

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Company will be held on Monday, the 30th September, 1996 at 11.00 A.M. at Mahanadi Niwas, Nalco Nagar, Chandrasekharpur, Bhubaneswar 751 016 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 31st March'96 and the Profit & Loss Account for the year ended 31st March, 1996 together with the reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri S.N. Johri, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S.K. Tamotia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri B.D. Singh, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

6. Appointment of Shri C. Venkataramana as Director whose period of office is liable to determination by retirement by rotation.

To consider and, if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :

“Resolved that Shri C. Venkataramana be and is hereby appointed as a Director of the Company, whose period of office is liable to determination by retirement by rotation.”

By order of the Board

Place : Bhubaneswar
Dated : 5th September, 1996

[K.N. RAVINDRA]
COMPANY SECRETARY

NOTES

- (a) Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No. 6 set out above is annexed hereto.
- (b) The agenda item no. 3 to 5 regarding retirement of Directors and appointment in their place is proposed to comply with the provisions of Section 255 and 256 read with Section 9 of the Companies Act, 1956 which have become applicable to the company, consequent on its ceasing to be a wholly owned Government Company as a result of disinvestments of some shares by the Government. Action for amendment of the relevant Article (s) of the Articles of Association of the Company has been taken. On receipt of over all policy decision of the Government in this regard, the Articles of Association will be amended.

- (c) A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, to vote instead of himself and a proxy need not be a member of the Company. Proxies in order to be valid and effective, must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting. A blank proxy form is enclosed.
- (d) The Register of Members and Share Transfer Books of the Company remained closed from 02.07.1996 to 31.07.1996 (both days inclusive) as notified in the press.
- (e) If dividend on shares as recommended by the Directors is passed at the Meeting, payment of such dividend will be paid on and after 30th September, 1996 to those members, whose names appeared in the Company's Register of Members on 31st July, 1996.
- (f) In terms of the provisions of Section 194 of the Income Tax Act, 1961, no tax will be deducted at source from dividend receivable by a member who is an individual and resident in India provided such dividend does not exceed Rs. 2,500/-. Any Member who is otherwise entitled for exemption should submit Tax Exemption Certificate or Declaration in Form 15G, in duplicate to the Company Secretary at NALCO's Registered Office at 8th Floor, IDCO Tower, Janpath, Bhubaneswar – 751 007 on or before 30th September, 1996 in order to receive the dividend without deduction of tax at source. It would not be possible for the Company to act on the exemption Certificate/Declaration received after the above date.
- (g) Members are requested to notify immediately, change in their address, if any, to the Registered Office of the Company, quoting their Folio Number.

ANNEXURE TO NOTICE

Explanatory statement under Section 173(2) of the Companies Act, 1956.

Item No. 6 :

Shri C. Venkataramana was appointed as a whole time Director and was designated as Director (Finance) on the terms and conditions prescribed by Government vide their letter No. 2(5)/94-Met.I, dated 23.08.95. Shri Venkataramana was inducted on the Board as an Additional Director w.e.f. 28.09.95 and vacated his office on 10.10.95 i.e. the date of 14th Annual General Meeting. Shri Venkataramana was again appointed as an Additional Director w.e.f. 10.10.95 in order to comply with the provisions of Companies Act, 1956. Shri Venkataramana holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member of the Company under section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Venkataramana as a Director of the Company, whose office is liable to retirement by rotation, along with prescribed deposit. Shri Venkataramana earlier worked with the company as Executive Director (Finance) from 04.08.93 to 18.07.95. Earlier to that he served in big organizations like Kundremukh Iron Ore Co. Ltd., Bangalore and NDMC, Hyderabad. He was instrumental in strengthening the financial management of the Company including successive prepayments of foreign loans. Your Directors feel that Shri Venkataramana's association with the Board will be in the interest of the Company. It is considered desirable that the Company should continue to avail itself of his services as a Director and recommend passing of the resolution at item no. 6.

None of the Directors except Shri C. Venkataramana, whose appointment is proposed herein, is interested in the proposed resolution.

By order of the Board

Place : Bhubaneswar
Dated : 5th September, 1996

[K.N. RAVINDRA]
COMPANY SECRETARY

01. Directors' Report.

02. Annexures to the Directors' Report.

- A. Statement of Particulars under the Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988
- B. Review of Accounts by C&AG

Directors' Report

To The Members

Your Directors take pleasure in presenting the 15th Annual Report on the working of the Company, together with the Audited Accounts for the year ended 31st March, 1996.

Economic Scenario :

The overall economy of the Country remained buoyant during the year 1995-96, as the Government continued to pursue the policies of reforms. However, the economy experienced a bit slow rate of growth in 1995-96 in certain areas. The growth in industrial production which was 8.6% in 1994-95 has significantly increased to 12% with the capital goods sector outpacing others. The most remarkable feature of the economy in 1995-96 has been the control on inflation averaging at 4.4%. The country continued to attract foreign investments. These, as well as other macro-economic parameters are reflective of the sound prospects of the economy and encouraging for the industry in particular.

Aluminium industry received helpful attention of the Government in the Finance Bill of 1995-96 as the excise duty was brought down from 20% to 15%.

The demand for the aluminium metal in the domestic market, which is linked to the state of the economy of the country, registered growth of 6.7% during the year at an estimated consumption level of 5,02,700 tonnes. Your Company made a record supply of 1,43,092 tonnes to the domestic market and was able to broaden its customer base.

Operations :

Accelerated thrust on production and productivity has resulted in record outputs and new benchmarks in efficiency of all the production units. Bauxite production at 24,08,472 tonnes crossed the rated capacity. Production of Calcined Alumina touched a record high of 8,07,130 tonnes, also exceeding the rated capacity. Net generation of 4147 million units of power from the Company's 720 MW Captive Power Plant at Angul is yet another highest ever. With an average Plant Load Factor of 75%, the Captive Power Plant of your Company is among the best in the country. The other power generation system of 3 x 18.5 MW in the Alumina Refinery at Damanjodi yielded at record generation of 248.007 million units. Consistently improved performances of the power stations make your Company feel confident and comfortable on the energy front.

In the production of aluminium metal, your Company experienced a shortfall of 2712 tonnes against a target of 1,95,000 tonnes. But it gives us pleasure to report that your Company achieved, during the year, certain major breakthroughs in the operation parameters of its 218,000 tpa Smelter Plant. Apart from creating new benchmarks in monthly achievements in production of anodes, production of crushed bath, tapping of hot metal, casting of wire rods and relining of pots, a record number of 454 pots could be put into operation towards the end of the year, out of 480 pots capitalized. This augurs well for the future.

The Port Facilities of the Company at Visakhapatnam performed well by handling the total quantity of alumina exports and 62% of metal exports. Apart from handling import of caustic soda, Port Facilities were used for imports of CT pitch, baked anodes and synthetic flocculant for the first time.

Marketing :

As mentioned earlier in this report, the Company did a record sale of 1,43,092 tonnes of metal in the domestic market. Apart from that, 49,128 tonnes of metal was exported, with an average of realization of US\$ 1646.75 per tonne. Export of billets was undertaken for the first time during the year. The domestic prices continued to be linked with LME prices. The year end stock of 280 tonnes of metal has been the lowest ever. Product segment wise, it may be worth noting that the Company experienced increased demand for wire rods in the domestic market.

Faced with limitations in rail movements, a record dispatch of 1,49,630 tonnes of metal achieved by road, was indeed a daunting task executed well.

On alumina front, the Company exported 4,15,209 tonnes of calcined alumina with an average price realization of US\$ 219.48 per tonne. In the international market good demand prevailed for alumina during the first half of the year with prices peaking US\$ 280-290 per tonne level. However, the market considerably softened since October 95 with prices hovering around US\$ 180 per tonne by March 96.

The demand and price scenario in the international market has remained highly volatile during part three years. While long term prospects are good, analysts predict a dull near future.

Finance :

Financial results of the year adequately reflect the Company's robust performances in production and marketing. Sales turnover grew by 18.24% over the previous year to reach Rs. 1743.98 crore. Net profit at Rs. 535.26 crore represents an increase of 78.32% on the previous year. The export earnings of Rs. 577.58 crore including a foreign exchange component of Rs. 440.23 crore, is yet another landmark achievement of the year. The gross margin of Rs. 908.70 crore achieved in 1995-96 represents 24.6% increase over the previous year. The Company pursued, through the year, its policy of pro-active servicing of the overseas debts. This has resulted in a total payback of US \$ 251.510 million, including prepayments of US \$ 119.091 million. These measures have brought down the outstanding commercial borrowings to US \$ 112.255 million and Japanese Yen 20 billion as on 31st March, 1996.

The debt equity ratio of the Company has improved to 0.39:1 level, compared to 0.88:1 reported in the previous year. Your Directors are happy to report that the earning per share has almost doubled from Rs. 2.33 per share in 1994-95 to Rs. 4.15 per share in 1995-96. The current ratio improved from 2.87 in 1994-95 to 3.55 in 1995-96. Despite high equity base, the market has been taking keen interest in the Company's scrip because of consistent performance and strong fundamentals.

Your Company is duly concerned about the outstanding dues amounting to nearly Rs. 93 crore pending with Grid Corporation of Orissa (formerly known as OSEB) as on 31st March 96. This is being followed up at the highest level.

Dividend :

Your Directors recommend a dividend of 3.5% amounting to Rs. 45.10 crore, on the paid up Equity Capital of Rs. 1,288.62 crore, as compared to 3% declared during 1994-95. The above is subject to approval of the Central Government under Sec. 205(1)(c) of the Companies Act, 1956 and of the Members at the Annual General Meeting. The dividend recommended for the year constitutes 8.43% of the net profit.

Human Resource :

The Company has always given the priority of attention to its human resource. A strong and dependable skill base has been developed over the years through well planned practical exposure and training in various fields of work.

To keep the organization well tuned to the present and the emerging needs of business and also to create and nurture a climate of team work and trust, various HRD strategies have been adopted. The Open Forum meeting with the employees at regular intervals continue to be effective for exchange of ideas and information. Employees are taking good deal of interest in the quality circles and the revised suggestion schemes. During 1995-96, 50 Quality Circles operating in the Company implemented 39 projects. The Company received 156 suggestions of its employees during the year.

Improvements in pay, perks, incentives, social security and welfare facilities have been implemented from time to time to keep the human resource well motivated. A long term wage agreement was signed with the unions during the year giving employees the best possible deal. The minimum pay with DA and other cash allowances at the lowest grade in the company was Rs. 3278 as on 31st March, 1996.

In spite of a multi-unionism scenario, the overall Industrial Relation scenario in all the units of the Company remained peaceful during the year. Man-hour losses on account of industrial unrest is reported to be nominal 0.2% of total man-hours worked.

The constitutional obligations in matters of representations to under-privileged classes in employment are well addressed by your Company. Out of the total employee strength of 6120 (as on 31.03.96), 1003 belong to Scheduled Caste and 1091 belong to Scheduled Tribe.

Safety and Occupational Health :

Your Company assigns high importance to safety. Regular safety inspections are carried out to identify unsafe conditions, unsafe practices and to ensure use of safety appliances. Road Safety, Fire Safety, Mines Safety, weeks and National Safety Day are observed eliciting employees participation in promotion of safety. Your Directors are happy to report that a Comprehensive Disaster Management Plan prepared by the Company, has been approved by the Chief Inspector of Factories & Boilers, Govt. of Orissa, for implementation.

In line with ILO recommendations, your Company has set up occupational health centers at Angul and Damanjodi. Regular health check ups of the employees including audio-logical evaluation and pulmonary functions tests are being carried out. As a special measure, Regional Occupational Health Centre, Eastern Region, Calcutta, has been engaged to conduct an environmental and occupational health study in and around the Smelter Plant at Angul.

Pollution Control and Environment :

Your Company is proud of its track record in environment management. All the Units of the Company are meeting the statutory norms and conditions of pollution control. During the year, the Company received environmental clearances from Ministry of Environment and Forests, Govt. of India, for the expansion of Alumina Refinery. The Company is setting up additional facilities for treatment and recycling of ash pond overflow at Angul and neutralization of red-mud water at Damanjodi. A defluoridation plant is being set up in the Smelter Plant at Angul.

Your Company's achievement in afforestation crossed 41.40 lakh mark with 1,50,000 trees planted during the year.

The Company has commissioned RRL, Bhopal to study the feasibility of wasteland development through fly ash generated by Damanjodi and Angul units.

Your Directors are happy to report that the Environment Management System of the Mines & Refinery Complex at Damanjodi has been audited and recommended by Aspects Certification Services, UK for accreditation under BS 7750/ISO 14001. Efforts in the similar direction are on in the Company's Smelter and Power Plants at Angul. These will put your Company at par with the select few in the world of Industry.

Quality Movement :

With the ISO 9002 accreditations achieved for the Captive Power Plant, Angul and Bauxite Mine at Panchpatmali during the year, your Company has now earned the unique distinction of having the quality management systems of all the production units ISO certified.

Quality is a dynamic concept and needs to be sustained on a continuing basis. Apart from regular training programmes, the plant units are carrying out self-assessment tests and surveillance audits. Quality Circles are encouraged and motivated to participate in the competitions organized at various levels. Your Company organized during the year an all Orissa Quality Circles meet at Bhubaneswar in which 14 organisations located in the state participated.

Technology :

Your Company believes in a strong technology culture that is geared to ward off obsolescence, bring improvements to production and productivity and improve energy conservation and environment. Following the recognition of the Company's R&D Centres at Angul and Damanjodi by DSIR, Ministry of Science & Technology in 1994-95, a perspective plan has been prepared to revamp these centers. Also, in order to promote development of indigenous technologies, the Company has been collaborating with reputed research organization in the country for its R&D projects. The Company's expenditure of Rs. 7.83 crores committed on R&D activities during 1995-96 as compared to Rs. 2.01 crores committed in 1994-95 reflects the renewed emphasis on R&D. Particulars of R&D activities & technology absorption are placed as annexure to this report.

The tenure of the Continued Technical Assistance Agreement signed with M/s Aluminium Pechiney, France expired on 15th December 1995. Its revival is under consideration. Your Company has signed during the year an agreement with M/s ATA of USA for import of technology for production of special aluminas and hydrate.

Energy :

Conservation of energy is another thrust area of your Company. Norms of energy inputs are continuously monitored. All exceptions are reviewed for remedial measures. During the year, significant reductions were recorded in the consumption of power in the Alumina Refinery, fuel oil in the Smelter and diesel in mining operations. The particulars of energy conservation measures are annexed to this report.

Lately the Company is taking interest in non-conventional energy. Installation of solar water heating systems at some of the hospitals and guest houses of the Company are being done. During the year, feasibility studies were commissioned to explore possibilities of harnessing wind and hydel powers on small scale.

Corporate Plan :

To give a well focused attention on the identified areas of growth, a Corporate Plan (upto 2005 AD) has been prepared based on realistic assessment of strengths, resources and business environment. This is being implemented.

Debottlenecking of Smelter :

To augment the present smelting capacity of the Company, debottlenecking of Smelter by addition of required balancing equipment is presently under implementation. This would increase the capacity of Smelter to 2,30,000 TPY from the present rated capacity of 2,18,000 TPY. The debottlenecking is likely to be completed by 1996 end.

Expansion Plans :

The proposal for expansion of Bauxite Mines from 2.4 million TPY to 4.8 million TPY and Alumina Refinery from 8,00,000 TPY to 15,75,000 TPY at a total investment of Rs. 1646 crore (Nov. 1995 price level) has been cleared by PIB and is awaiting approval of CCEA.

The proposal for expansion of Aluminium Smelter from 2,30,000 TPY to 3,45,000 TPY and Captive Power Plant (CPP) from 6 x 120 MW to 8 x 120 Mw is under consideration of Government at an estimated investment of Rs. 2318 crore at Nov. '95 price level.

New Projects :

As part of its business development strategies, your Company has undertaken a number of new projects. These projects will broaden product mix of the Company and provide value addition. Investment decisions have been taken in respect of the following projects, scheduled for completion in the 1st quarter of 1998.

(A) Strip Casting Facilities

A 26,000 TPY strip casting facility at a cost of Rs. 48 crores in the Smelter Plant at Angul.

(B) Special Grade Alumina

A 20,000 TPY special alumina plant at Damanjodi, at a cost of Rs. 45.72 crores.

(C) Zeolite

A 10,000 TPY Detergent Grade Zeolite (Zeolite-A) Plant at Damanjodi at a cost of Rs. 24.10 crores.

(D) Gallium

A 1000 kg/annum 5N Purity Gallium Plant at Damanjodi at a cost of Rs. 8.05 crore based on indigenous technology and grant in aid from the Govt. of India.

Also under consideration are the projects for production of Aluminium Cast Wheel, Superfine White Alumina Hydrate, Aluminium cans, Sacrificial Anodes, Zeolite-P, Rare Earth added aluminium alloys.

Joint Venture Proposal :

Your Company is considering a proposal for equity participation in International Aluminium Products Ltd. (IAPL), jointly promoted by Mukand Ltd., FATA – Gem Ltd. and others. IAPL proposes to set up a 100% Export Oriented Unit for aluminium rolled products based on liquid metal supply from NALCO.

Computerisation :

Continuous up-gradation of hardware resources and applications, matching with the contemporary developments in information technology is essential for your Company. Based on a strategic planning for computerisation in process automation, information integration and commercial applications, a programme involving Rs. 22.14 crore is under implementation. This includes systems to optimize utilization of mobile earth moving equipment at Mines, implementation of supervisory control and data acquisition systems at refinery for hydrate circuit and Steam Power Plant, supervisory control and data acquisition system at Alumina Refinery and Captive Power Plant, production planning and control system at Smelter. Wide area and Local Area Networking are being done with the plants, corporate office, and zonal offices and stock yards.

Using GEMS, 400 of VSNL, the Company has established Electronic Mail connections for reaching its domestic and international customers and vendors.

The ultimate objective of the organization is to reduce paper work and achieve instantaneous access to information.

Use of Hindi :

Your Directors are happy to report that on Hindi Day, 14th September '95, the Company has honoured by the President of India with Indira Gandhi Rajbhasha Shield for outstanding performance in use of Hindi as the official language.

To encourage bilingual use of computers 100 employees were covered under 5 training programmes of 10 days duration each. Enthusiastic participation of the employees marked the Hindi Week celebration during the year. The Hindi editions of the house magazine Parichaya have been receiving appreciation from many outside agencies.

Vigilance :

The 'moral health' of the employees is an integral part of the corporate image. Your Company's thrust is on preventive vigilance by building awareness in all quarters of the organization. During 1995-96 for the first time, a vigilance policy for the Company has been framed and approved by the Board.

MOU Rating :

The Company was rated "Excellent" in the evaluation of the Memorandum of Understanding signed with the Govt. of India for the year 1994-95. As per the provisional assessment, the Company's performance in 1995-96 in terms of MoU has also been rated "Excellent".

Statutory disclosures :

During the year, no employee was in receipt of remuneration in excess of the limits prescribed under the provisions of Section – 217(2A) of the Companies Act, 1956 and the rules framed there under.

Particulars with respect to Energy Conservation, Research and Development, Technology Absorption etc. are submitted in Annexure-I forming part of this report.

C&AG Comments :

The replies to the comments of C&AG on the Annual Accounts of the Company for the year 1995-96 are annexed to this report.

Auditors :

M/s A.K. Sabat & Co., Chartered Accountants, Bhubaneswar, have been appointed as Statutory Auditors of the Company for the year 1995-96 by the Company Law Board on the advice of Comptroller & Auditor General of India.

Directors :

Shri S.N. Johri resumed the office of Chairman-cum-Managing Director w.e.f. 18.03.96 as per Office Order No. 10/48/92-Met-I (Vol.II) dt. 18.03.96 from Ministry of Mines.

The tenure of Shri R.B. Rao, Ex-Director (Finance) was extended upto 31.01.96, by the President of India.

Shri C. Venkataramana was appointed as Director w.e.f. 28.09.95 as per Ministry of Mines, Govt. of India, Office Order No. 2(5)/94-Met. I dt. 23.8.95 on the terms and conditions prescribed by the President of India. A notice has been received from a member, under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Venkataramana for the office of a Director.

Acknowledgement :

The Directors gratefully acknowledge the co-operation, assistance and support extended to the Company by various Ministries of the Government of India in general and the Ministry of Mines in particular, the Government of Orissa, S.E. Railway, Mahanadi Coal Fields Ltd., State Bank of India, Grid Corporation of Orissa and other organizations.

The Directors also thank the valued customers of the Company for their continued patronage. Your Directors wish to place on record their appreciation of the leadership provided to the Company by Dr. S.K. Tamotia, during Shri Johri's absence from office and for his signal contributions to the growth in the business of the Company.

Your Directors take this opportunity to place on record their appreciation of innovativeness, initiative and enterprise of the employees which enabled the Company achieve yet another year of excellent performance.

For and on behalf of the
Board of Directors

5th September, 1996
BHUBANESWAR

(S.N. Johri)
Chairman-cum-Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE – 1

Statement of Particulars under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY

All the units of NALCO viz. Mines, Alumina Refinery, Smelter, Captive Power Plant and Port Facilities have adopted the modern technologies leading to optimal consumption of energy. In addition to that, our continuous efforts are on to conserve energy to the maximum extent by constant monitoring of energy consumption activities, conducting awareness programmes on energy conservation budgeting and bench marking of energy consumption points and adopting different other useful measures in the direction.

Furthermore, efforts towards the exploitation of various other Non-Conventional Energy sources have been taken up by the Company and in some cases promising results have also been obtained.

Some of the important energy conservation measures being implemented by the Company are highlighted below :

a) Energy Conservation Measures taken :

(i) Mines & Refinery

- Commissioning of condensate polishing unit resulting in reduced consumption of water and recovery of heat value.
- Modification of logic control circuit for seed filter and classifier feed valve thereby eliminating frequent over flow of slurry to effluent pond after power failure.
- Installation of solar water heating system in VIP guest house.
- Installation of timer operated switches in the street light circuits for automatically switching on and off the light at Mines.
- Full load capacity utilization of long distance conveyor in Mines.

(ii) Smelter Plant

Pot Lines

- The process of lining of pots with semi-graphite blocks for achieving lower energy consumption is in progress and so far 68 pots have been relined out of which 63 pots have been taken in operation.
- So far 7 pots have been lined with graphite blocks in place of conventional cathode blocks for better productivity, out of which 5 pots are in operation.

Cast house and Bake Ovens

- Modified auto burner regulators have been installed in all the furnaces of cast house for achieving fuel oil economy.

General

- Solar water heating systems has been installed in NALCO Hospital, Angul and operating satisfactorily.

(iii) Captive Power Plant

- Hot end air pre-heater basket replacement taken up for unit-2 and 3 resulting in improvement of performance.
- An improved methodology of Soot blowing taken up in Unit-2
- Saving of fuel oil by adopting improved methodology of oil gun testing, reduction in coal mill and auxiliary equipment outage.
- Increased utilisation of High Pressure Heaters resulting in saving of fuel consumption.
- The coal fires in the coal yard has been kept under control.

(b) Additional investment and proposals being implemented

- Use of cytech-synthetic flocculant in settlers.
- Installation of separating cyclone for recovery of spent liquor solids.
- Installation of capacitor banks at Smelter for improvement of power factor.
- Use of fuel oil additives.
- Proposal of further Chemical cleaning of condenser tubes and on line cleaning of the same.
- Replacement of Air pre heater baskets.
- Implementing modified methodology of air heater soot blowing in balance units.
- Close monitoring and reduction of fuel oil consumption.
- Scheme for reduction in loss of coal due to spontaneous ignition at coal yard.

FORM A***Form for disclosure of particulars with respect to conservation of energy*****B. TECHNOLOGY ABSORPTION :**

Efforts made in technology Absorption

1. Research & Development

Specific areas in which R&D activities carried out by the company are

(a) In-house R&D Activities

Alumina Plant :**(i) Revamping of R&D Centre :**

Consequent to the recognition of R&D centres of NALCO by DSIR, Ministry of Science & Technology, a perspective plan has been prepared for revamping of R&D Centres at Alumina Refinery unit. Accordingly in the first phase, two equipments (Sedigraph Particle Analyser & BET Surface Area Analyser) have been procured during the year to support the development & production of Specialty Alumina. Expansion of present R&D building work has been initiated to accommodate the additional equipments in the R&D Centre.

(ii) Development of Special Grade Alumina & Hydrate :

Based on in-house activities at NALCO, two patents have been filed with respect to development of the processes for production of specialty alumina & hydrate. A 600 TPY capacity pilot plant for development & production of specialty products of hydrate & alumina is under implementation at Damanjodi & likely to be commissioned by Dec'96.

(iii) Settling Test using Synthetic flocculant :

Based on lab scale studies on synthetic flocculant, plant trial of synthetic flocculant, Cytec HK-401 was carried out in settlers in place of wheat bran. This is expected to give a benefit of 25,000 MT increase in reduction in lime consumption on continuous trial.

Smelter Plant :**(i) Use of Graphitised Carbon Blocks :**

Replacement of conventional carbon blocks by Graphitised & Semi-graphitised block in pots continued. Monitoring of these pots indicates reduction of specific energy consumption by 250 KWH per tonne of Al. For semi-graphite and 350 KWH/tonne of Al. for graphite lined pots.

(ii) Revamping of R&D Centre :

Orders for phase-I expansion of present laboratory building for housing R&D facilities and equipments required for characterisation and testing of baked anode core samples placed.

(iii) Casting and Fabrication of Anode Stem :

Up till now anode stems required for anode assembly were procured from BALCO. Casting of anode stem by in house modification in the Billet casting Machine and designing of moulds was successfully accomplished. Hence forth apart from meeting the in house requirements, these items can be sold in domestic & overseas market.

(b) Collaborative R&D Projects in hand :**(i) Special Grade Alumina Project :**

The proposal for setting up of a 20,000 TPY Specialty Alumina & Hydrate Plant with technical & engineering support from ATA, USA & EIL, New Delhi respectively at a total outlay of Rs. 45 Crores after Board approval is under implementation. The Product-mix includes different grades of specialty hydrate and alumina for non-metallurgical applications.

(ii) Zeolite-A Project :

The proposal for setting up of 10,000 TPA Detergent Grade Zeolite-A plant based on indigenous technology from CSMCRI, Bhavanagar at an outlay of Rs. 24.10 Crore has been approved by Board & the project is under implementation. The Zeolite-A plant is being set up directly in the loop of NALCO's Alumina Refinery Plant utilising Sodium Aluminate liquor as the main feed stock as a result of which there will be around 20-25% overall cost benefit.

(iii) Aluminium Lithium Project :

The proposal for setting up of a Rs. 11 Crore technology demonstration unit for manufacture of slabs & billets to be used as feed stock for manufacture of high technology Al-li-alloys finished product with technical support from DMRL, Hyderabad and M/s VIAM, Russia has been accepted & investment up to 50% of project cost has been approved by Board.

(iv) Gallium Project :

The project for setting up of a 950 Kg/year Gallium Plant at M&R complex, Damanjodi based on the indigenous technologies of CECRI, Karaikudi & NFC, Hyderabad at a total project cost of Rs. 8.05 Crore, out of which Rs. 4.5 Crores to be funded by NALCO & balance by Government agencies viz. DST, DSIR, NRDC & DRDO is awaiting implementation subject to finding confirmation by respective Government agencies. Meanwhile NOC from the State Pollution Control Board obtained and engineering consultancy order finalised.

(v) Red Mud based Synthetic Wood :

Red mud Fibre Reinforced Polymer Composites for use in Building Components as Wood Substitute has been successfully developed in collaboration with RRL, Bhopal. Large scale production of Red mud doors & window shutters are under progress.

(vi) Waste land Development by application of fly ash :

A Collaborative R&D project has been taken up with RRL, Bhopal for development of Waste lands by Application of Fly ash in both Angul & Damanjodi sectors covering an area of around 5 acres each. This will be country's second project in this direction where most systematic & scientific studies are being envisaged for bulk utilisation of fly ash for agricultural purposes.

(vii) Technology/process Development for Development of low density, white alumina hydrate (Light Hydrate) :

Under collaborative R&D efforts, a project for process/technology development for production of low bulk density, fine white alumina hydrate has been taken up at RRL, Bhubaneswar with financial & technical support from NALCO. The results obtained so far are found to be satisfactory.

(viii) Measurement of Pot Technical Parameters :

Thermal magnetic study of pots carried out in collaboration with JNARDDC, Nagpur in April/May'95 and based on the reports submitted on the findings, corrective actions to tide over the problems were initiated.

(ix) Efforts on Reduction of Anode Voltage Drop :

Proposal for reduction of anode voltage drops after detailed discussion with UNIDO experts and JNARDDC scientists is awaited for evaluation.

2. Benefits Derived :

- (i) It has been found that by adding 25 PPM of CGM/M3 of aluminate liquor, the nucleation control is more smooth & grain size distribution along with attrition of particle are within limits.
- (ii) Based on lab scale studies on synthetic flocculant, plant trial of synthetic flocculants carried out in settlers & a benefit of 25000 MT increase in production with 25% decrease in lime consumption is expected, on continuous addition of synthetic flocculant.
- (iii) Substation of BIL bricks by Hysil panel in the pots of smelter will result in a net saving of Rs. 1.0 lakh per pot.
- (iv) 10 MT NSPL-120 (produced on trial basis with in-house R&D efforts) have been sold in the market at a price of Rs. 27000 PMT, with a considerable value addition and with a feel of market acceptability.
- (v) Technology jointly developed by NALCO and CSMCRI, Bhavnagar for synthesis of Zeolite-A from NALCO's Sodium Aluminate liquor has its unique distinction based on which an investment decision was taken by the NALCO Board for setting up of a commercial production unit of 10,000 TPA capacity directly in the loop of its Alumina Refinery Plant at Damanjodi with 20-25% cost benefit.

3. Future plan of Action :

- (i) Addition of more Testing and Development facilities in R&D Centres at Damanjodi & Angul.
- (ii) Development of different grades of specialty alumina & hydrates for high technology applications.
- (iii) Market study of specialty products of alumina & hydrate for updating and assessing the potential demand of different grades of specialty product.
- (iv) Manufacture of cast and master alloys for use in aluminium foundry industry.
- (v) Development of Rare earth added Aluminium alloys for conductor applications.
- (vi) Setting of a model fly ash based brick manufacturing unit at Angul sector.
- (vii) Development of Fly ash based Granite Tiles & Wear Resistant Ceramic products.

4. Expenditure on R&D

	(Rs. In Lakhs)	
	1995-96	1994-95
a) Capital	32.84	-
b) Recurring	45.52	42.41
c) Total	78.36	42.41
d) Total R&D expenditure as % of turnover	0.045	0.029

II. Technology Absorption, Adoption & Innovation

NALCO's technological culture over the years has all along been built up on a very sound footing, with emphasis on growth and development of indigenous technology and gradual non-dependence on import of technologies. As a result, new technological order has been envisaged in the company aimed to reach advanced technological fronts.

With emphasis on the Research & Development Activities, new frontiers have opened up in different technological arenas in the field of Alumina & Aluminium industry, thereby a knowledge base and "think tank" has been created in the company. Newly formed Business Development dept. has given an impetus for selection of right type of technology for products keeping an eye on the value addition, commercialization and overall growth prospectus of the company. Product Development, Process Development, Energy Conservation, Development of Renewable energy sources, waste utilisation, technology absorption, upgradation & innovation, indigenisation of imported technology and import substitution of spares in a phased manner have been the technological motto of the Company.

III. Details of the Technology imported during the past five years.

- | | | |
|---|---|--|
| a) Technology Imported | - | Technology for production of special Grade Alumina & Hydrates from M/s ATA, USA. |
| b) Year of Import | - | 1995 |
| c) Has technology been fully absorbed | - | Not applicable |
| d) If not fully absorbed reason thereof & future plan of action | - | Project is under implementation with a time period of 24 months. |

FORM -A

(See Rule -2)

Form for disclosure of particulars with respect to conservation of energy

A. Power and Fuel Consumption.

		CAPTIVE POWER PLANT ANGUL		ALUMINA REFINERY DAMANJODI	
		CURRENT YEAR (1995-96)	PREVIOUS YEAR (1994-95)	CURRENT YEAR (1995-96)	PREVIOUS YEAR (1994-95)
1	Electricity				
a)	Purchased from OSEB				
	(Million KWH)	10.625	8.17	-	-
	Total amount (Rs. In lakh)	252.78	200.52	-	-
	Average Rate (Rs. /KWH)	2.37	2.45	-	-
b)	Own Generation				
	Through Diesel Generation Unit		Not applicable		Not applicable
	Unit per ltr. Of Diesel Oil Cost/Unit				
c)	Through Steam Turbine/Generator				
	Unit (Gross) (Million KWH)	4620.77	4405.04	248.007	236.117
	Energy cost per unit (Rs. /KWH)	0.3189	0.2853	-	-
2	Coal (Specify Quality & where used)				
	Quantity (Tonne)	3561106	3335818	584785	538163
	Total Cost (Rs.in Lakhs)	12734.80	10806.68	4796.76	4103.28
	Average rate (Rs./Tonne)	358	324	820	762

3 Fuel Oil & LDO

		CAPTIVE POWER PLANT ANGUL		ALUMINA REFINERY DAMDNJODI		SMELTER ANGUL	
		1995-96	1994-95	1995-96	1994-95	1995-96	1994-95
Quantity	(KL)	7803	6423.97	69957	68749	19208	18218
Total amount	(Rs.in Lakhs)	489.03	376.02	3562.99	3535.82	1043.32	1067.32
Average	(Rs./KL)	6267	5835	5093	5143	5432	5859

B. Consumption per unit of production.

		Standards (if any)	Current year (1995-96)	Previous year (1994-95)
Products (with details) Unit				
1 Alumina Refinery, Damanjodi				
a)	Power (KWH/Ton)	380	354.46	363.34
b)	Fuel Oil for Calcination (KG/Ton)	85.3	86.67	82.38
c)	Coal for Steam (KG/Ton)	750	724.52	704.99
d)	Oil for Steam (KG/Ton)	10	4.10	6.58
2 Smelter, Angul				
a)	AC Energy (KWH/Ton)	14,600	15,639	15,514
b)	Fuel Oil (KG/Ton)	95	99.89	102.37
c)	Others			
i	C.P. Coke (KG/Ton)	408	436.95	426.99
ii	C.T. Pitch (KG/Ton)	106.5	103.49	101.18

COMMENTS OF THE C&AG**ANNEXURE : 2****COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NATIONAL ALUMINIUM COMPANY LTD., BHUBANESWAR FOR THE YEAR ENDED 31ST MARCH, 1996****COMMENTS OF C&AG****REPLY OF MANAGEMENT****A. PROFIT & LOSS ACCOUNT**

Profit after Prior period
Adjustments :
Rs. 53526.37 Lakhs.

Reference is invited to Notes on Accounts-Item No. 2.5(ii) and Statutory Auditor's Report-Item No. 4(j). The Company has not provided for the liability towards leave encashment benefits and post - retirement health scheme on actuarial basis in contravention of Accounting Standard – 15.

B. BALANCE SHEET**Notes on Accounts :****Schedule 3 – Item No. 1.6**

The Company should not have recognized the interest of Rs. 7.13 crores as income due to uncertainty about its realization.

Sd/-

(B. K. Chattopadhyay)

Principal Director of Commercial
Audit & Ex-officio Member,
Audit Board-I, Calcutta.

Dated : 2nd September, 1996
Calcutta

1. Accounting Standard No. 15 (As-15) applies to retirement benefits in the form of leave encashment benefit, health and welfare schemes and other retirement benefits, if the predominant characteristics of these benefits are the same as those of provident fund, superannuation /pension or gratuity benefit, i.e. if such a retirement benefit is in the nature of either a defined contribution scheme or a defined benefit scheme as described in the Statement. The Statement does not apply to those retirement benefits for which the employer's obligation cannot do reasonably estimated.
2. Earned leave encashment is a part of "NALCO Employees Leave Rules" but not a retirement benefit. Accounting Policy B-7.3 discloses the treatment being given for encashment of leave on retirement which is as per NALCO Leave Rules.
3. In case of Post retirement health Scheme of NALCO, reimbursement of medical expenditure is made when the retired employee or his dependent members fall sick and such employee submits the reimbursement claim. To be eligible under the scheme, the employee on retirement has to contribute Rs. 20/- per month. All the employees may not opt for such scheme. Also retired employees can get treatment in NALCO's hospital free of cost, the value of which cannot be determined.
4. Since the leave encashment benefit and post retirement health scheme do not fall within the purview of AS-15 explained above, the Company has not provided for the same, but has accounted for as per "Pay as you go" method, as prescribed in AS-15.
1. The Company's Accounting Policy No. B-3.3 provides that interest on outstanding is accounted for where there is certainty of realization based on past experience. In the case of Deposit with ABFSL (a wholly owned subsidiary of Andhra Bank, 100% owned by Government of India) the past experience of the Company had been that out of total outstanding of Rs. 45 crores and interest accrued thereon, it has realized during

1994-95 substantial amount of outstanding including interest except principal amount of Rs. 5.00 crores and outstanding interest of Rs. 6.28 crores as on 31.3.95

2. Further, subsequent to adoption of Accounts for 1995-96 by the Board of Directors on 23.5.96, ABFSL have confirmed in their letter No. ABFSL/236 dated 21.6.96 that they would settle fully NALCO's outstanding together with interest. A copy of the letter was furnished to Government Audit in reply to their provisional comments.
3. Therefore, there being no uncertainty about recovery/realization of interest, the Company has considered the interest income of Rs. 0.85 crores for the year 1995-96 as recoverable together with Rs. 6.28 crores being interest outstanding as on 31.3.95.

For and on behalf of Board of Directors

Sd/-

Dated : 3rd September, 1996
New Delhi

(S.N. Johri)
Chairman-cum-Managing Director

REVIEW OF ACCOUNTS BY C & AG

REVIEW OF ACCOUNTS OF NATIONAL ALUMINIUM COMPANY LIMITED FOR THE YEAR ENDED 31ST MARCH 1996 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Review of Accounts has been prepared without taking into account the
Comments U/S 619(4) of the Companies Act, 1956 and
the qualifications contained in Statutory Auditor's Report

1. FINANCIAL POSITION

The table below summarizes the financial position of the company under broad headings for the last three years.

		(Rs. in Crores)		
		1993-94	1994-95	1995-96
LIABILITIES				
a)	Paid up capital			
	i) Government	1123.00	1123.00	1123.00
	ii) Others	165.62	165.62	165.62
b)	Reserves & Surplus			
	i) Free Reserves & Surplus	503.12	738.87	1308.32
c)	Borrowings from Consortium of International Banks	2321.54	1774.28	1024.91
d)	Current Liabilities & Provisions	249.71	302.65	228.48
	Total :	4362.99	4104.42	3850.33
ASSETS :				
e)	Gross block	4168.75	4525.32	4649.04
f)	Less : Cumulative Depreciation	1157.44	1433.74	1700.84
g)	Net block	3011.31	3091.58	2948.20
h)	Capital Work in progress	292.00	92.65	63.16
i)	Misc. Expenditure to the extent not written off	27.70	21.81	7.65
j)	Investments	9.78	29.27	20.50
k)	Current Assets, Loans & Advances	1022.20	869.11	810.82
	Total :	4362.99	4104.42	3850.33
l)	Working Capital (k-d)	772.49	566.45	582.34
m)	Capital Employed (g+k-d)	3783.79	3658.03	3530.54

n) Net Worth (a+b-i)	1764.04	2005.67	2589.29
o) Net Worth per Rupee of paid up capital (in Rs.)	1.37	1.56	2.01

2. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the company at the end of last 3 years are as under :

	1993-94	1994-95	1995-96
	(in percentage)		
A. Liquidity Ratio			
Current Ratio	409%	287%	355%
B. Debt Equity Ratio			
Long term debt. to Equity	108%	81%	40%
C. Profitability Ratio			
a) Profit before tax to			
i) Capital Employed	4.14%	8.21%	17.41%
ii) Net worth	8.87%	14.97%	23.73%
iii) Sales	12.99%	20.30%	35.18%
b) Profit after tax to Equity	12.16%	23.29%	47.69%
c) Earning per share (in Rupees)	1.22	2.33	4.77

Due to imbalance between debt and equity the earning per share is low though the Company earned huge profit in all the three years.

3. BONUS SHARE

No bonus share has been issued by the Company though the Reserves & Surplus are 102 percent of paid up Capital as on 31.3.1996

4. SOURCES AND USES OF FUNDS

Funds amounting to Rs. 904.59 Crores from internal and external sources were generated and utilized during the year as shown below.

SOURCES OF FUNDS :

(Rs. in crores)

a) Funds from operation	
Net profit for the year	614.56
Add : Depreciation	<u>267.10</u>
	881.66
b) Misc. expenditure written off	14.16
c) Decrease in Investment	<u>8.77</u>
Total	<u>904.59</u>

UTILISATION OF FUNDS :

a) Increase in Gross Fixed Assets	
Less : Decrease in Capital Work-in-Progress	94.23
b) Increase in Working Capital	22.33
c) Repayment of Loans	749.37
d) Dividend paid	38.66
Total	904.59

5. INVENTORY LEVELS

The inventory levels at the close of last three years are given below :

	(Rs. in Crores)		
	1993-94	1994-95	1995-96
i) Raw materials	31.97	39.24	52.10
ii) Stores and spares	179.30	195.79	219.11
iii) Finished goods	118.21	60.57	68.92
iv) Percentage of Finished goods to sales	9.80%	4.10%	3.95%

6. SUNDRY DEBTORS

The Sundry Debtors vis-à-vis Sales in the last three years are given below :

Year ended as on	Sundry Debtors			(Rs. in crores)	
	Considered Good	Considered Doubtful	Total	Total Sales during the year	Percentage of Sundry Debtors to Sales
31.3.1994	250.77	0.06	250.84	1206.77	21%
31.3.1995	191.09	1.36	192.46	1478.98	13%
31.3.1996	299.37	3.88	303.25	1745.59	17%

Doubtful debts have increased from Rs. 6.39 lakhs in 1993-94 to Rs. 388.24 lakhs in 1995-96 indicating management's failure in selection of customer and in debt chasing.

Dated : 2nd September, 1996
Calcutta

Sd/-
(B.K. Chattopadhyay)
Principal Director of Commercial Audit &
Ex-Officio Member Audit Board-I Calcutta

AUDITOR'S REPORT	2
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AUDITOR'S REPORT

To
The Members of
National Aluminium Company Limited.

We have audited the attached Balance Sheet of NATIONAL ALUMINIUM COMPANY LIMITED as at 31st March, 1996 and also the Profit and Loss Account for the year ended on that date annexed there to and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
3. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account;
4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to :
 - a) Note No. 1.6 regarding non-compliance with terms of agreement dated 17.05.1994 by Andhra Bank Financial Services Limited (ABFSL), a wholly owned subsidiary of Andhra Bank, as part of settlement process of overdue inter-corporate deposits by delivery of PSU Bonds worth Rs. 5 crores and payment of overdue interest amounting to Rs. 7.13 crores as of 31.03.1996 and the Company considering the entire amount as recoverable inspite of a fresh offer of Rs. 8.99 crores only in Bonds and cash by ABFSL in full and final settlement of the entire dues ;
 - b) Note No. 1.7 regarding long overdues of Rs. 5 crores from Bharat Gold Mines Ltd., a BIFR referred Government Company, considered good due to availability of assurance letter from Government of India ;
 - c) Note No. 1.8 regarding long overdues of Rs. 1.15 crores Mineral Exploration Corporation Ltd., considered good being a Government Company ;
 - d) Note No. 1.9 regarding diminution of Rs. 2.05 crores in value of long term investments not considered being temporary in nature and based on valuation principle followed under Accounting Policy No. A., 3 ;
 - e) Note No. 2.1 read with Accounting Policy No. B 1.2, B 1.3 and B 1.6 regarding depreciation charge for the year being higher by Rs. 49.18 crores and cumulative undercharge of depreciation being Rs. 959.44 crores with corresponding effect on Net Block and Reserves and surplus ;
 - f) Note No. 2.2 regarding write back of accumulated provision of Rs. 79.29 crores for pot relining as an extraordinary income during current year subsequent to change in Accounting Policy No. B. 6 carried out in the year 1994-95 ;
 - g) Note No. 2.3 regarding change in Accounting Policy No. B.2 for enhancement of cut off limit pertaining to Prior Period expenses/income and prepaid expenses from Rs. 25,000/- to Rs. 1,00,000/- resulting in profit for the year being decreased by Rs. 9.87 lakhs ;

- h) Note No. 2.4 regarding follow up of detailed guidelines pertaining to Accounting Standard No. 5 relating to "Prior Period and Extraordinary Items" consequent to which the profit for the year increased by Rs. 35.44 lakhs disclosed under respective revenue heads as detailed in Schedule 2.13 and not considering as "Prior Period Adjustments" ;
- i) Note No. 2.5 (i) regarding non-remittance of Rs. 85.20 lakhs to Regional Provident Fund Commissioner and retention of the same with NALCO Employees Provident Fund Trust pending formation of Superannuation Trust and retention with the Company of Rs. 266.50 lakhs arising out of wage settlement with the employees pending formation of such Trust ;
- j) Note No. 2.5 (ii) regarding Accounting Policy B No. 7.3 in respect of leave Encashment on retirement the liability whereof not determined actuarially ;
- k) Note No. 2.7 regarding disclosure of Rs. 1.28 crores being contribution payable to Mineral Exploration Fund under contingent liability owing to dispute on the figure of proven reserves of Bauxite as assessed by the Company and the Ministry of Mines ;
- l) Note No. 2.9 regarding change in Accounting Policy No. B.5 relating to earlier policy of deferment of non-recurring exchange variation losses and accordingly writing off of Rs. 9.32 crores during the current year resulting in decrease in profit for the year by similar amount ;

and read together with other notes on accounts including Accounting Policies of the Company, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

i) in the case of the Balance Sheet of the state of affairs of the company as at 31st March, 1996

and

ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records as we considered appropriate and as per the information and explanations given to us in the course of our audit and to the best of our knowledge and belief, we further report that :

- I. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) Pursuant to the Company's programme of physical verification of fixed assets, which in our opinion is reasonable, majority of movable fixed assets of the Company have been verified by the management during the year and discrepancies noticed on such verification, which were not material, are under reconciliation.
- II. None of the Fixed Assets have been revalued during the year.
- III. The Stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations (except stocks with third parties and in transit) have been physically verified by the management at reasonable intervals.

- IV. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- V. The discrepancies noticed on such physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.
- VI. In our opinion and on the basis of our examination of the valuation of stocks, such valuation is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year read with Accounting Policy No. A.4.
- VII. The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties listed in the registers maintained under section 301 of the Companies Act, 1956 and/or to Companies under the same management as defined under section 370 (IB) of the Companies Act, 1956.
- VIII. The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or to Companies under the same management as defined under section 370 (IB) of the Companies Act, 1956.
- IX. The principal amounts and interest wherever applicable thereon in respect of loans and/or advances in the nature of loans given by the Company to bodies corporate and employees have been recovered regularly as stipulated except part of Inter Corporate deposit dues from Andhra Bank Financial Services Limited, amounts due from Bharat Gold Mines Limited and Mineral Exploration Corporation Limited as referred in Note Nos. 1.6, 1.7 and 1.8 respectively.
- X. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and with regard to sale of goods.
- XI. According to the information and explanations given to us, there are no transactions of purchases of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in value from/to any party.
- XII. As explained to us the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on items so determined.
- XIII. The Company has not accepted any deposits from public.
- XIV. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realizable scrap. The Company has no by product.
- XV. In our opinion, the Company's internal audit system even though satisfactory needs to cover more areas so as to be commensurate with its size and nature of its business.
- XVI. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (I) (d) of the Companies Act, 1956 and are of the opinion that prima-facie the prescribed records have been made and maintained. We have not however made a detailed examination of the said records. As per the directives of the Central Government, Cost Auditors have been appointed to carryout detailed review of records for the year.

- XVII. The Company is regular in depositing Provident Fund dues with appropriate authorities. None of the employees of the Company is member of the Employees State Insurance. Family pension dues from 16.11.95 amounting to Rs. 85.20 lakhs., pending creation of Super-annuation Trust, have been deposited with NALCO Employees Provident Fund Trust and not with Regional Provident Fund Commissioner. Arising out of wage settlement agreement with employees, Rs. 266.50 lakhs towards pension scheme has been retained by the Company pending creation of Super-annuation Trust.
- XVIII. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
- XIX. During the course of our examination of books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses other than expenses under contractual obligations and / or generally accepted business practices which have been charged to revenue account.
- XX. The Company is not a Sick Industrial Company with the meaning of Clause (O) of Sub Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For A.K. SABAT & CO.
Chartered Accountants,

NEW DELHI
Date : 23rd May, 1996

(A.K. SABAT)
PARTNER

Annual Accounts

01. Balance Sheet
02. Profit & Loss Account
03. Schedules Forming Part of the Balance Sheet
04. Schedules forming Part of the Profit & Loss Account
05. Significant Accounting Policies
06. Notes forming part of the of Accounts
07. Additional Information forming part of the Account
08. Cash Flow Statement

Balance Sheet as at March 31, 1996**(In Thousand Rupees)**

	Schedule	As at March 31,1996	As at March 31,1995
SOURCES OF FUNDS			
Shareholders' Funds :			
Share capital	1.1	1288,61,92	1288,61,92
Reserves and Surplus	1.2	1308,31,94	738,86,54
Loan Funds :			
	1.3		
Secured loans		-	-
Unsecured loans		1024,91,18	14774,28,17
TOTAL		3621,85,04	3801,76,63
APPLICATION OF FUNDS			
Fixed Assets :			
	1.4		
Gross Block		4649,04,37	4525,31,67
Less : Depreciation		1700,84,43	1433,74,08
Net Block		2948,19,94	3091,57,59
Capital Work-in-Progress	1.5	63,15,75	92,65,12
		3011,35,69	3184,22,71
Investments	1.6	20,50,01	29,27,56
Current Assets, Loans and Advances :			
	1.7		
Inventories		340,12,40	295,60,59
Sundry Debtors		299,36,53	191,09,30
Cash and Bank balances		27,97,84	259,37,07
Other Current Assets		15,50,88	32,20,05
Loans and Advances		127,85,02	90,83,70
		810,82,67	869,10,71

Less : Current Liabilities and Provisions	1.8		
Liabilities		182,98,11	183,88,60
Provisions		<u>45,50,15</u>	<u>118,76,88</u>
		<u>228,48,26</u>	<u>302,65,48</u>
Net Current Assets		582,34,41	566,45,23
Miscellaneous Expenditure			
(To the extent not written off or adjusted)	1.9	<u>7,64,93</u>	<u>21,81,13</u>
	TOTAL	<u>3621,85,04</u>	<u>3801,76,63</u>
Notes on Account	3		
Additional information	4		

Statement of significant Accounting Policies and Schedules form Part of Accounts.

*In term fo our attached report
of even date.*

For and on behalf of Board of Directors

For and on behalf of
M/s. A.K. Sabat & Co.
Chartered Accountants
A.K. SABAT
Partner
New Delhi
23rd May, 1996

K.N. RAVINDRA
Company Secretary

C. VENKATARAMANA
Director (Finance)

S.N. JOHRI
Chairman-cum-
Managing Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1996**(In Thousand Rupees)**

	Schedule	Year ended March 31,1996	Year ended March31,1995
INCOME :			
Sales	2.1	1743,97,92	1474,95,52
Finished goods internally consumed		1,61,16	15,57
Accretion/(Depletion) to stock of			
Finished /intermediary products	2.2	8,34,37	(57,63,97)
Other income	2.3	59,11,21	67,82,27
		1813,04,66	1485,29,39
EXPENDITURE :			
Raw Materials consumed	2.4	192,06,18	134,81,40
Finished goods purchased		-	1,80
Power & Fuel	2.5	263,30,96	246,78,65
Repairs and Maintenance	2.6	98,55,97	81,34,09
Other Manufacturing Expenses	2.7	39,61,71	32,11,69
Excise Duty		141,73,48	146,70,72
Employees' Remuneration and Benefits	2.8	83,24,79	48,92,94
Administrative Expenses	2.9	56,84,53	39,14,59
Selling and Distribution Expenses	2.10	28,96,76	26,56,46
Interest and Financing Charges	2.11	64,83,30	184,02,55
Provisions	2.12	3,61,40	7,25,02
Depreciation		267,19,29	253,62,56
Miscellaneous Expenditure written off		14,97,59	4,73,61
		1254,95,96	1206,06,08
PROFIT FOR THE YEAR		558,08,70	279,23,31
LESS/(Add) : Prior Period Adjustments (Net)	2.13	22,82,33	(20,93,89)
PROFIT AFTER PRIOR PERIOD ADJUSTMENTS		535,26,37	300,17,20
Add: Extraordinary Income: Write back of			
Provisions for pot relining no longer required		79,29,20	-
NET PROFIT AFTER PRIOR PERIOD			
ADJUSTMENTS AND EXTRAORDINARY INCOME		614,55,57	300,17,20
Balance of profit brought forward from previous year		40,40,36	503,12,44
Amount available for appropriation		654,95,93	803,29,64
APPROPRIATION			
Dividend for previous year (subject to deduction of tax)		-	25,77,24
		45,10,17	38,65,86
Transferred to Investment Allowance Reserve		-	198,46,18
Transferred to General Reserve		600,00,00	500,00,00
Balance of profit carried forward to Balance Sheet		9,85,76	4040,36
		654,95,93	803,29,64
Notes on Accounts	3		
Additional information	4		

Statement of significant Accounting Policies and Schedules form Part of Accounts.*In term fo our attached report of even date*

For and on behalf of
M/s. A.K. Sabat & Co.
Chartered Accountants
A.K. SABAT
Partner

K.N. RAVINDRA **C. VENKATARAMANA**
Company Secretary Director (Finance)

S.N. JOHRI
Chairman-cum-
Managing Director

New Delhi
23rd May, 1996

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(In Thousand Rupees)	
	As at March 31,1996	As at March 31,1995
Schedule 1.1		
SHARE CAPITAL		
Authorised		
130,00,00,000 Equity Shares of Rs.10/-each (Previous year		
130,00,00,000 Equity Shares of Rs.10/-each)	1300,00,00	1300,00,00
Issued, Subscribed and Paid up		
128,86,19,200 Equity Shares of Rs.10/- each fully paid up		
(Previous year 128,86,19,200 Equity Shares of Rs.10/- each)		
Out of these Shares, Government of India holds 112,29,99,270		
(Previous Year 112,29,99,270)	1288,61,92	1288,61,92
TOTAL	1288,61,92	1288,61,92
Schedule 1.2		
RESERVES & SURPLUS		
General Reserve		
Balance as per Last Balance Sheet	500,00,00	-
Transferred from Profit & Loss Account	600,00,00	500,00,00
	1100,00,00	500,00,00
Investment allowance Reserve		
Transferred from Profit & Loss Account	-	198,46,18
Less : Transferred to Investment Allowance Utilisation Reserve	-	198,46,18
	-	-
Investment Allowance Utilisation Reserve	198,46,18	198,46,18
Balance in Profit & Loss Account	9,85,76	40,40,36
TOTAL	1308,31,94	738,86,54

Schedule 1.3**LOAN FUNDS****Secured Loans**

-

-

Unsecured Loans

Medium term Euro dollar loans from

Consortium of International Banks

(Guaranteed by Government of India)

US\$ - million (Previous Year 25.455 million)

-

80,15,64

US\$ 95.588 million (Previous Year 110.294 million)

326,91,18

347,31,62

US\$ - million (Previous Year 166.667 million including

US\$ 20.610 million swapped to Swiss Franc 40 million)

-

567,73,24

Japanese yen 20 billion (Previous year 20 billion)

641,00,00

705,60,00

Medium term instalment liability of US\$ 16.667 million

from Morgan Grenfell & Company Ltd.

(Previous year US\$ 23.333 million)

57,00,00

73,47,67

TOTAL

1024,91,18

1774,28,17

Note : Repayable within one year : US \$ 21.373 million (Rs. 73,09,41) [Previous year US\$ 100.767 million (Rs. 317,31,37)]

Repaid during the year US \$ 213.495 million (Rs. 724,17,92) including prepayment of US \$ 119.091 million (Rs. 407,09,83)

Repaid during previous year US \$ 200.67 million (Rs. 634,47,04) including prepayment of US \$ 66.667 million (Rs. 212,15,76)

Schedule 1.4**FIXED ASSETS**

Schedule 1.4

FIXED ASSETS

(In Thousand Rupees)

PARTICULARS OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1.4.95	ADDITIONS	SALES/ ADJUSTMENTS	COST AS ON 31.3.96	AS ON 1.4.95	FOR THE YEAR	SALES/ ADJUSTMENTS	UPTO 31.3.96	AS ON 31.3.96	AS ON 31.3.95
A. PLANT, MINES AND OTHERS										
Freehold land including development costs	29,96,70	2,49	-13	29,99,06	-	-	-	-	29,99,06	29,96,70
Leasehold land including development costs	2,10,03	-	-	2,10,03	77,61	9,12	-	86,73	1,23,30	1,32,42
Buildings	1,47,82,00	1,90,22	-190	149,70,32	46,86,93	7,36,79	-	54,23,72	95,46,60	100,95,07
Roads, bridges and culverts	24,18,77	44,77	-122	24,62,32	6,08,71	35,89	-	6,44,60	18,17,72	18,01,06
Railway sidings	47,89,77	1,67,66	-	49,57,43	21,07,38	3,20,70	-	24,28,08	25,29,35	26,82,39
Water supply, drainage and sewerage	42,79,86	-	-	42,79,86	16,55,98	2,04,32	-	18,60,30	24,19,56	26,23,88
Power supply, distribution and lighting	156,45,24	87,38	-27	157,32,35	60,66,09	8,21,71	86,66	69,74,46	87,57,89	95,79,15
Plant and machinery	3914,43,12	112,17,48	18,01	4026,78,61	1235,99,93	239,79,43	-1,120	1475,68,16	2551,10,45	2678,43,19
office equipments	4,87,15	1,42,48	-166	6,27,97	2,54,26	59,48	-2,38	3,11,36	3,16,61	2,32,89
Furniture and fittings	5,45,20	97,35	-562	6,36,93	1,96,91	90,13	-5,08	2,81,96	3,54,97	3,48,29
Vehicles	17,06,59	85,92	-6,875	17,23,76	13,86,90	1,11,54	-61,18	14,37,26	2,86,50	3,19,69
Miscellaneous equipments	14,26,02	1,27,32	-635	15,46,99	5,44,27	84,98	-4,93	6,24,32	9,22,67	8,81,75
TOTAL	4407,30,45	121,63,07	-6,789	4528,25,63	1411,84,97	264,54,09	1,89	1676,40,95	2851,84,68	2995,45,48
B. SOCIAL FACILITIES										
Freehold land including development costs	2,99,48	14	-	2,99,62	-	-	-	-	2,99,62	2,99,48
Leasehold land including development costs	35,12	-	-	35,12	12,55	1,76	-	14,31	20,81	22,57
Buildings	82,10,08	2,34,22	-703	84,37,27	11,52,64	1,38,33	-	12,90,97	71,46,30	70,57,44
Roads, bridges and culverts	11,55,73	1,53	-	11,57,26	1,80,54	18,84	-	1,99,38	9,57,88	9,75,19
Water supply, drainage and sewerage	9,01,51	11,58	-32	9,12,77	3,45,29	36,44	-	3,81,73	5,31,04	5,56,22
Power supply, distribution and lighting	8,32,92	8,44	-201	8,39,35	3,26,94	39,74	-	3,66,68	4,72,67	5,05,98
office equipments	6,17	1,47	-16	7,48	3,90	95	-16	4,69	2,79	2,27
Furniture and fittings	88,58	3,40	-723	84,75	45,91	11,98	-7,08	50,81	33,94	42,67
Vehicles	64,84	-	-371	61,13	41,83	5,10	-3,18	43,75	17,38	23,01
Miscellaneous equipments	2,06,79	37,73	-53	2,43,99	79,51	12,06	-41	91,16	1,52,83	1,27,28
TOTAL	118,01,22	2,98,51	-20,99	120,78,74	21,89,11	2,65,20	-10,83	24,43,48	96,35,26	96,12,11
TOTAL FOR CURRENT YEAR	4525,31,67	1,24,61,58	-88,88	4649,04,37	1433,74,08	267,19,29	-8,94	1700,84,43	2948,19,94	3091,57,59
TOTAL FOR PREVIOUS YEAR	4168,75,11	358,86,30	-2,29,74	4525,31,67	1157,44,53	253,62,56	22,66,99	1433,74,08	3091,57,59	3011,30,58

Plant and machinery includes capitalisation of Rs. 1757,25,96 (Previous year 1699,77,73) (including Rs. 57,48,23 during the year, Rs. 107,28,42 previous year) towards exchange variation loss in accordance with Accounting Policy No. a. 6 (4)

Included in Gross Block above are the following assets laid on land not belonging to the Company :

- | | |
|--|---|
| 1) Buildings - Rs. 95,96 (previous year Rs. 95,96) | 4) |
| 2) Roads, bridges and culverts-Rs.295,32 (previous year Rs. 295,32) | 5) Railway sidings- Rs. 452,05 (Previous year Rs. 305,46) |
| 3.) Water supply, drainage and sewerage -Rs. 12,71 (Previous year Rs. 12,36) | |

Schedule 1.5

CAPITAL WORK-IN-PROGRESS

(In Thousand Rupees)		
	As at	As at
	March 31,1996	March 31,1995
Schedule 1.5		
CAPITAL WORK-IN-PROGRESS		
Construction and Work-in-progress at cost (Including materials with contractors Rs. 74,95 Previous year Rs. 77,95)	39,98,13	55,02,62
Advances to Government Departments & contractors (Unsecured, considered good)	11,04,61	15,99,61
Advances to suppliers for capital goods (Unsecrued; considered good)	5,61,34	48,12
Stock of construction materials (at cost)	6,51,11	7,79,92
Construction materials -in transit (at cost)	56	-
Plant and machinery - in- transit (at cost)	-	3,07,77
Exchange variation pending capitalisation	-	10,27,08
TOTAL	63,15,75	92,65,12

	(In Thousand Rupees)				
	Face value per unit (Rs.)	As at March 31,1996		As at March 31,1995	
		Number	Book Value	Number	Book value
Schedule 1.6					
INVESTMENTS					
(Unquoted unless otherwise stated)					
Government Securities :					
7 Year National Savings Certificates					
(Deposited with Government Authorities			1		1
Other Investments					
Long term investments :					
13% Nuclear Power Corporation Bonds, 1988	1,000	-	-	95,000	9,77,55
9% (Tax free) Power Fiance					
Corporation bonds, 1988	1,000	125,000	12,50,00	125,000	12,50,00
9% (Tax free) Power Finance					
Corporation Bonds, 1990	1,000	70,000	7,00,00	70,000	7,00,00
			19,50,00		29,27,56
Current Investments :					
15.75% Tourism Fiance Corporation					
Bonds, 1995*	1,00,000	100	1,00,00	-	-
* (Letter of Allotment received, Bonds, awaited)					
			20,50,01		29,27,56
Aggregate Book Value of Quoted Investments			-		-
Aggretrate Book Value of Unquoted Investments			20,50,01		29,27,56
Aggregate Market Value of Quoted Investments			-		-

	(In Thousand Rupees)	
	As at March 31, 1996	As at March 31, 1995
Schedule 1.7		
CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets :		
Inventories :		
Raw materials at cost (including Rs. 17,37,32 Previous year Rs. 533,05 in transit)	52,09,96	39,24,20
Stock in trade/intermediary products-at lower of cost or net realisable value	68,91,77	60,57,41
Stores and spares at cost (including Rs. 1996.72 Previous year Rs. 2508,84 in transit) out of which Rs. 256,93 (previous year Rs. 186,15) awaiting inspection	225,59,61	200,59,98
Less : Provision for non moving stores and spares	6,48,94	4,81,00
	<u>219,10,67</u>	<u>195,78,98</u>
Sundry Debtors :		
(Unsecured)		
Debts over six months		
Considered good	49,92,95	44,87,30
Considered doubtful	3,88,24	1,36,30
	<u>53,81,19</u>	<u>46,23,60</u>
Less : Provision for doubtful debts	3,88,24	1,36,30
	<u>49,92,95</u>	<u>44,87,30</u>
Other debts considered good	<u>249,43,58</u>	<u>146,22,00</u>
	299,36,53	191,09,30

Cash and Bank Balances :

Cash balance on hand including imprest & stamp	6,14		5,50	
Cheques on hand	3,68,37		10,65,59	
Bank balances with Scheduled Banks				
In Current Accounts	24,23,18		24,92,93	
In short Term/Fixed Deposits	-		129,00,00	
In Post Office Saving Accounts	15		15	
Certificate of deposits with Banks	-		94,72,90	
	<hr/>	27,97,84	<hr/>	259,37,07

Other Current Assets :

Interest accrued on				
Investments	38,28		73,27	
Debtors	3,50,76		5,51,34	
short term/Fixed Deposit	9,41		9,30,41	
Inter Corporate deposits	7,13,32		6,28,32	
Loans to Employees	4,16,15		3,45,14	
Loans to Public Sector Companies	22,96		20,73	
Discount accrued on Certificate of Deposits	-		5,28,72	
Swap and Cap receivables	-		1,42,12	
	<hr/>	15,50,88	<hr/>	32,20,05

Loans, Advances and Deposits :

(Unsecured, considered good unless otherwise stated)

Loans :

Employees (Secured Rs. 14,78,90, Previous Year (Rs. 8,33,12)	19,26,98		10,72,82	
Stores on loan basis	61,80		61,35	
Loans to Public Sector Companies (Including interest accrued and due Rs. 36,01 Previous year Rs. 16,39)	<u>6,51,01</u>		<u>6,31,39</u>	
		26,39,79		17,65,56

Advances/Recoverables :

Advances to Employees	1,43,57		98,97	
Income Tax deducted at source	1,88,88		2,62,30	
Advance to others				
Considered Good	17,96,03		16,12,33	
Considered doubtful	<u>2,46,26</u>		<u>2,18,02</u>	
	20,42,29		18,30,35	
Less : Provision for doubtful advances	<u>2,46,26</u>		<u>2,18,02</u>	
	17,96,03		16,12,33	
Amount due from Andhra Bank Financial Services Ltd. towards Inter Corporate Deposits	5,00,00		5,00,00	
Amount due from Bharat Aluminium Company Ltd.	1,97		1,97	
Prepaid Expenses	2,04,22		4,83,34	
Claims Recoverable : Considered Good	62,31,57		37,88,21	
Considered doubtful	<u>7,88,31</u>		<u>8,71,20</u>	
	70,19,88		46,59,41	
Less : Provision for doubtful claims	<u>7,88,31</u>		<u>8,71,20</u>	
	<u>62,31,57</u>		<u>37,88,21</u>	
		90,66,24		67,47,12

Deposits with

Government Departments	71,05		61,55	
Customs Authorities	60,43		74,59	
Port Authorities	27,21		33,00	
Sales Tax Authorities	6,33,11		-	
Excise Authorities	2,36,88		3,45,74	
Others	50,31		56,14	
		10,78,99		5,71,02
Total of Loans, Advances and Deposits		1,27,85,02		90,83,70
TOTAL		810,82,67		869,10,71

NOTE : Loans due from Director as on 31.3.96- Rs. 2,12, maximum amount due Rs. 2,62 during the year
(Previous year- Rs. 2,62 maximum amount due Rs. 3,03)

(In Thousand Rupees)

	As at March 31,1996	As as March 31,1995
Schedule 1.8		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities :		
Sundry creditors	75,21,81	67,77,94
Other liabilities (including advances from customers of Rs. 12,13,06, Previous Year Rs. 14,35,24)	79,89,37	77,89,65
Security deposits	23,01,92	24,46,25
Interest accrued but not due on loans	4,85,01	13,74,76
	182,98,11	183,88,60
Provisions :		
For Relining	-	79,29,20
For dividend	45,10,17	38,65,86
For Sundry claims	39,98	81,82
	45,50,15	118,76,88
TOTAL	228,48,26	302,65,48

Schedule 1.9

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Particulars	Balance as at April 1,1995	Additions/ Adjustments during 1995-96	Written off during 1995-96	Balance as at March 31,1996
Interest and penalties on Sales Tax	4,26,73	-	-	4,26,73
Exchange variation Loss	14,57,94	-	14,57,94	-
Expenditure on un-successful projects	39,65	-	39,65	-
Expenditure on new projects	59,03	81,39	-	1,40,42
Expenditure on Expansion Projects	1,97,78	-	-	1,97,78
Total for Current Year	21,81,13	81,39	14,97,59	7,64,93
Total for Previous Year	27,70,70	-1,15,96	4,73,61	21,81,13

Schedules forming part of profit and loss account

	(In Thousand Rupees)	
	Year Ended March 31,1996	Year Ended March 31,1995
Schedule 2.1		
SALES		
Own Products :		
Export :		
Calcined Alumina	306,58,89	141,01,49
Aluminium Ingots	269,25,60	288,42,13
Aluminium Wire rods	94,96	-
Aluminium Billets	78,67	-
	<u>577,58,12</u>	<u>429,43,62</u>
Export through Merchant Exporter :		
Calcined Alumina	-	56,20,48
Domestic :		
Alumina Hydrate	1,36,01	39,43
Calcined Alumina	5,40,28	3,26,74
Aluminium Ingots	617,98,26	550,22,01
Aluminium Wire rods	388,13,67	302,07,54
Aluminium Billets	63,89,83	42,43,80
Electricity	89,61,75	90,89,32
	<u>1166,39,80</u>	<u>989,28,84</u>
Traded Goods - Domestic :		
Special grade Alumina	-	2,58
TOTAL	<u>1743,97,92</u>	<u>1474,95,52</u>

Schedule 2.2**ACCRETION/DEPLETION(-) TO FINISHED/INTERMEDIARY PRODUCTS****(In Thousand Rupees)**

	Opening Stock	Closing Stock	Accretion/ (-) Depletion
Bauxite	3,57,27	3,62,47	5,20
	(3,36,58)	(3,57,27)	(20,69)
Alumina Hydrate	86,78	6,00	-80,78
	(2,20,75)	(86,78)	(-1,33,97)
Calcined alumina	25,25,98	32,39,61	7,13,63
	(21,41,99)	(25,25,98)	(3,83,99)
Aluminium Ingots	5,64,67	6,41,50	76,83
	(65,27,31)	(5,64,67)	(-59,62,64)
Aluminium Wire rods	26,87	19,32	-7,55
	(1,07,24)	(26,88)	(-80,36)
Aluminium Billets	2,15,98	2,01,38	-14,60
	-	(2,15,98)	(2,15,98)
Other items	22,79,85	24,21,49	1,41,64
	(24,87,51)	(22,79,85)	(-2,07,66)
TOTAL	60,57,40	68,91,77	8,34,37
	(118,21,38)	(60,57,41)	(-57,63,97)

Figures in brackets represent those for previous year.

(In Thousand Rupees)

	Year Ended March 31,1996	Year Ended March 31,1995
Schedule 2.3		
OTHER INCOME		
Interest Income from Investments	2,64,01	3,94,33
Interest Income from detors	10,55,38	11,07,12
Interest income from Short term/Fixed Deposits with Banks	10,25,60	24,50,14
Discount on Certificate of Deposits	11,44,80	7,89,56
Interest income from Inter Coporate Deposits	5,15,14	5,46,73
Interest income from employees and others	1,02,21	1,08,23
Interest income from loans to Public Sector companies	91,85	91,85
(Interest/Discount Income are accounted on Gross basis.		
from Income from debtors Rs. 13,85, from loan to Public Sector Company Rs. 90,76)		
Exchange Variation Gain	7,11,27	2,99,27
Premium on Exim scrip and sale of Import license	-	3,87,07
Receipt for freight, handling etc. from customers	4,58,43	3,14,07
Machinery hire charges	3,82	1,54
Sundry receipts	3,25,38	1,40,89
Sale of scrap	1,17,95	73,36
Receipt for rent, electricity and water charges	88,71	73,67
Receipt for use of vehicle and aviation	2,71	1,36
Receipt from guest house	3,95	3,08
TOTAL	59,11,21	67,82,27

Schedule 2.4
RAW MATERIALS CONSUMED

	(In Thousand Rupees)			
	Year ended March 31,1996		Year ended March 31,1995	
	Quantity (MT)	Value	Quantity (MT)	Value
Caustic soda	63,557	71,38,69	48,060	34,43,95
C.P. Coke	83,856	52,16,25	75,990	46,62,02
C.T. Pitch	19,862	17,77,32	18,006	15,93,03
Aluminium fluoride	5,909	21,44,33	5,820	17,99,92
Lime	37,872	5,93,24	43,760	6,02,81
Crystal growth modifier	300	3,81,26	242	3,34,70
Purchased anodes	(Nos) 3,835	13,11,08	(Nos) 1,999	4,28,01
Others	-	6,44,01	-	6,16,96
TOTAL		192,06,18		134,81,40

Schedule 2.5
POWER AND FUEL

	Year Ended	Year Ended
	March 31,1996	March31,1995
Purchased power	2,52,78	4,68,13
Duty on self generation (Including interest on Electricity		
Duty Rs. (-) 227,26, Previous Year Rs. 215,83)	29,87,72	38,25,61
Coal consumed	175,31,56	149,09,96
Fuel oil consumed	55,58,90	54,74,95
TOTAL	263,30,96	246,78,65

Schedule 2.6**REPAIRS AND MAINTENANCE**

Buildings	2,74,81	2,16,43
Machinery	88,69,54	70,76,36
Others	7,11,62	8,41,30
TOTAL	98,55,97	81,34,09

(In Thousand Rupees)

	Year Ended March 31,1996	Year Ended March 31,1995
Schedule 2.7		
OTHER MANUFACTURING EXPENSES		
Royalty and Cess	8,18,88	7,27,04
Freight	18,85,44	15,65,12
Others	12,57,39	9,19,53
TOTAL	39,61,71	32,11,69

Schedule 2.8**EMPLOYEES' REMUNERATION AND BENEFITS**

Salaries, Wages & Bonus	65,73,43	37,58,69
Contributions to Provident Fund	4,47,69	2,84,62
Contribution to Super annuation Fund	94,52	-
Staff welfare expenses	11,55,56	8,01,76
Gratuity	53,59	47,87
TOTAL	83,24,79	48,92,94

Schedule 2.9**ADMINISTRATIVE EXPENSES**

Rent for office and guest house	1,03,57	96,96
Rent for leased accommodation	37,33	27,39
Rates and taxes	79,51	74,71
Insurance	1,93,31	1,56,41
Auditors' Remuneration-Statutory Audit Fee	1,50	1,50
Auditors' Remuneration-Statutory Audit Expenses	3,83	2,43
Auditors' Remuneration-Others*	1,05	60
Cost audit fee and expenses	1,20	-
Repairs and maintenance-Buildings	1,26,70	56,78
Repairs and Maintenance-Others	3,22,27	1,43,92
Vehicle operating expenses	81,09	88,08
Consumption of stores	59,92	74,00
Recruitment expenses	13,68	7,82
Bank charges	1,35,15	1,19,16
legal expenses	28,93	18,54
Filing fees	2	1
printing and Stationary	105,62	81,35
EDP Expenses	41,79	19,85
Postage, telegram, telex and telephone	2,54,34	2,41,68
Advertisement and publicity	2,35,64	85,66
Entertainment	11,63	11,30
Electricity and water charges	289,65	86,73
Travelling Expenses	7,36,28	4,94,99
Demurrage	13,37	6,77
Directors' sitting fees	25	4
Hire charges for machinery/vehicles	1,64,54	1,14,82
Donations	9,32	13,41

Management Development and Training	74,27	56,36
Plantation/horticulture	51,07	36,67
Maintenance of guest house	21,20	21,52
Miscellaneous consultancy	39,08	47,86
CISF and other expenses	5,79,32	4,59,25
Fire fighting services	84,10	75,32
Loss on sale of assets and shortages	71	5,00
Claims and debts written off	1,14,51	2,89
Technical assistance fees and expenses	7,56,46	9,56,39
Research and development expenses	6,31	4,74
Wealth Tax	1,59	1,06
Peripheral development expenses	52,61	60,54
Other miscellaneous expenses	2,04,28	1,62,08
Contribution to Mineral Exploration Fund	6,20,00	-
Loss on maturity of investment	27,55	-
TOTAL	56,84,53	39,14,59

* Include Tax Audit fees Rs. 75, Tax Audit expenses Rs. 25 and Tax consultancy Rs.5, (Previous Year Tax Audit fee Rs.50, Tax Audit expenses Rs.10)

(In Thousand Rupees)

	Year Ended March 31,1996	Year Ended March 31,1995
Schedule 2.10		
SELLING AND DISTRIBUTION EXPENSES		
Sales tax	19,38	16,17
Packing and forwarding	1,13,34	1,17,14
Freight and handling	21,28,03	19,45,78
Commission to selling agents	3,84	15,96
Cash discount	1,56,64	1,65,42
Demurrage	58,90	62,67
Others	4,16,63	3,33,32
TOTAL	<u>28,96,76</u>	<u>26,56,46</u>
Schedule 2.11		
INTEREST AND FINANCING CHARGES		
Interest on medium term foreign loans	76,17,73	107,15,16
Agency fees including upfront charges	3,24,73	4,55,98
Exchange variation	-27,79,28	44,32,50
Gurarantee fee on foreign loans	13,20,12	27,98,91
TOTAL	<u>64,83,30</u>	<u>184,02,55</u>
Schedule 2.12		
PROVISIONS		
Doubtful advances	28,38	84,58
Doubtful debtors	2,46,03	1,30,16
Doubtful insurance claims	-35,71	3,85,84
Doubtful despatch money and freight claims	-6,94	3,38
Sundry claims	-39,93	-
Non moving stores and spares	1,69,57	1,21,06
TOTAL	<u>3,61,40</u>	<u>7,25,02</u>

Schedule 2.13**PRIOR PERIOD ADJUSTMENTS (NET)**

	Disclosure as per Notes on Accounts No.2.4		Impact	
Sales	19,54	19,54	-	(52,47)
Raw materials consumed	99,37	99,37	-	1,11,21
Power and fuel	10,85,59	(30,46)	11,16,05	(15,04)
Repairs and maintenance	1,02,23	95,88	6,35	1,07,26
Employees' Remuneration and Benefits	(17,30,53)	(1,68,76)	(15,61,77)	(1,21,21)
Administrative Expenses	(1,45,97)	(1,47,80)	1,83	13,58
Selling & distribution expenses	(18,12)	(17,39)	73	2,84,32
Gurantee fee on Foreign Loan	(16,87,94)	(21,54,42)	4,66,48	-
Provisions written back	21,63	21,63	-	3,02,54
Depreciation	(96,22)	(94,30)	1,92	(22,74,67)
provision of Cess written back	-	-	-	20,83,19
Other income	97,93	92,17	5,76	9,62,15
Other Manufacturing expenses	5,60	2,21	3,39	6,93,31
Miscellaneous Expenditure written off	-	-	-	(28)
Net Prior Period adjustments*	(22,46,89)	(22,82,33)	35,44	20,93,89

Figures in brackets represent expenses/negative incomes

* (Impact on Accounts Rs. 22,46,89 minus Rs. 22,82,33 i.e. Rs. 35,44 as disclosed under Note No. 2.4)

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

A. BALANCE SHEET

1. FIXED ASSETS :

- 1.1 All fixed assets are stated at historical cost less depreciation.
- 1.2 Expenses on development of land including leasehold land is capitalized forming part of cost of land.
- 1.3 Expenses of capital nature incurred on assets laid on land not belonging to the Company are capitalized under appropriate asset heads.
- 1.4 In the absence of final bills/statement of accounts, capitalization of assets has been done provisionally on the basis of technical assessment which may undergo change consequent to settlement of final bills/receipt of statement of accounts.

2. INCIDENTAL EXPENDITURE DURING CONSTRUCTION :

- 2.1 For the original project, revenue expenditure incurred during construction period has been treated as expenditure incidental to construction and is being allocated to relevant Fixed Assets on an appropriate basis.
- 2.2 For subsequent projects, only direct revenue expenditure incurred is being treated as incidental expenditure during construction.

3. INVESTMENTS :

Long term investments are carried at cost. Current investments are carried at lower of cost or fair value on individual assessment basis.

4. INVENTORIES :

- 4.1 Raw materials, stores, spare parts and loose tools are valued at weighted average cost. Finished goods including Aluminium scrap, are valued at the lower of cost or net realizable value. The cost excludes administrative overheads, selling and distribution overheads, interest, exchange variation and depreciation on exchange variation capitalized.
- 4.2 Anodes are valued at direct material cost. Anode butts and anode rejects are valued at lower of direct material cost or net realizable value.
- 4.3 Value of scrap excluding aluminium scrap is recognized in the accounts as and when sold.
- 4.4 In-process materials are not valued in view of the fact that the entire initial fill for the process has already been capitalized, the quantum thereof at the opening and closing date of the year remain more or less at the same level and such stocks are not measurable accurately.
- 4.5 Inventory of Stores and Spares are not moved for 5 years and above have been valued at cost less 20 percent.

5. MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF) :

Expenditure on feasibility studies, preparation of project reports, documentations and other related matters on New/Expansion Projects, and Unsuccessful Projects, capital contribution to external Research & Development Institutions to the extent not written off, are grouped under this head.

6. CONVERSION OF FOREIGN CURRENCY :

6.1 Exports and imports during the year are recorded in Indian rupees by applying monthly average Bill Buying and Bill Selling rates respectively.

6.2 Foreign currency transactions settled during the year through Bank Accounts in India are recorded in Indian rupees by applying actual exchange rates prevailing on respective dates of transaction. Foreign currency transactions settled during the year through foreign currency account with SBI, New York are recorded by applying average mid rate of the month of transaction. The interest income during the year in foreign currency is recorded in Indian rupees at the average exchange rates for each month.

6.3 All outstanding long term loans, unrealized export invoices, bank balances and other current assets/liabilities are recorded in Indian rupees by applying appropriate exchange rates prevailing on the date of the Balance Sheet.

6.4 In case of long term liabilities incurred for acquisition of fixed assets are not settled within the accounting period, the net conversion loss and the net exchange loss on settlement of such liabilities during the accounting period are perceived and appropriate amount relating to the capitalized value of Plant and Machinery is included in the carrying amount of Plant & Machinery and balance included in Capital Work-in-Progress.

7. CONTINGENT LIABILITIES :

Contingent liabilities to the extent not provided for, have been shown under notes forming part of accounts.

B. PROFIT AND LOSS ACCOUNT**1. DEPRECIATION :**

1.1 Depreciation is provided on straight line method.

1.2 Depreciation was charged in respect of main Plant and Machinery and related Factory Buildings and Storage godowns etc., at the rate of 5 per cent up to 31st March, 1994, based on estimated useful life of assets without retention of 5 per cent residual value. The useful life of these assets have been revised from 20 years to 18 years to bring at par with life of "Continuous process plant" as envisaged in Schedule XIV of Companies Act, 1956. Such change in life of assets is considered from 1.4.93 i.e. from the year of introduction of "Continuous process plant" concept in Schedule XIV of the Companies Act, 1956. Depreciation rate on such assets has been recomputed based on guidelines issued under Circular No. 1/85 dated, 10.1.85 by Department of Company Affairs, by allocating the unamortised value over the remaining life after retention of 5 per cent residual value except for assets already written off fully.

- 1.3 Depreciation rates on the following assets are considered based on the estimated useful life of assets which are higher than the respective rates prescribed in Schedule XIV of the Companies Act, 1956.

<u>Assets</u>	<u>Rate of Depreciation</u>
Red mud pond (Earth work portion)	14.29%
Ash pond at Alumina Refinery (Earth work portion)	13.34%
Ash pond at CPP	15.38%

- 1.4 Depreciation on all other assets is provided as per rates laid down in Schedule XIV of the Companies Act, 1956.
- 1.5 Assets valuing Rs. 5000/- or less individually are depreciated fully in the year they are put to use.
- 1.6 Exchange variation loss included in Plant and Machinery is fully depreciated prospectively over the residual life of assets.
- 1.7 Assets laid on land not belonging to the Company are depreciated over a period of five years.
- 1.8 Leasehold land including development expenses there-on is amortised on straight line method over a period of 25 years in the case of Mines and 20 years in other cases, irrespective of actual lease period.

2. PRIOR PERIOD EXPENSES / INCOMES AND PRE-PAID EXPENSES :

Income/Expenditure relating to prior periods as well as prepaid expenses, not exceeding Rs. 1,00,000/- in each case is treated as income/expenditure of the current year.

3. RECOGNITION OF REVENUE :

- 3.1 Export sales are recognized based on the date of Bill of Lading irrespective of terms of sale viz. FOB, C&F and CIF etc. The indigenous sale is recognized based on the date of Railway Receipt, Lorry Receipt or Delivery Challan.
- 3.2 Claims are accounted for in the Profit and Loss Account based on certainty of their realization.
- 3.3 Interest on outstanding is accounted for where there is certainty of realization based on past experience.

4. EXCISE DUTY :

Excise Duty is accounted for on dispatch of products from the factory.

5. EXCHANGE VARIATIONS :

The net exchange variation loss in case of unsettled long term liabilities other than those incurred for acquisition of fixed assets on the date of the Balance Sheet is recognized in the Profit and Loss Account.

6. RELINING EXPENSES :

Pot relining expenses incurred during the year are charged to Profit and Loss Account in the year of occurrence.

7. RETIREMENT BENEFITS :

- 7.1 Contribution to Provident Fund is recognized in Profit & Loss Account on the basis of actual liability.
- 7.2 Liability on account of service gratuity is covered under Group Gratuity Life Assurance Scheme of Life Insurance Corporation of India. Contributions to the scheme are charged to Profit and Loss Account.
- 7.3 Other retirement benefits like leave encashment and post retirement medical facilities are recognized only at the time of payments made to employees on or after their retirement.

8. MISCELLANEOUS EXPENDITURE :

- 8.1 Expenditure on Unsuccessful Projects and capital contribution to external Research and Development Institutions are written off over a period of three years.
- 8.2 Mines development expenditure is charged to Profit and Loss Account in the year of occurrence.

9. RESEARCH & DEVELOPMENT EXPENDITURE :

Research and Development expenditure except of capital nature, is charged to Profit & Loss account in the year of occurrence.

10. DIVIDEND :

Proposed dividend, subject to approval of Central Government under Section 205(1) (c) of the Companies Act, 1956 and awaiting approval of shareholders, is provided for in the accounts.

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule 3

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1996

1. Balance Sheet

1.1 Land :

- i) Value of Freehold land includes advance payments made so far for acquisition through State Government. Land acquisition proceedings are still in progress and it is possible that further claims may be made upon the company. Relevant title deeds for the acquired land except a few have been executed.
 - ii) Value of Leasehold land includes land on mining lease for which lease documents have been executed and possession taken.
 - iii) Land taken by the Company includes Government land given on lease basis. Though the Company has been permitted by the Government to use such land, the formalities for legal transfer are yet to be completed. The value of leasehold land represents amount deposited with the State Government and estimated liabilities provided for.
- 1.2 The estimated amount of contracts to be executed on capital account and not provided for is Rs. 47.69 crore (previous year Rs. 31.62 crore).
- 1.3 Liabilities towards Sales Tax on works contracts amounting to Rs. 20.33 crore (previous year Rs. 20.37 crore) have been provided for and considered for capitalization, although the levy of such tax is disputed by the Company and appeals filed in different courts are pending for disposal. Interest/penalty amounting to Rs. 4.27 crore (previous year Rs. 4.27 crore) imposed by Sales Tax authorities has been shown as "Miscellaneous Expenditure (to the extent not written off/adjusted)" (Schedule No. 1.9) pending decision of Orissa High Court/Supreme Court.
- 1.4 To realize Company's claims on off-loaded contracts, bank guarantees totaling to Rs. 0.53 crore (previous year Rs. 1.11 crore) were invoked. However, the bank guarantees in question could not be realized for last nine years because of injunction granted by various courts. In addition, Bank guarantees amounting to Rs. 0.73 crore (previous year Rs. 0.76 crore) could not be realized because of injunction granted by various courts.
- 1.5 Contingent liabilities not provided for :

	Year ended 31st March'96 (Rs. in crore)	Year ended 31st March'95 (Rs. in crore)
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Claims not acknowledged as debts

i)	Sales Tax on works contract under dispute (on supply portion)	45.26	45.26
ii)	Contractors and others	18.05	17.04
iii)	Excise Duties for non-submission of proof of export/other documents	29.51	42.02
iv)	Excise Duty on fabrication work done by contractors	6.10	6.10

v)	Customs Duty on Design/Engineering charges/Steel billets and other claims	17.23	15.06
vi)	Cost of land acquisition and interest there on	11.43	10.98
vii)	Outstanding letter of credit, guarantees & counter guarantees	47.40	49.68
viii)	OSEB for low power factor/disputed energy bill	0.25	0.25
ix)	Income Tax	1.35	1.35
x)	Guarantee fee to Govt. of India	-	25.85
xi)	Contribution for Mineral Exploration fund	1.28	-
xii)	Sales tax demand on sales in the course of exports etc.	12.27	-
	TOTAL	190.13	213.59

Besides the above, few more cases in respect of escalation and extra claims for works contracts have been referred to arbitration and the extent of such claims is not ascertainable at this stage.

- 1.6 The Company had deposited Rs. 45.00 crore during 1992-93 with M/s. Andhra Bank Financial Services Ltd., (ABFSL) a wholly owned subsidiary of Andhra Bank (A Public Sector Banking Company). M/s. ABFSL had failed to repay the amount on due dates. After several round of discussions the Company entered into an agreement with M/s. ABFSL on 17th May '94, in terms of which ABFSL repaid Rs. 12.50 crore towards principal, paid Rs. 3.75 crore as interest realized on earmarked PSU Bonds of face value of Rs. 40.00 crore and delivered Public Sector Unit Bonds of face value of Rs. 27.50 crore along with future interest warrants. The details of bonds are as follows:

- a) 13% NPC Bonds of face value of Rs.8.00 crores.
- b) 9% Tax Free PFC Bonds of face value of Rs. 19.50 crores.

ABFSL vide the agreement dated, 17th May'94 had also undertaken to settle the balance principal amount of Rs. 5.00 crores by way of delivering 17% NTPC Bonds along with interest warrants with effect from the date of deposit or pay the equivalent thereof in cash within six months from the date of agreement. They had also undertaken to pay Rs. 3.99 crores in cash towards interest for the past period computed as the respective coupon rates of the PSU Bonds delivered to NALCO from the respective dates of deposits till dates the interest was realized by ABFSL.

ABFSL could neither deliver the 17% NTPC Bonds nor paid the equivalent amount in cash along with past interest as agreed to vide the agreement dated, 17th May '94. On demand made by the Company to settle the dues in line with the agreement, ABFSL maintained that their financial position had not yet improved and since the cases pending with the Special Court, Bombay are not yet settled, they are not in a position to discharge the commitment made to NALCO.

Subsequently ABFSL vide their letter dated, 7th Feb'96 had offered alternate mode of settlement as follows :

- a) to deliver PSU Bonds of face value of Rs. 8.20 crores towards settlement of balance outstanding principal of Rs. 5.00 crores and Rs. 3.20 crores towards part settlement of past interest.
- b) pay Rs. 0.79 crores in cash towards settlement of the balance of past interest.

The details of the PSU Bonds offered are as follows :

a)	9% IRFC	Rs.	4.50 crores
b)	9% MTNL	Rs.	2.00 crores
c)	13% DVC	<u>Rs.</u>	<u>1.70 crores</u>
		<u>Rs.</u>	<u>8.20 crores</u>

The above offer by ABSFL was for full and final settlement of the outstanding dues by them. The said offer was considered by the Board of Directors of NALCO and it was decided not to accept the offer since the same is not in line with the agreement dated, 17th May '94. ABFSL was suitably conveyed of Company's decision taken at the highest level of non acceptance of their offer as full and final settlement and it was reiterated that ABFSL should settle their outstanding dues in accordance with the terms of the agreement dated 17th May'94. The difference between the latest offer of ABFSL and the outstanding as on 31.3.96 in the Company's books works out to Rs. 3.14 crores and the same has not been provided for since ABFSL is a wholly owned subsidiary of a Public Sector bank.

- 1.7 Bharat Gold Mines Ltd. (BGML) was paid a working capital loan of Rs. 5 crores during May 1989 repayable in six months. Although BGML has been referred to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985 and default committed by BGML in repayment of principal overdue, the same has been considered good in view of BGML being a Government Company and an assurance letter from Government of India stating that in the event of default by BGML, Government would pay the amount from the budgetary support. However, BGML have cleared the outstanding simple interest dues up to 31.12.95 as of date.
- 1.8 Mineral Exploration Corporation Ltd. (MECL) was paid a working capital loan of Rs. 2 crores in August 1991 for one year out of which Rs. 0.85 crores has been realized by 31.3.96 together with interest up to 6th May 1994. The balance principal of Rs. 1.15 crores which is overdue along with interest outstanding of Rs. 0.41 crores (previous year Rs. 0.20 crores) up to 31.3.96 has been considered good in view of MECL being a Government Company and being under the same administrative control of Ministry of Mines.
- 1.9 Investments have face value of Rs. 19.50 crores (cost Rs. 19.50 crores) were acquired in 1994-95 from ABFSL in part settlement of Inter Corporate Deposits. Since the Company shall realize the face value of these investments on maturity, the diminution in value amounting to Rs. 2.05 crores computed taking into account 13% YTM based on indicative prices as on 31.3.96, has not been considered because of temporary nature in diminution of value.

2. Profit and Loss Account

- 2.1 The depreciation rates followed by the Company on certain assets are at variance with the rates specified on Schedule XIV as explained in Accounting Policy No. B.1(2), 1(3) and 1(6). Had the depreciation been calculated on various assets by applying the rates specified in Schedule XIV of Companies Act, 1956, the charge for the year would have been lower by Rs. 49.81 crores (previous year lower by Rs. 107.65 crores) and consequently the accumulated depreciation as on 31.3.96 is understated by Rs. 959.44 crores(previous year Rs. 1009.25 crores). Such arrears of depreciation are being accounted through higher rates adopted as above than those required under Schedule XIV of the Companies Act, over the balance life of assets.

- 2.2 Upto 1993-94 provision used to be created in the accounts at a rate per ton of production of aluminium metal to meet the relining expenses of pots based on technical estimate of the lining life of the pots as four years. With effect from 1.4.94, the accounting for relining expenditure has been made on actual basis as per Accounting Policy No. B.6. The accumulated provision of Rs. 79.29 crores on this account created upto 31.3.94 has been written back in the Profit & Loss Account as an "Extraordinary Income" after final review of the Accounting Policy.
- 2.3 The cut off limit of accounting of prior period Expenses/Income and Prepaid expenses as per Accounting Policy No. B.2 has been enhanced from Rs. 25,000 to Rs. 1,00,000 with effect from the year 1995-96. Consequent to such change in the Accounting Policy, the profit for the year is reduced by Rs. 5.30 lakhs because of prior period expenses/income and Rs. 4.57 lakhs for prepaid expenses.
- 2.4 In view of the exposure draft for revision in Accounting Standard No. 5 relating to "Prior Period and Extra ordinary item" issued by Institute of Chartered Accountants of India, (ICAI), which clarifies the treatment of various types of Prior Period transactions arising out of different circumstances, the Company has followed such guidelines with effect from the year 1995-96. Consequent to such treatment, the profit for the year is increased by Rs. 35.44 lakhs under respective revenue heads. This has been further detailed in Schedule 2.13.
- 2.5 (i) As per the enactment of new Pension Scheme by Government of India, effective from 16th November, 1995, employer's contribution @ 8.33% out of 10% of salary of all eligible employees is to be remitted to Regional Provident Fund Commissioner, Orissa. NALCO is contemplating to introduce its own "Employees Pension Scheme" with effect from 1.4.95. Pending finalisation and implementation of the scheme, the amount due to RPFC towards such employer's contribution of Rs. 85.20 lakhs has been retained with the NALCO Employees Provident Fund Trust. In terms of the wage settlement with the non-executive employees, recovery has been made from the non-executive employees amounting to Rs. 71.98 lakhs at the prescribed rates from 1.4.95. Further contribution @ Rs. 120/- per month per employee amounting to Rs. 94.52 lakhs has been provided in the accounts. In addition Rs. 100.00 lakhs has been provided on account performance linked benefit scheme. The total amount of Rs. 266.50 lakhs is retained by the Company pending formation of the Super-annuation Trust.
- (ii) As per the rules of the Company, facility of encashment of leave is available during the service period including availment of leave fully. In view of this, and read with accounting Policy B.7.3, the Company follows "pay-as-you-go" concept as envisaged in Accounting Standard No. 15 for residual leave encashment on retirement, if any, the liability whereof has not been determined actuarially.
- 2.6 Government of India through Department of Scientific and Industrial Research (DSIR) has given a grant of Rs. 60 lakhs towards "Programme aimed at technological self-reliance" (PATSER) project. The Company has also contributed equal amount. The total unspent amount of Rs. 119.30 lakhs, for the project is kept under separate Bank Account and included under cash and bank balances. Rs. 60 lakhs received from Government of India is included under "Other Liabilities" and the amount spend on the Project for Rs. 0.70 lakhs is disclosed under Expenditure on New Projects in Schedule No. 1.9 "Miscellaneous Expenditure (to the extent not written off of adjusted)"
- 2.7 The Ministry of Mines vide their letter No. 38(13)/95 of 29.1.96, on creation of Mineral Exploration Fund has demanded Rs. 7.48 crores @ 20 paise per MT based on an estimated 374 million tones of proven reserve of Bauxite. The Company based on recent assessment along with Aluminium Pechiney (AP) has determined such estimated proven reserve as 310 million tons. Lumpsum contribution payable for Mineral Exploration Fund has been provided

for amounting to Rs. 6.20 crores. Balance amount of Rs. 1.28 crores being claims not acknowledged as debt has been disclosed under Contingent Liability.

- 2.8 As per Ministry of Finance, Department of Economic Affairs OM dated, 4.6.93 read with OM dated, 24.4.92 guarantee fee was payable @ 1.2% of the outstanding external commercial borrowing including interest accrued on these as at end of the year. This was subsequently revised to 1%. However, the Company has requested Government of India to reduce further the guarantee fee from 1% to 0.5% for which sanction is awaited. The Company had provided Rs. 27.99 crores for the year 1994-95, and disclosed Rs. 25.85 crores for 1993-94 as contingent liability @ 1.2% in the accounts for the year 1994-95. Consequent to reduction in the rates from 1.2% to 1% during 1995-96, the Company has written back Rs. 4.66 crores for 1994-95 and has further provided Rs. 17.86 crores for 1995-96 during the year. For the year 1993-94 Rs. 21.54 crores has been provided under prior period adjustments. Against this an amount of Rs. 31.37 crores @ 0.5% has been paid as on 30.3.96 covering the period from 1993-94 to 1995-96.
- 2.9 In view of Accounting Standard No. 11, related to "Accounting for effects of changes in Foreign Exchange rates," becoming mandatory from 1.4.95, the Company has changed its Accounting Policy of deferring non-recurring exchange variation losses of future period of loan. Accordingly, the balance amount of Rs. 9.32 crores remaining as deferred expenditure of 1991-92, has been charged off during the year.
- 2.10 Balance 52 pots of the original Project remaining to be capitalized at the beginning of the year have been put to use and capitalized during the year. The net expenditure of Rs. 142.55 lakhs during commissioning and trial run period has been added to the capital cost. The details of such expenses and income are disclosed as below :

		Rs. in lakhs
Start up & Commissioning Expenses (Raw Materials, Fuel Oil and other Consumables)		214.69
Internal Consumption of Alumina and Power		161.16
Excise Duty		24.09
Selling & Distribution Expenses		4.96
		<hr/> 404.90 <hr/>
Less : Sales – Indigenous	186.82	
– Export	<hr/> 75.53 <hr/>	
		262.35
Net Expenses :		<hr/> 142.55 <hr/>

- 2.11 In the absence of taxable profit, no provision for taxation has been created for the year.
3. Previous year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year.

SCHEDULE 4
ADDITIONAL INFORMATION FORMING PART OF ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 96.

		(Rs.in Lakhs)
	Current Year	Previous Year
1 Whole time Directors' Remuneration :		
Salaries	7.36	5.01
Company's contribution to Provident Fund	0.76	0.51
Leave travel concession	0.50	0.24
Medical benefits	1.17	0.65
Other benefits	3.52	2.63
TOTAL	13.31	9.04
2 Expenditure incurred in Foreign Currency on cash basis :		
Agency, sundication and management fees	2.20	2.52
Interest on loans	8363.77	10575.88
Continued technical assistance to Aluminium Pechiney	793.78	510.65
Payments to consultants/supervision charges	2.43	4.48
Travelling expenses	67.47	52.40
Agency commission on sales	7.06	8.92
Books, periodicals, advertisement, bank charges etc.	13.72	10.53
TOTAL	9250.43	11165.38
3 Earning in Foreign Currency on cash basis :		
Export of goods	41547.01	42941.49
Interest on bank deposits	278.04	272.59
Others (despatch money)	46.75	21.68
TOTAL	41871.80	43235.76

4 Value of Imports calculated on CIF basis:

Raw materials	7425.00	5900.44
Components, spare parts and construction material	5058.17	2743.51
Capital goods	828.80	806.87
TOTAL	13311.97	9450.82

5 Value of Raw Materials, stores, spares and components consumed during the year:

		(Rs.in Lakhs)			
		Current Year		Previous Year	
		Value	%	Value	%
a)	Raw materials :				
	Imported	8500.51	44.02	6071.91	45.00
	Indigenous	10808.35	55.98	7421.37	55.00
	TOTAL	*19308.86	100.00	13493.28	100.00
b)	stores, spares and components :				
	Imported	5341.64	45.41	3066.17	35.07
	Ingigenous	6421.19	54.59	5675.87	64.93
	TOTAL	11762.83	100.00	8742.04	100.00

*Includes Rs. 102.68 (Previous year Rs. 11.88) representing consumption for trial production which has been capitalised.

6 Particulars of employees in receipt of remuneration of not less than Rs.3,00,000 per annum or Rs. 25,000 per month when employed for a part of the year

Nil (Previous year nil)

Products	Licenced Capacity (same as previous year) (in Tonnes)	Installed Capacity		Production/Generation	
		Current Year (In Tonnes)	Previous Year (In Tonnes)	Current Year (In Tonnes)	Previous Year (In Tonnes)
Bauxite	Not Applicable	24,00,000	24,00,000	24,08,472	21,38,344
Aluminium Hydrate	Not Applicable	8,00,000	8,00,000	8,05,135	7,63,363
Calcined Alumina	Not Applicable	8,00,000	8,00,000	8,07,130	7,70,000
Aluminium Ingots	2,18,000	88,000	78,465	1,33,544	1,28,557
Aluminium wire rods	-	1,00,000	89,165	50,553	43,678
Aluminium Billets	-	30,000	26,750	8,191	5,837
Electricity (in MU)	Not Applicable	720 MW	720 MW	4,147	3,979

- NOTE :
1. Licenced capacity of Aluminium ingots includes Wire rods and billets.
 2. Installed capacities are as per project report.
 3. Production Figures include production during trial runs of 374 MT of Aluminium metal (Previous Year 58 MU of Electricity and 104 MT of A
 4. Bauxite of 23,79,527 MT (previous year 21,32,062 MT), Alumina Hydrate 807,130 MT (previous year 7,70,000 MT), Calcined Alumina of 3,76,156 MT (previous year 3,46,905 MT) and Electricity of 3,056 MU (previous year 2,818 MU) have been consumed internally during the year.
 5. Production of Aluminium ingots includes 45,430 MT of Sow ingots (previous year 52,465 MT)

8

Stock and Sales :

Products	Opening Stock		Sales		Closing stock	
	Quantity In Tonnes	Value Rs.in Lakh	Quantity In Tonnes	Value Rs.in Lakh	Quantity In Tonnes	Value Rs.in Lakh
Bauxite	3,92,600	357.27	-	-	4,21,480	362.47
	(3,86,873)	(336.58)	-	-	(3,92,600)	(357.27)
Alumina Hydrate	3,688	86.78	1,422	136.01	216	6.00
	(9,820)	(220.75)	(416)	(39.43)	(3,688)	(86.78)
Calcined Alumina	84,035	2,525.98	4,20,079	31,199.17	93,073	3,239.61
	(71,531)	(2,141.99)	(4,11,597)	(20,048.71)	(84,035)	(2,525.98)
Aluminium Ingots	2,010	564.67	1,33,041	88,723.86	2,183	641.51
	(26,092)	(6,527.31)	(1,52,494)	(83,864.14)	(2,010)	(564.67)
Aluminium Wire rods	96	26.88	50,471	38,908.63	64	19.32
	(360)	(107.24)	(43,911)	(30,207.54)	(96)	(26.88)
Aluminium Billets	713	215.98	8,334	6,468.50	561	201.38
	-	-	(5,154)	(4,243.80)	(713)	(215.98)
Electricity (in MU) net	-	-	1,093	8,961.75	-	-
	-	-	(1,146)	(9,089.32)	-	-
Other Items	-	2,279.85	-	-	-	2,421.48
	-	(2,487.51)	-	-	-	(2,279.85)
TOTAL		6057.41		174397.92		6891.77
		(11821.38)		(147492.94)		(6057.41)

Note : 1. Figures in brackets pertain to those of previous year, 2 Sales do not include sale out of trial production
3. The closing stock of aluminium ingots includes 1,510 MT of Sow ingots (previous year 1,331 MT)

9	Social Amenities :						(Rs.in Lskhs)
	Expenses	Township	Education	Medical	Social/Cultural	Canteen	Total
	Payments to employees	72.06	-	162.17	-	57.66	291.89
	Welfare expenses	1.80	202.79	123.68	37.85	135.36	501.48
	Materials consumed	68.88	-	109.36	0.85	-	179.09
	Repairs & maintenance	294.53	-	6.45	-	1.17	302.15
	Power, fuel & water charges	147.36	-	0.12	-	1.09	148.57
	Depreciation	218.26	13.62	6.90	8.33	3.32	250.43
	Total	802.89	216.41	408.68	47.03	198.60	1673.61
	Less : Income	74.22	-	4.29	-	3.68	82.19
	Net Expenditure	728.67	216.41	404.39	47.03	194.92	1591.42
	For previous year	480.72	165.46	303.48	49.54	169.41	1168.61

10 **Balance sheet Abstract and Company's General Profile**

1 **Registration Details**

Registration No.	1500920
State Code	15
Balance Sheet Date	31st March 1996

2	Capital raised during the year :	(In Thousand Rupees)	
		Curret Year	Previous Year
	Public Issue	Nil	Nil
	Right Issue	Nil	Nil
	Bonus Issue	Nil	Nil
	Private Placement	Nil	Nil

3 Position of mobilisation and deployment of Funds :

Total Liabilities	3621,85,04	3801,76,63
Total Assets	3621,85,04	3801,76,63
Sources of funds :		
Paid-up Capital	1288,61,92	1288,61,92
Reserves & Surplus	1308,31,94	738,86,54
Secured Loans	Nil	Nil
Unsecured Loans	1024,91,18	1774,28,17
Application of Funds :		
Net Fixed Assets	3011,35,69	3184,22,71
Investments	20,50,01	29,27,56
Net Current Assets	582,34,41	566,45,23
Misc. Expenditure	7,64,93	21,81,13
Accumulated losses	Nil	Nil

4 Performance of the Company :

Turnover	1743,97,92	1474,95,52
Total Expenditure	1277,78,30	1185,12,19
Profit/Loss before Tax*	535,26,36	300,17,20
Profit/Loss after Tax*	535,26,36	300,17,20
Earning per share (in Rupees)*	4.15	2.33
*(Excluding Extraordinary Income)		
Dividend rate (%)	3.50	3.00

5 Generic Name of Principal products/services :

(Disclosed as per Licence)

Item Code No.	335000000
Product	Aluminium Ingots

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 1996**(Rupees in Crores)**

	Year ended March 31,1996	Year ended March 31,1995
A. Cash flow from Operating Activities		
Net Profit before tax and Extraordinary Income	535.26	300.17
Adjustments for:		
Depreciation	268.13	276.37
Foreign Exchange loss/(gain) on loans	(29.01)	43.49
Foreign Exchange loss on working capital	0.31	0.10
Interest & Financing charges	114.14	139.67
Miscellaneous Expenses written off	14.97	4.74
Provisions (Net)	3.39	4.22
Loss on maturity on investments	0.27	-
Interest income	(41.99)	(54.88)
Loss/(Profit) on sale of assets (net)	(0.19)	0.02
	<u>330.02</u>	<u>413.73</u>
Operating Profit before working capital changes	865.28	713.90
Adjustments for :		
Inventories	(46.20)	33.94
Inter-corporate & bank deposits	223.73	108.22
Trade & other receivables	(150.85)	43.50
Trade payables	16.12	(21.61)
	<u>42.80</u>	<u>164.05</u>
Cash generated from Operation	908.08	877.95
Interest & financing charges paid	(115.02)	(105.72)
Direct taxes paid	-	-
	<u>(115.72)</u>	<u>(105.72)</u>
Cash flow before Extraordinary items	793.06	772.23
Extraordinary items	-	-
Net cash from operating activities	793.06	772.23

B. Cash Flow from Investing Activities :			
Purchase of Fixed Assets	(59.86)	(40.79)	
Exchange loss on repayments of loans (Capital)	(52.38)	(33.94)	
Sale of Fixed Assets	0.42	0.04	
Expenses on New Projects	(0.82)	(0.44)	
Purchase of Investments	(1.00)	(19.50)	
Sales of Investments*	9.50	-	
Interest received	57.26	46.52	
Net cash used in investing activities		(46.88)	(48.11)
* at face value			
C. Cash Flow from Financing Activities :			
Proceeds from issue of Share capital	-	-	
Proceeds from long term borrowings	(715.19)	(664.87)	
Dividends paid	(38.65)	(25.77)	
Net cash used in Financing activities		(753.84)	(690.64)
D Net change in Cash & Cash equivalents (A+B+C)		(7.66)	33.48
E. Cash & Cash equivalents - Opening balance		35.64	2.16
F. Cash & Cash equivalents -Closing balance		27.98	35.64

Note : a) Figures in brackets are cash out flows/income as the case may be.

b) working Capital borrowing facility of Rs. 48 crores (previous year Rs. 48 crores) have not been availed throughout the current the previous years since the Company could manage with its own internal resources.

c) Write back of pot relining provision of Rs. 79.29 crores not being in the nature of cash have not been considered.

For and on behalf of Board of Directors

Bhubaneswar
16th August, 1996

K.N. RAVINDRA
Company Secretary

C. VENKATARAMANA
Director (Finance)

S.N. JOHRI
Chairman-cum-
Managing Director

Auditors' Certificate

We have audited the above cash flow statement of National Aluminium Company Limited from the audited financial statements for the year ended March 31, 1996 and March 31, 1995 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreements with stock exchanges.

For and on behalf of
M/s A.K. Sabat & Co.
Chartered Accountants

Bhubaneswar
16th August, 1996

A.K. SABAT
Partner