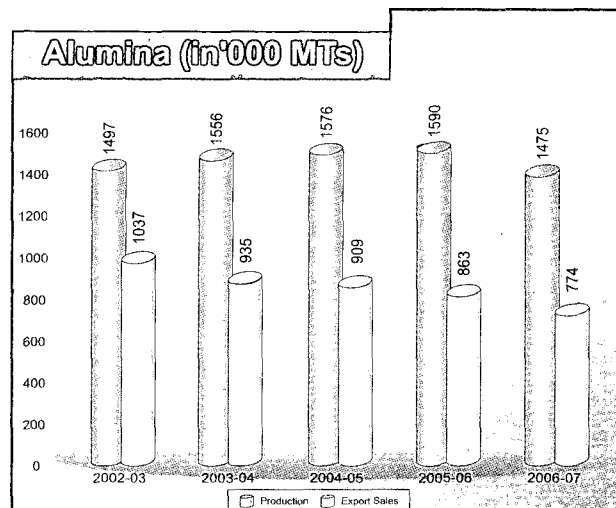
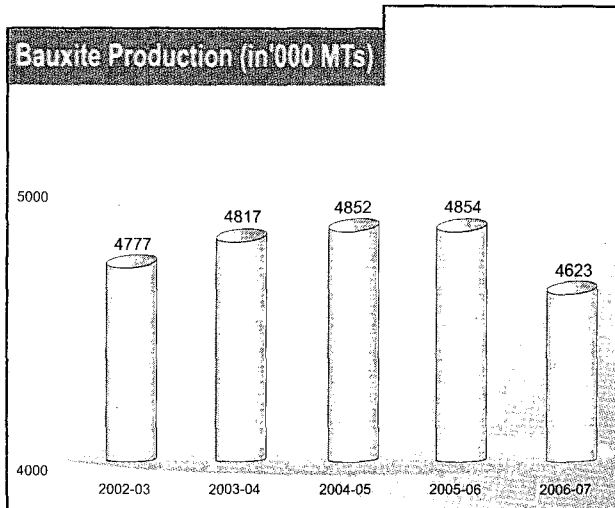
B. N. Swain



G. K. Behera



P. K. Padhi





Directors' Report



To

The Members,

Report Junction.com

Your Directors are delighted in presenting their 26th Annual Report together with the audited accounts for the year ended 31st March, 2007.

PERFORMANCE HIGHLIGHTS

You will be pleased to know that your Company has achieved the highest ever income of Rs.6,354 crore, as against the income of Rs.5,122 crore during the previous year and also the highest ever Profit After Tax at Rs.2,381 crore, as against Rs.1,562 crore in the previous year, thus registering a growth of 24% in income and of 52% in profit. Your Company has achieved the highest ever export earning of Rs.2,585 crore. The main contributing factor for increase in the income and the profit is better sales realization both in domestic and in export markets.

PHYSICAL PERFORMANCE

Production	Unit	2006-07	2005-06
Bauxite	MT	46,23,278	48,54,253
Alumina Hydrate	MT	14,75,200	15,90,000
Aluminium	MT	3,58,734	3,58,954
Electricity (Net)	MU	5,968	5,679

Your Company exceeded the targets set for production of aluminium and generation of power during the year under report. There was drop in production of bauxite in comparison to the previous year due to unprecedented heavy rainfall near the mines which affected the mining operation. The target for production of Alumina could not be achieved due to technical snag in cooling tower in Refinery which has since been sorted out.



Natural stream at M&R Complex, Damanjodi



Sales	Unit	2006-07	2005-06
Alumina - Export	MT	7,73,573	8,62,616
Alumina - Hydrate - Domestic	MT	10,920	12,994
Aluminium - Export	MT	93,122	95,747
Aluminium - Domestic	MT	<u>2,63,494</u>	<u>2,58,094</u>
		3,56,616	3,53,841
Electricity	MU	421	322

Your Company has achieved the highest sale of 3,56,616 MT of metal during the year 2006-07 surpassing the previous highest of 3,53,841 MT in 2005-06. Similarly, sale of 2,63,494 MT of metal in the domestic market surpassed the previous highest of 2,58,094 MT achieved in 2005-06.

The system of entering into annual MoU with domestic customers for sale of aluminium metal from plant and stockyards by providing benefits & incentives has helped your Company achieve a growth of approximately 2.1% of sales in domestic market over the previous financial year. Your Company signed MoUs with 118 domestic customers in 2006-07 as compared to 112 customers in previous year.

Sale of 5,374 MT Special Hydrate and 2,858 MT Special Alumina during the year are the highest volumes sold surpassing the previous highs of 5,354 MT and 1,126 MT respectively set in 2005-06. Your Company has also started export of Rolled Products from September, 2006 and a favourable feedback has been received from the customers.

FINANCE

The summarized financial results as compared to previous year are furnished below:

(Rs. in crore)

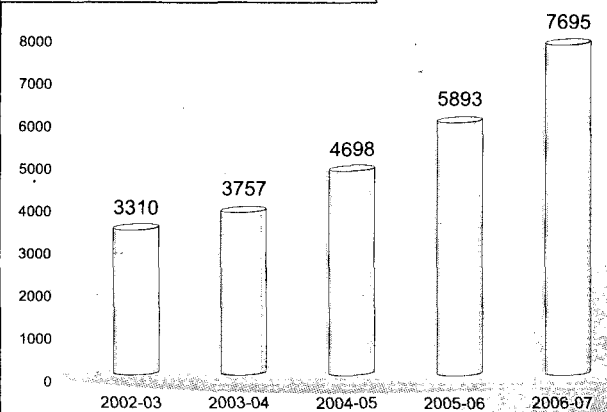
Particulars	31.03.2007	31.03.2006
Net Sales	5,940	4,889
Other Income	414	234
Total Income	6,354	5,122
Gross Margin	3,941	2,811
Less: Interest & depreciation	<u>321</u>	<u>381</u>
Profit Before Tax (PBT)	3,620	2,430
Provision for Taxes	1,239	867
Profit After Tax (PAT)	2,381	1,562
Appropriation:		
a) General Reserve	1,800	1,200
b) Dividend including Dividend Tax	556	367
Earning per Share (In Rs.)	36.96	24.25

Your Company continued to remain a "Zero Debt" Company for the third consecutive year. Your Company utilized its internal cash generation to meet its working capital requirement and it had not utilized any working capital borrowing facility during the year. The Company has a surplus cash balance of Rs.3,563 crore as on 31.03.2007 which has been placed in short term deposits to finance the capital expenditure on expansion, which is under progress.

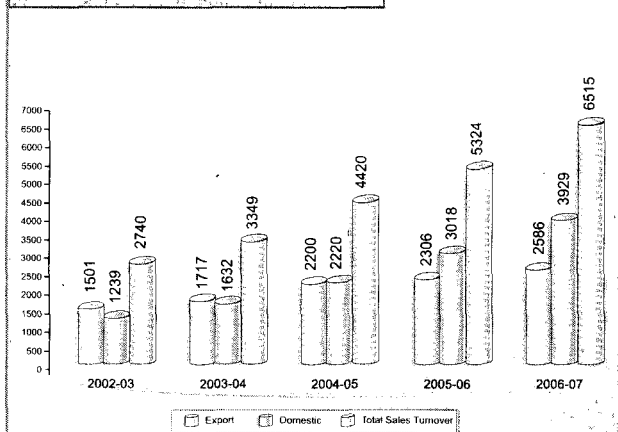




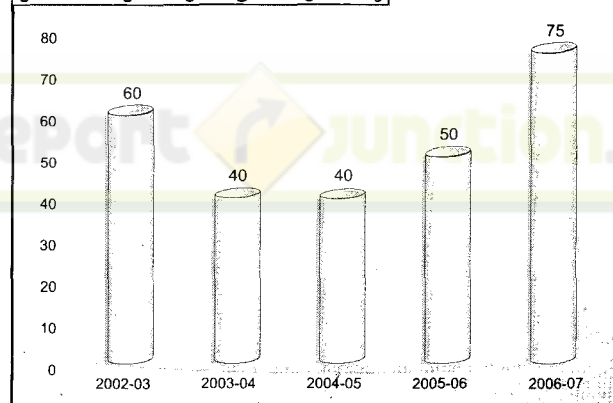
Net Worth (Rs. in crore)



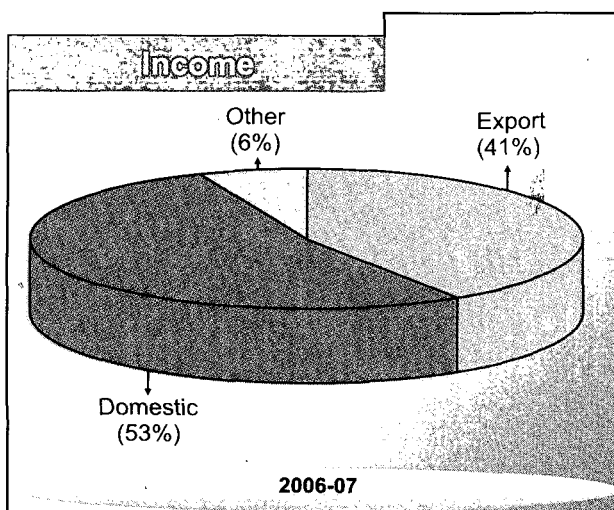
Sales Turnover (Rs. in crore)



Dividend (as a % of paid-up equity capital)



Income



Expenditure

