

27th ANNUAL REPORT 2007 - 08



नालको  **NALCO**

Vision

To be a reputed global
Company in the
Metals and Energy sectors

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Board of Directors

Board of Directors



Standing (L-R): Dr. Jyoti Mulchandani, Shri P.K. Routray, Shri R. K. Sharma, Shri K.K. Mallick, Shri B.L. Bagra, Shri K.S. Raju, Maj. Gen. (Retd.) Samay Ram, Shri V.K. Thakral, Shri Joy Varghese
 Sitting (L-R): Shri N.R. Mohanty, Dr. A. Sahay, Shri S. Vijay Kumar, Shri C.R. Pradhan, Shri S.B. Mishra, Shri S.S. Sohoni

The Year at a Glance

PHYSICAL

| | Units | 2007-08 | 2006-07 |
|----------------------------|--------------|---------|---------|
| Bauxite mining | in '000 MT | 4,685 | 4,623 |
| Alumina hydrate production | in '000 MT | 1,575 | 1,475 |
| Aluminium production | in '000 MT | 360 | 359 |
| Power generation (net) | Million Unit | 5,609 | 5,968 |

FINANCIAL

| | Units | 2007-08 | 2006-07 |
|----------------------|--------------|---------|---------|
| Export Turnover | Rs. in Crore | 2,134 | 2,585 |
| Gross Sales | Rs. in Crore | 5,474 | 6,515 |
| Profit Before Tax | Rs. in Crore | 2,467 | 3,620 |
| Profit after Tax | Rs. in Crore | 1,632 | 2,381 |
| Earning per Share | In Rs. | 25.33 | 36.96 |
| Book value per Share | In Rs. | 137.73 | 119.43 |
| Dividend | In % | 60 | 75 |

Crore = 10 Million

REGISTERED OFFICE & CORPORATE OFFICE

NALCO Bhawan

Plot No. P/1, Nayapalli

Bhubaneswar - 751 061, Orissa

Tel. : 2301989-99

Fax : 0674-2300470 / 2300580 / 2300677 / 2300740

Website : www.nalcoindia.com

27th Annual General Meeting

Saturday, 20th September, 2008 at 11.00 A.M.

at NALCO Bhawan, Plot No. P/1, Nayapalli,

Bhubaneswar - 751 061.

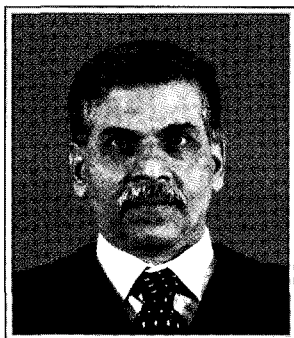
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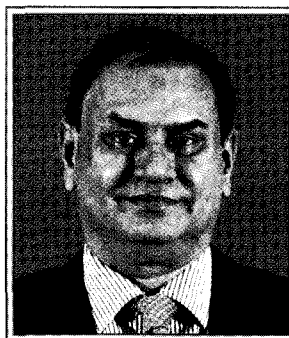
Executive Directors



Shri G. Kameswara Rao, IAS
CVO



Shri P. K. Parida



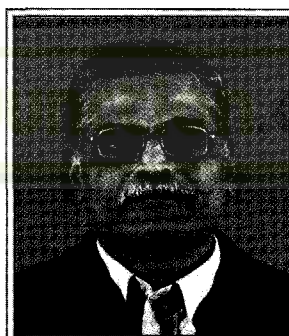
Shri P. K. Padhi



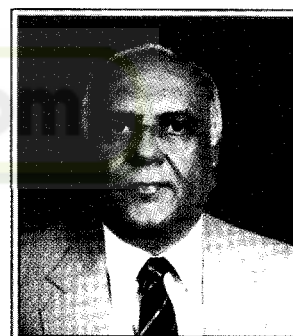
Shri B. N. Swain



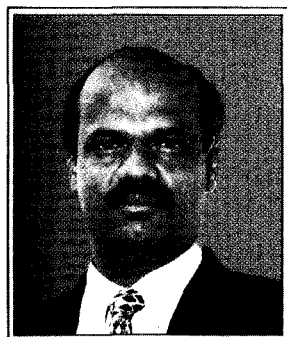
Shri A. Sapra



Shri S. S. Manurkar



Shri A. K. Sharma



Shri K. N. Ravindra
Company Secretary



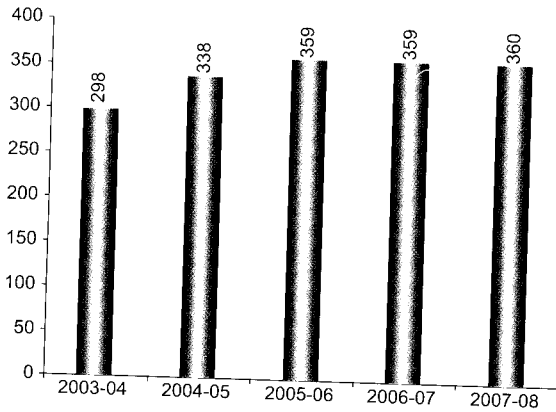
Shri P. K. Mohanty



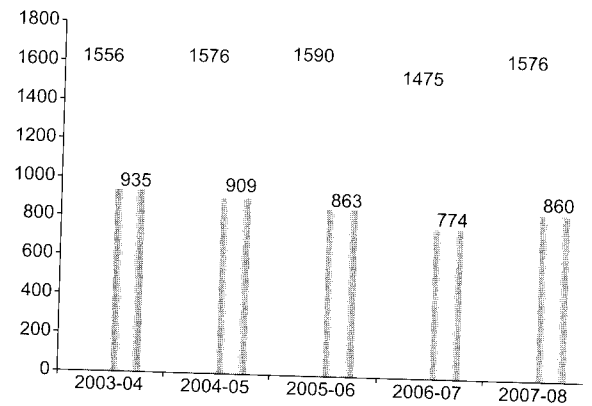
Shri S. C. Dash



Shri P. K. Mahapatra

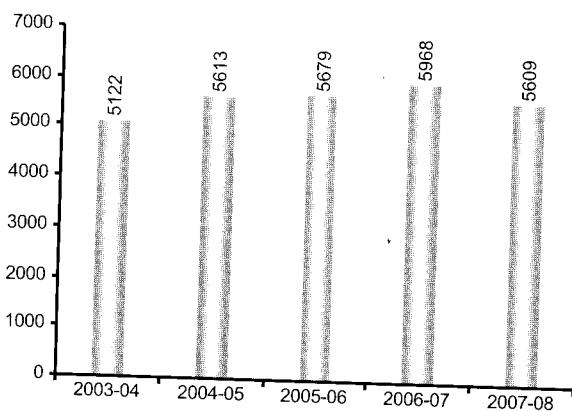


Aluminium (in '000 MTs)

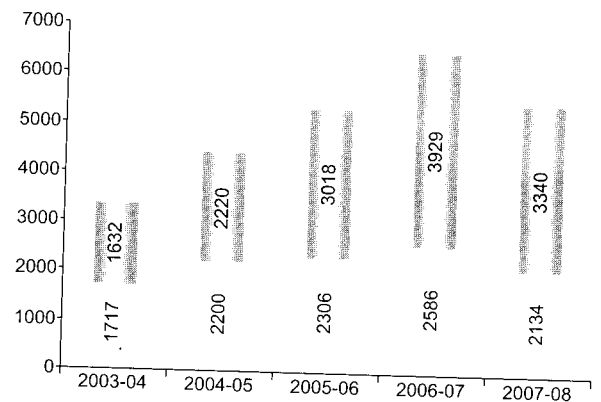


Alumina (in '000 MTs)

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Power Generation (in Million Units)



Sales Turnover (Rs. in crore)



Directors' Report



Dear Members,

It gives me immense pleasure in presenting this 27th Annual Report of your Company along with audited statement of Accounts and Auditors' Report, on behalf of the Board of Directors.

NAVRATNA STATUS

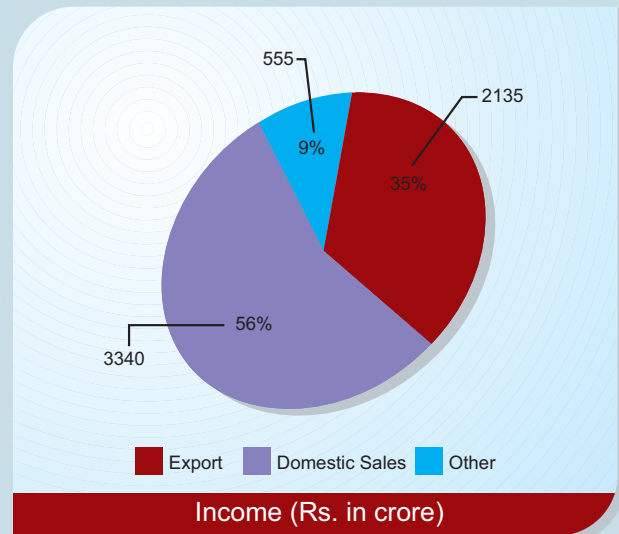
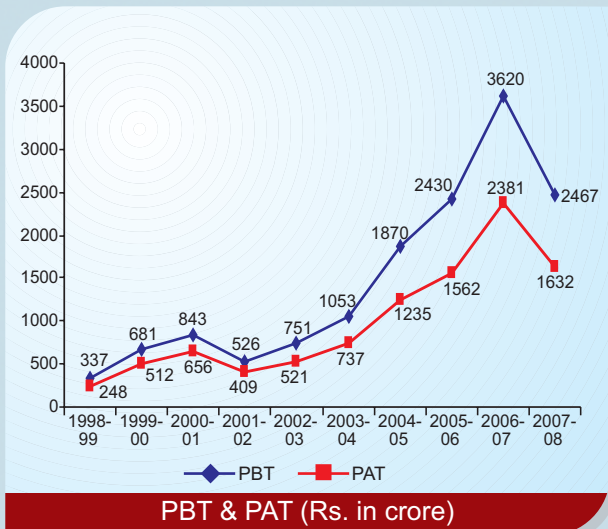
At the outset, your Directors are pleased to inform you that in recognition of your Company's ability to perform and grow into a significant contributor to the economic development of the Nation, its competitive advantage and capacity to turn into a global giant, the Government of India has accorded Navratna status to your Company. On entering the prestigious Navratna Club, the Board of the Company has been vested with enhanced managerial and commercial autonomy that will facilitate faster implementation of ambitious growth plans.

PERFORMANCE HIGHLIGHTS

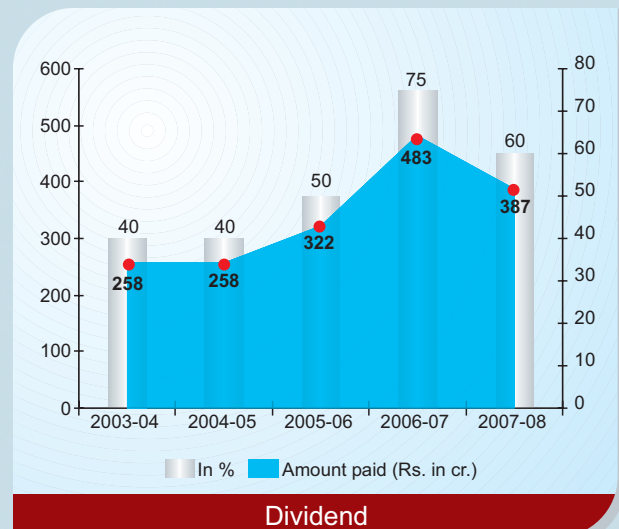
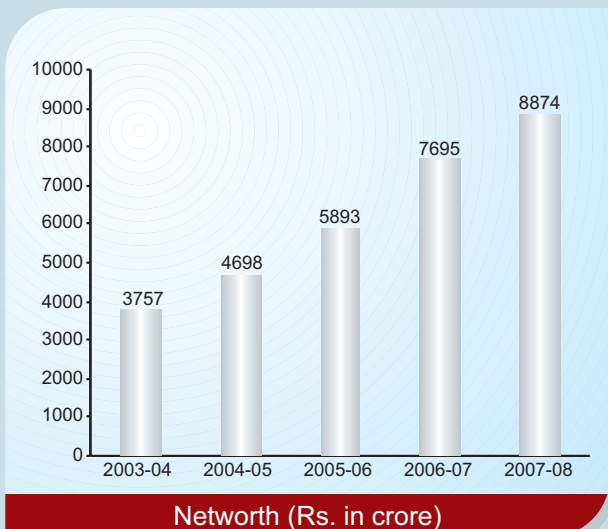
PRODUCTION

You will be pleased to learn that the Company exceeded the targets set for production of alumina and aluminium for the year 2007-08. The aluminium smelter has achieved the highest ever cast metal production since inception with capacity utilization of 104%. The bauxite production has improved compared to previous year, though still below the rated capacity, due to snags in the conveyor system and repeated belt dislodgements. Action has been taken to prevent recurrence of such problems. The target for generation of electricity could not be achieved due to less supply of coal by colliery to the Captive Power Plant. The details of production are given below:

| Product | Unit | 2007-08 | 2006-07 |
|-------------------|------|-----------|-----------|
| Bauxite | MT | 46,84,684 | 46,23,278 |
| Alumina Hydrate | MT | 15,75,500 | 14,75,200 |
| Aluminium | MT | 3,60,457 | 3,58,734 |
| Electricity (Net) | MU | 5,609 | 5,968 |



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MARKETING

You will be pleased to know that your Company achieved the highest ever sale of metal, Rolled Products and Special Grade Alumina/ Hydrate during the year. With launching of NALCO Special Products Alumina (NSPL)-102 in the overseas market through export of 41 MT to Vietnam during the year, yet another milestone was reached.

To strengthen the marketing efforts, a new stockyard in Chennai was opened during the year. MOUs were signed with 151 domestic customers for sale of metal during 2007-08 as against 118 MOUs during the previous year. The domestic sales of metal were effected from the smelter plant at Angul and nine stockyards at Kolkata, Baddi, Jaipur, Faridabad, Bhiwandi, Silvassa, Bangalore, Chennai and Visakhapatnam.

The sales break-up is as follows: (Figures in MT)

| Particulars | 2007-08 | 2006-07 |
|----------------------------|------------------|------------------|
| Export | | |
| Alumina | 8,59,943 | 7,73,573 |
| Special Alumina | 41 | — |
| Aluminium | 1,00,847 | 92,678 |
| Rolled Products | 876 | 444 |
| Domestic | | |
| Alumina & Hydrate | 11,307 | 10,921 |
| Special Hydrate | 11,700 | 8,222 |
| Special Alumina | 4,241 | 2,858 |
| Zeolite -A | 4,482 | 7,156 |
| Aluminium | 2,51,612 | 2,63,494 |
| Total Metal Sale | 3,53,335* | 3,56,617* |
| Total Chemical Sale | 8,91,714 | 8,02,730 |

*The metal sale excludes 4,642 MT (previous year 2,035 MT) consumed internally for project and Production activities.

FINANCE

The Company has achieved a turnover of Rs. 5,576 crore, as against the turnover of Rs. 6,354 crore during the previous year and Profit After Tax stands at Rs. 1,632 crore, as against Rs. 2,381 crore in the previous year. The decline in sales realization and net profit during the year, compared to previous year, is mainly due to lower sales realization from export of alumina, substantial appreciation of rupee against US Dollar. Your Company has achieved an export earning of Rs.2,135 crore as against Rs.2,585 crore achieved during the previous year.

The summarized financial results as compared to previous year are furnished below : (Rs. in crore except EPS)

| | 2007-08 | 2006-07 |
|--------------------------------|---------|---------|
| Net Sales | 4,989 | 5,940 |
| Other Income | 587 | 414 |
| Total Income | 5,576 | 6,354 |
| Gross Margin | 2,754 | 3,942 |
| Less: Interest & Depreciation | 287 | 322 |
| Profit Before Tax (PBT) | 2,467 | 3,620 |
| Provision for Taxes | 835 | 1,239 |
| Profit After Tax (PAT) | 1,632 | 2,381 |
| Earning Per Share (EPS) in Rs. | 25.32 | 36.96 |

DIVIDEND AND APPROPRIATIONS

As you are aware, your Company paid an interim dividend of 45% in February, 2008. Your Directors believe that growth in shareholders' value lies in capacity expansion and backward and forward integration. Keeping this in view and in accordance with your Company's policy of balancing dividend pay-out with the requirement to deploy internal accruals for its growth plans, your Directors have now recommended a final dividend of 15%, taking the aggregate dividend for the year to 60%. Your Directors propose to transfer Rs.1,200 crore to General Reserve Account from the Profit & Loss Account.

PRESIDENTIAL DIRECTIVES

As per Presidential Directives, steps have been taken for recruitment/promotion of Scheduled Caste/Scheduled Tribe (SC/ST) candidates. Your Company is also complying with the provisions of the Persons with Disabilities Act, 1995.

As on 31.03.2008, out of 7,413 employees (including trainees) on Company's roll, there were 1,181 (15.93%) SCs, 1,330 (17.94%) STs, 701 (9.46%) OBCs and 71 (0.96%) physically challenged persons. Thus, every third employee of your Company belongs either to SC or ST category. The total number of lady employees in your Company stands at 319.

INDUSTRIAL RELATIONS

Employee involvement through encouragement of more suggestions on production related issues, formation of quality circles, fostering of communication channels and training, has been adopted continuously to further the environment of



DESTINATION INDONESIA : Shri B.L. Bagra, Director (Finance) and Prof. H. Mahyuddin, Vice Governor, South Sumatra Province, signing the MoU in Jakarta



EXPORT EXCELLENCE: Shri K.K. Mallick, Director (Commercial), receiving the Engineering Export Promotion Council's prestigious All India Export Award from Shri Pranab Mukherjee, Union Minister of External Affairs, Govt of India, in Kolkata