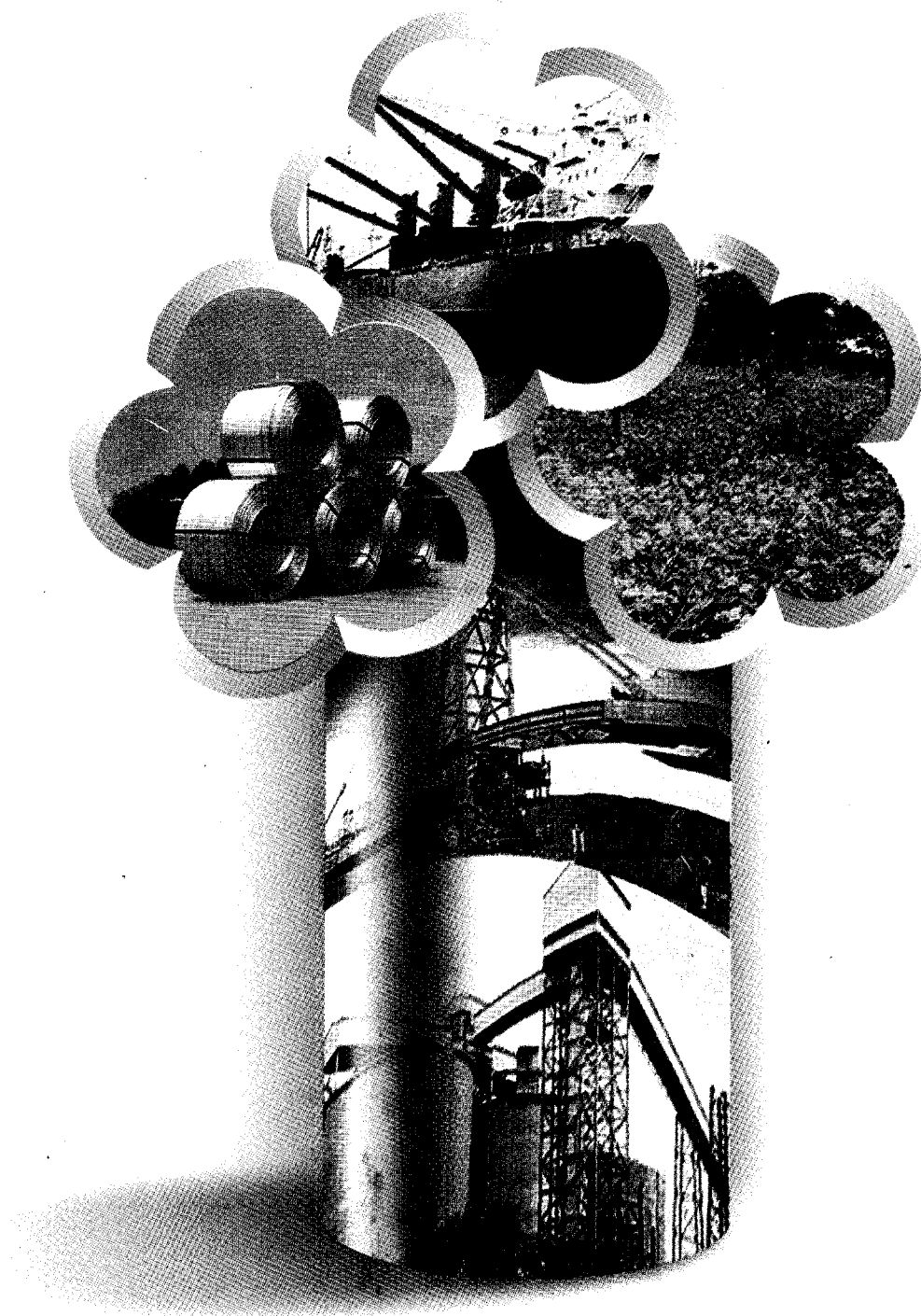
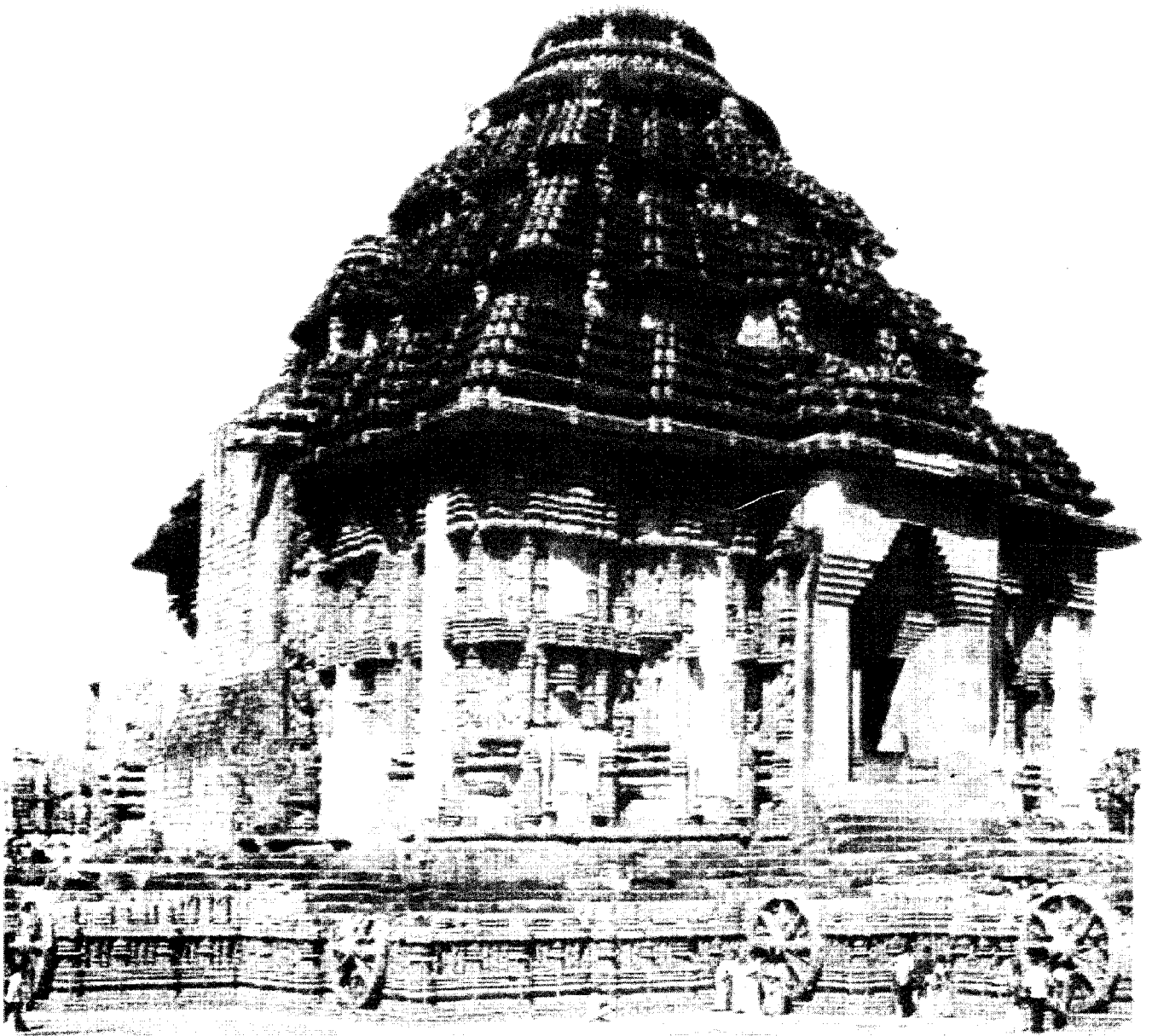


23rd Annual Report 2003-04



नालको  **NALCO**



VISION

To be a company of
global repute
in Aluminium Sector

MISSION

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

National Aluminium Company Limited

BOARD OF DIRECTORS

Shri C. Venkataramana

Shri S. K. Banerjee

Shri Prashant Mehta

Shri G. P. Gupta

Shri G. Upadhyaya

Shri B. N. Jha

Shri S. C. Chhatwal

EXECUTIVE DIRECTORS

Shri S. K. Misra

Shri N. K. Jain

Shri K. K. Mallick

Shri C. R. Pradhan

Shri B. S. Singh Deo

Shri A. Ray

COMPANY SECRETARY

Shri K. N. Ravindra

BANKERS

State Bank of India

REGISTERED & CORPORATE OFFICE

NALCO BHAWAN

Plot No. - P/1, Nayapalli

Bhubaneswar - 750 013 (Orissa)

Tel: 2301988-99

Fax: 0674-2300470/2300580/2300677/2300740

Website: www.nalcoindia.com

STATUTORY AUDITORS

SRB & Associates

Chartered Accountants

5th Floor, IDCO Tower

Janpath, Bhubaneswar - 751 022

SECRETARIAL AUDITOR

K K A & Associates

401, 4th Floor

Janpath Towers

Ashok Nagar

Bhubaneswar - 751 009

COST AUDITORS

Niran & Company

Cost Accountants

440, Saheed Nagar

1st Floor

Bhubaneswar - 751 007

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The Year at a glance - 2003 - 04

PHYSICAL

	Unit	2003-04	2002-03
Bauxite mining	MT	48,16,762	47,77,003
Alumina production	MT	15,50,100	14,80,600
Aluminium production	MT	2,98,207	2,44,708
Power generation (net)	MU	5,122	4,291

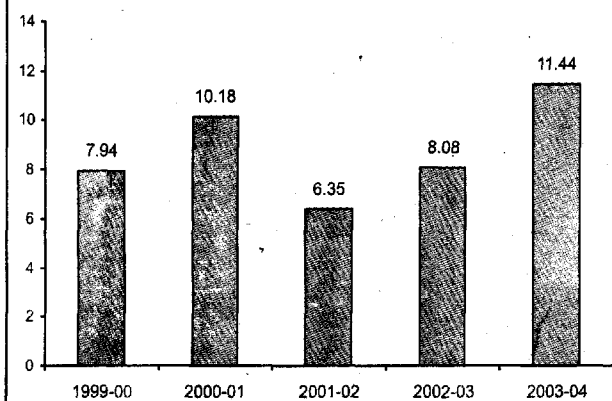
FINANCIAL

	Unit	2003-04	2002-03
Export Turnover	Rs.in crore	1,717.38*	1,515.84*
Gross Sales	Rs.in crore	3,340.52*	2,788.67*
Profit Before Tax	Rs.in crore	1,052.76	751.43
Profit After Tax	Rs.in crore	737.37	520.92
Earning Per Share	In Rs.	11.44	8.08
Book Value Per Share	In Rs.	58.31	51.37
Dividend	In %	40.00	60.00

* Inclusive of sale out of trial operation from expansion.

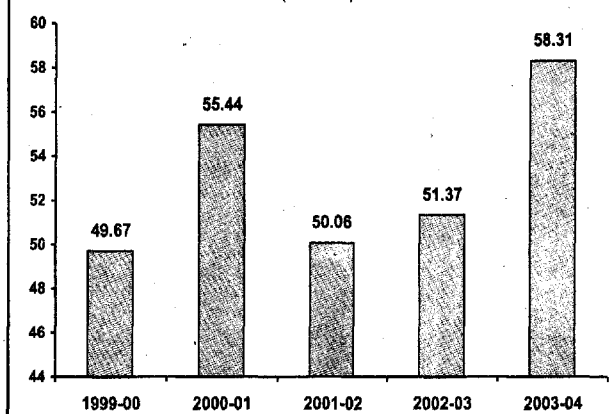
Earnings per Share

(in Rs.)



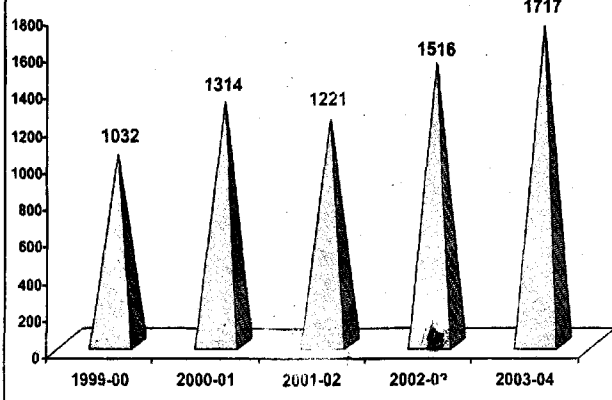
Book Value per share of Rs. 10/- each

(in Rs.)



Export Turnover

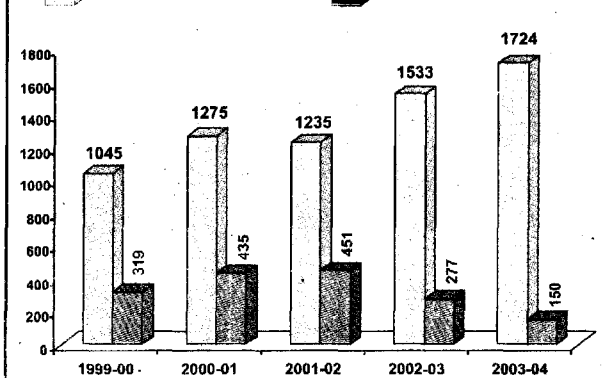
(Rs. in crore)



Foreign Exchange Income and Expenditure

(Rs. in crore)

Earning on cash basis
 Expenditure on cash basis



5 years performance at a glance - Physical

Sl. No.	Particulars	Unit	2003-04	2002-03	2001-02	2000-01	1999-00
1.	Production :						
	Bauxite	MT	48,16,762	47,77,003	35,22,059	28,34,189	28,22,464
	Alumina	MT	15,50,100	14,80,600	11,13,000	9,39,000	8,86,000
	Aluminium	MT	2,98,207	2,44,708	2,31,674	2,30,516	2,12,663
	Power (net)	MU	5,122	4,291	3,970	3,833	3,985
2.	Export Sales :						
	Alumina	MT	9,34,874	10,37,287	6,70,120	4,95,723	4,79,620
	Aluminium	MT	1,29,718	1,07,302	1,06,282	1,18,868	95,185
3.	Domestic Sales :						
	Alumina/Hydrate	MT	17,784	11,190	6,297	4,124	8,027
	Aluminium	MT	1,66,650	1,35,193	1,23,095	1,14,082	1,20,171
	Power	MU	498	411	342	225	595

5 years performance at a glance - Financial

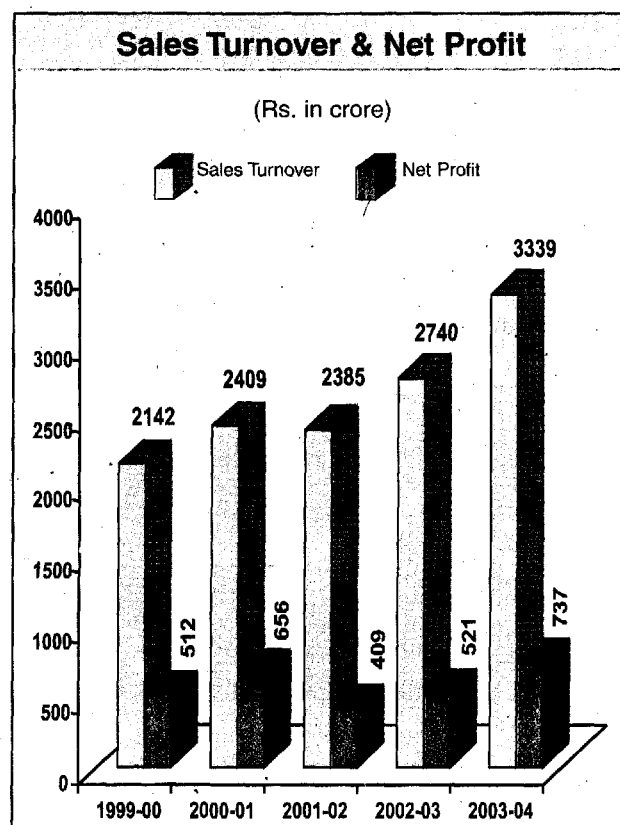
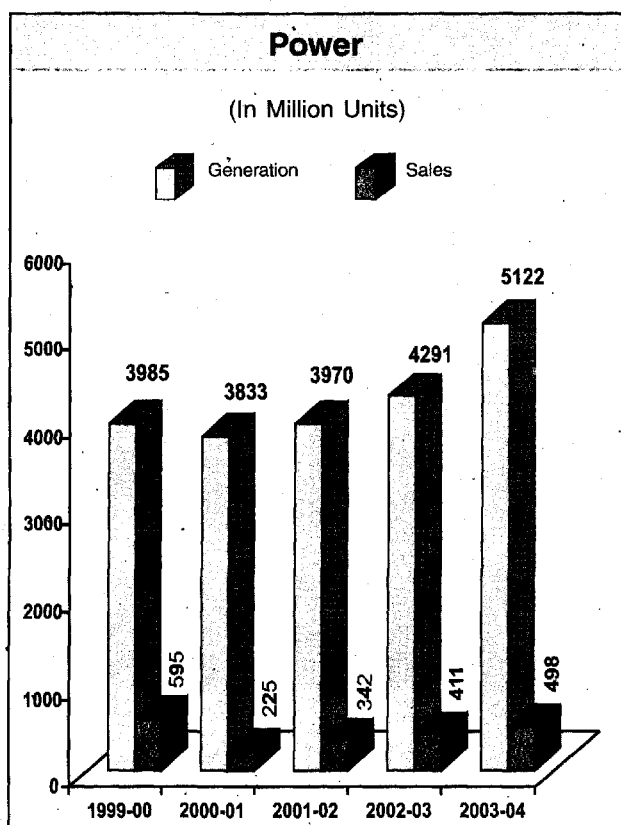
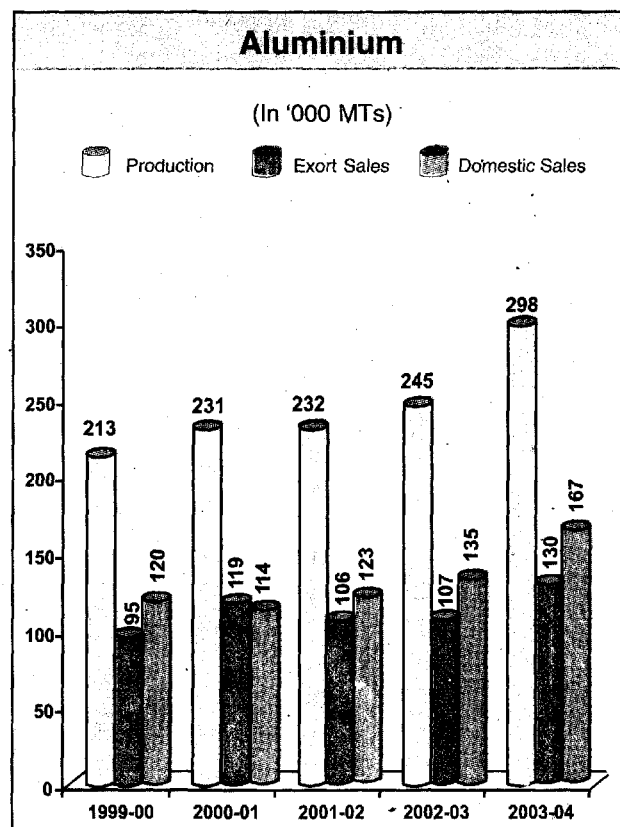
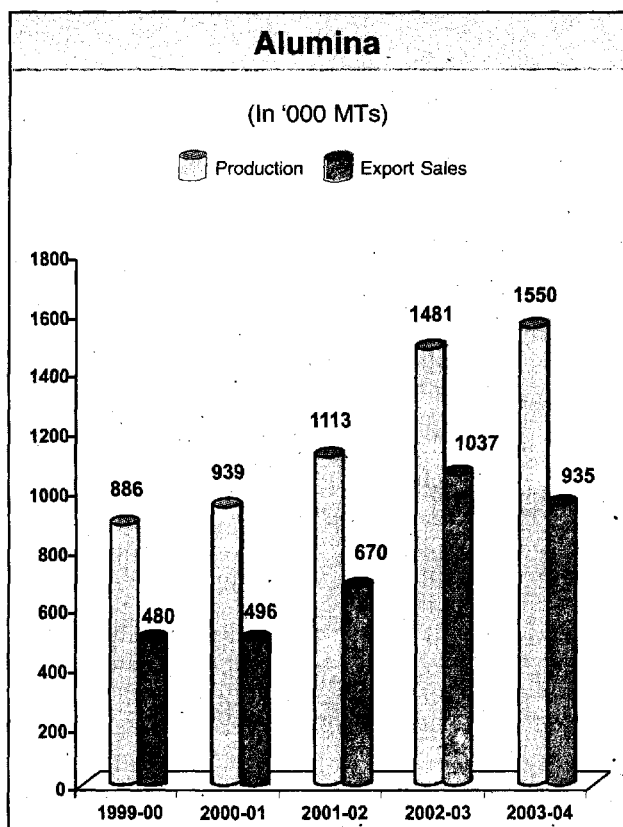
(Rs. in crore)

Sl. No.	Particulars	2003-04	2002-03	2001-02	2000-01	1999-00
A.	Income Statement :					
1.	Exports	1,717.27	1,500.65	1,205.32	1,314.20	1,031.64
2.	Domestic Sales	1,621.60	1,239.02	1,180.10	1,094.40	1,110.68
3.	Gross Sales (1+2)	3,338.87	2,739.67	2,385.42	2,408.60	2,142.32
4.	Less : Excise Duty	224.50	175.37	160.64	147.13	155.00
5.	Net Sales (3-4)	3,114.37	2,564.30	2,224.78	2,261.47	1,987.32
6.	Other Income :					
7.	Operating	131.16	186.55	129.39	130.56	96.91
8.	Non-operating	69.61	44.05	21.83	29.42	31.28
9.	Operating expenses	1,712.70	1,577.66	1,420.42	1,185.45	1,068.08
10.	Operating Profit (5+7-9)	1,532.83	1,173.19	933.75	1,206.58	995.15
11.	Earning before interest, dep. & taxes (EBIDT) (10+8)	1,602.44	1,217.24	955.58	1,236.00	1,027.43
12.	Interest & Financing charges	103.41	105.66	116.90	97.61	63.43
13.	Earning before dep. & taxes (EBDT) (11-12)	1,499.03	1,111.58	838.68	1,138.39	964.00
14.	Depreciation and Amortisation	446.27	360.15	313.07	295.02	283.00
15.	Profit before Tax (PBT) (13-14)	1,052.76	751.43	525.61	843.37	681.00
16.	Provision for Tax	315.39	230.51	116.26	187.54	169.47
17.	Net Profit (PAT) (15-16)	737.37	520.92	409.35	655.83	511.53
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	644.31
19.	Reserves & Surplus	3,112.36	2,665.73	2,580.93	2,928.06	2,556.19
20.	Networth (18+19)	3,756.67	3,310.04	3,225.24	3,572.37	3,200.50
21.	Loans Outstanding	654.39	1,324.44	1,563.45	801.53	663.54
22.	Net Fixed Assets	3,903.48	3,712.95	2,889.62	2,140.06	2,251.99
23.	Net Current Assets	126.23	(5.10)	419.25	199.04	517.99
24.	Capital Employed (22+23)	4,029.71	3,707.85	3,308.87	2,339.10	2,769.98
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	49.22	45.75	41.97	53.35	50.13
26.	Net Profit Margin (%) (17/5*100)	23.68	20.31	18.40	29.00	25.74
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	18.30	14.05	12.37	28.04	18.47
28.	Return on Networth (RONW) (%) (17/20*100)	19.63	15.74	12.69	18.36	15.98
29.	Debt Equity (21/20)	17.00	40.00	48.48	22.44	20.73
D.	Others :					
30.	Book value per share of Rs.10/- each (in Rs.)	58.31	51.37	50.06	55.44	49.67
31.	Earnings per share (in Rs.)	11.44	8.08	6.35	10.18	7.94
32.	Dividend declared (%)	40.00	60.00	40.00	40.00	20.00

Reconciliation of Published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2003-04

(Rs. in crore)

Sl. No.	Particulars	1st Quarter (Unaudited)	2nd Quarter (Unaudited)	3rd Quarter (Unaudited)	4th Quarter (Unaudited)	Total of four quarters	Full Year (Audited)	Variances
1	2	3	4	5	6	7	8	9
1	Gross Sales Turnover	664.88	864.63	768.57	1,040.96	3,339.04	3,338.87	(0.17)
	Less : Excise Duty	44.66	57.14	57.11	65.63	224.54	224.50	(0.04)
	Net Sales	620.22	807.49	711.46	975.33	3,114.50	3,114.37	(0.13)
2.	Other Income	53.23	50.34	49.67	46.13	199.37	200.77	1.40
3.	Total Expenditure	374.30	463.31	392.66	477.02	1,707.29	1,712.70	5.41
4.	Interest and Financing charges	27.57	24.81	25.56	21.81	99.75	103.41	3.66
5.	Depreciation & Provisions	102.70	104.44	107.36	143.30	457.80	446.27	(11.53)
6.	Profit Before Tax (PBT)	168.88	265.27	235.55	379.33	1,049.03	1,052.76	3.73
7.	Provision for Tax	50.55	78.09	68.46	116.33	313.43	315.39	1.96
8.	Net Profit (PAT)	118.33	187.18	167.09	263.00	735.60	737.37	1.77
9.	Paid-up Equity Share Capital	644.31	644.31	644.31	644.31	644.31	644.31	—
10.	Basic and diluted Earnings per share (Rs.) (Not annualised)	1.84	2.90	2.59	4.09	11.42	11.44	—
11.	Aggregate of non-promoter shareholding :							
	Number of shares					8,28,09,993	8,28,09,993	—
	Percentage of shareholding					12.85	12.85	—



NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Company will be held on Tuesday, the 28th September, 2004 at 11.00 A.M. at NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar - 751 013 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, audited Balance Sheet as on 31st March, 2004 and the Profit & Loss Account for the year ended 31st March, 2004 together with the reports of the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri G.P.Gupta, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4. Appointment of Shri Prashant Mehta as Director, whose period of office is liable to be determined by rotation.

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

"RESOLVED THAT Shri Prashant Mehta be and is hereby appointed as a Director of the Company, whose period of office is liable to be determined by rotation

in terms of Order No.6(7)/2001-Met.I dtd. 05.11.2003 of Ministry of Mines, Government of India."

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

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

"RESOLVED THAT Shri S.C.Chhatwal be and is hereby appointed as a Director of the Company, whose period of office is liable to be determined by rotation in terms of Order No.2(2)/2002-Met.I dtd.22.08.2003 of Ministry of Mines, Government of India."

6. Fixation of remuneration of Statutory Auditors.

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

"RESOLVED THAT pursuant to sub-clause (aa) of Section 224(8) of the Companies Act, 1956 as amended, the Board of Directors of the Company be and are hereby authorised to fix a suitable remuneration for the Statutory Auditors of the Company for the financial year 2004-05 as may be mutually agreed upon between the Board of Directors and the Statutory Auditors of the Company, on their appointment by the Comptroller and Auditor General of India (C&AG)."

By order of the Board



(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 26.08.2004

Notes:

- (a) Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 4, 5 & 6 set out above are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2004 to 28th September, 2004 (both days inclusive) as notified in the press.
- (d) If dividend on shares as recommended by the Board

of Directors is approved at the Meeting, payment of such dividend will be made within 30 days of its declaration to those shareholders, whose names appear :

- i) as Beneficial Owners as at the end of the business on 27th September, 2004 as per the beneficial owners position to be downloaded by NSDL & CDSL in respect of the shares held in electronic form and
 - ii) as members in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company on or before 27th September, 2004.
- (e) Details of Directors seeking re-appointment/appointment as new directors in this Annual General Meeting are attached separately to the Notice.

(f) Members holding shares in physical form, are requested to notify immediately, change in their address in block letters with PIN CODE and/or change in their Bank particulars, if any, to the Registered Office of the Company, quoting their Folio Number. Members holding shares in electronic form are requested to notify their change of address and/or bank particulars along with 9 digit MICR Code to their respective Depository Participants only, so that the same can be printed on the dividend warrants to protect the members from any loss by way of fraud/forgery.

(g) As per the provisions of the Companies Act, 1956, facility for making nominations is available to shareholders and debenture holders in respect of the shares and debentures held by them. In case, shares/debentures are held in electronic form registration of nomination has to be done with the respective Depository Participants only without referring the matter to the Company. Nomination Forms (Form 2B) if needed, can be obtained from the Registered Office of the Company. This form can also be downloaded from the Company's website www.nalcoindia.com.

(h) The Company provides the facility of centralised ECS (Credit Clearing) to the shareholders, holding shares in electronic and physical forms, residing in the following 15 designated centers of Reserve Bank of India for payment of dividend as per Notification No. F.No.5/99-CL.V; General Circular No. 5/2002, dtd. 01.03.2002 of Department of Company Affairs :

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

Shareholders holding shares in the physical form, who wish to avail ECS facility, may authorize the Company with their ECS mandate in the prescribed form for payment of dividend through ECS on or before 27th September, 2004. A blank ECS Bank Mandate form is attached for use by such shareholders. This form can also be downloaded from the Company's website www.nalcoindia.com. The mandate given by the shareholder would be used for all future payments unless amended/withdrawn.

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

(i) Members holding shares in electronic form may

please note that their bank details as downloaded by the respective Depositories to the Company will be printed on their dividend warrants/used for making payment of dividend through ECS as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion of such bank details. However, if there is any change in their Bank particulars and/or change in address after the date of download of beneficial owners position by the Depositories but before the date of despatch of dividend warrant/demand draft, the Company may consider such requests provided that such requests are received through their respective Depository Participants, duly certified by them. Further, instructions, if any, already given to the Company by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding particulars of their bank accounts and address in which they wish to receive dividend, to their respective Depository Participants only.

(j) Members, who have not yet surrendered the old Pre-Capital Restructured share certificates (issued prior to the Record Date, i.e. 22.03.1999) are requested to surrender the same to the Company immediately to enable the Company to send the corresponding new series of share certificates and debenture certificates and/or cash refunds as per the Capital Restructuring Scheme of the Company effected on 26.03.1999.

(k) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend which remain unpaid or unclaimed for a period of seven years will be transferred by the Company to the **Investor Education and Protection Fund** established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The unpaid or unclaimed dividend for the financial year 1996-1997 remaining at the credit of the Unpaid Dividend Account of the Company is due for transfer to the aforesaid Fund on or before 11.03.2005. The details of unpaid or unclaimed dividend and interest are available in the Company's website www.nalcoindia.com. Members who have not so far encashed their dividend warrants are requested make a claim by writing to the Company. **No claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**

In terms of SEBI letter dated 29.07.04, shareholders who have given details of Global Trust Bank Account for payment of cash benefits are advised to give alternate bank account details for payment. If alternate bank details are not given, warrants will be issued without printing the bank details. No ECS payment will be made to such shareholders.

ANNEXURE TO NOTICE

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

Item No. 4 :

Shri Prashant Mehta was inducted to the Board as an Additional Director of the Company w.e.f. 05.11.2003. In terms of Section 260 of the Companies Act, 1956, Shri Mehta holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with the prescribed deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Mehta as Director of the Company, whose period of office is liable to be determined by rotation.

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

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

Item No. 5 :

Shri S.C.Chhatwal was inducted to the Board as an Additional Director of the Company w.e.f. 10.03.2004. In terms of Section 260 of the Companies Act, 1956, Shri Chhatwal holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing along with the prescribed deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri Chhatwal as Director of the Company, whose period of office is liable to be determined by rotation.

Shri Chhatwal is presently serving as Director (Finance) in NALCO. Before joining NALCO he was working as Director (Finance) in National Fertilizers Limited. He does not have directorship in any other Company. Your directors feel that his association with the Board will be in the interest of the Company.

It is considered desirable that the Company should continue to avail itself of his services as a director and recommend this resolution for approval of the shareholders.

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

Item No. 6 :

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

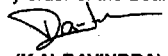
As per sub-clause (aa) of Section 224(8) of the Companies Act, 1956 the remuneration of an auditor appointed under Section 619 of the Companies Act, 1956 by C&AG, shall be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine.

Statutory Auditors have not been appointed by C&AG for the financial year 2004-05 so far. Shareholders may authorise the Board of Directors of the Company to fix a suitable remuneration to be paid to the Statutory Auditors of the Company as may be mutually agreed upon between the Board of Directors and Statutory Auditors of the Company on their appointment by C&AG for the financial year 2004-05.

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

None of your Directors is interested in the proposal.

By order of the Board


(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 26.08.2004

Details of Directors seeking re-appointment/appointment in Annual General Meeting - 28th September, 2004. (In terms of Clause - 49 of the Listing Agreement)

1.	Shri G. P.Gupta Father's Name Date of Birth Date of Appointment Expertise in specific functional areas Qualifications List of outside Directorships held Member of Committees of the Board Member of Committees in other companies	Late Shri Dharam Prakash 11.01.1941 11.06.2002 Varied experience in Banking industry (Former Chairman and Managing Director of IDBI) M.Com a. Jammu & Kashmir Bank Limited b. Swaraj Engines Limited c. Indo Gulf Fertilizers Limited d. Hindustan Aeronautics Limited e. M.P.Power Generating Company Limited f. Birla Sunlife Insurance Company Limited g. Power Trading Corporation of India Limited Audit Committee* - Chairman Audit Committee a. Hindustan Aeronautics Limited - Chairman b. Jammu & Kashmir Bank Limited - Member c. Swaraj Engines Limited - Member
2.	Shri Prashant Mehta Father's Name Date of Birth Date of Appointment Expertise in specific functional areas Qualifications List of outside Directorships held Member of Committees of the Board Member of Committees in other companies	Late Shri O.N.Mehta 27.11.1951 05.11.2003 IAS officer with varied experience in Administration M.Sc.(Physics) & I.A.S. Hindustan Zinc Limited Audit Committee* - Member Audit Committee : Hindustan Zinc Limited - Chairman
3.	Shri S.C.Chhatwal Father's Name Date of Birth Date of Appointment Expertise in specific functional areas Qualifications List of outside Directorships held Member of Committees of the Board Member of Committees in other companies	Late Shri M.R.Chhatwal 20.07.1952 10.03.2004 Varied experience in financial management in different Companies. B.Com (Hons.) & F.C.A Nil a. Share Transfer Committee b. Debenture Transfer Committee c. Standing Committee Nil

* Audit Committee in NALCO also specifically looks into the redressal of complaints/grievances of the shareholders/investors of the Company.



National Aluminium Company Limited

(A Government of India Enterprise)

Regd. Office : NALCO BHAWAN, Plot No. P/1,
Nayapalli, Bhubaneswar – 751 013 (Orissa)

ATTENDANCE SLIP

23rd Annual General Meeting – 28th September, 2004 at 11.00 A.M.

Regd. Folio No..... / Client Id DP Id No. of shares held

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company and hereby record my presence at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company at NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar – 751 013, on Tuesday, the 28th September, 2004.

Member's/Proxy's name in Block letters

Member's/Proxy's Signature

Note: Please fill this attendance slip and hand it over at the entrance of the hall.

----- TEAR HERE -----



National Aluminium Company Limited

(A Government of India Enterprise)

Regd. Office : NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar – 751 013 (Orissa)

FORM OF PROXY

Regd. Folio No..... / Client Id DP Id No. of shares held

I/We.....

of in the district of being a member/members of the above named company

hereby appoint of in the district of

or failing him/her of in the district of

as my/our proxy to vote for me/us on my/our behalf at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company to be held on Tuesday, the 28th September, 2004 at 11.00 A.M. and at any adjournment thereof.

Signed this day of 2004

Signature.....

Affix a
Revenue
Stamp of
Rs. 1/-

.....

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

Directors' Report

To

The Members,

Your Directors take pleasure in presenting the 23rd Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2004.

Performance Highlights

You will be pleased to know that your Company has posted excellent performance records encompassing all spectrums.

All the segments of operations i.e. Mines, Refinery, Smelter & Captive Power Plant have achieved the rare distinction of highest ever production since inception. Physical sales in respect of Aluminium Export, Domestic Metal sale & total metal sale are the highest since inception and have surpassed the annual targets. In financial parameters all the previous records have been surpassed with Sales Turn over, Gross Margin, Export Earning, Profits at highest since inception.

Mines

Panchpatmali Bauxite Mines achieved the rated capacity of 4.8 million tonnes of Bauxite production for the first time since commissioning of the expansion project. Annual Bauxite transportation at 48,16,762 MT & excavation of 47,78,816 MT have been the highest since inception.

Productivity of operation has also improved with annual overall output per man-shift at 46.9 MT against previous best of 46.7 MT achieved during 2002-03.

You will be pleased to know that your Company's Bauxite Mines has been nominated for National Safety Awards for 2002.

Alumina Refinery

Production of Alumina Hydrate at 15,56,100 MT and Calcined Alumina of 15,50,100 MT have been the highest since inception. Similarly, the Power Generation of 386.16 MU at steam generation plant of Refinery has been the highest ever since inception.

In the down stream products segment, Detergent Grade Zeolite – A production increased substantially following process stabilization, market demand and quality improvement. Similarly, special grade Hydrate production has been 1,745 MT and the same is being marketed in the country & abroad.

Smelter Plant

The year ended with all the 600 pots in operation. Smelter Plant has exceeded the rated capacity with highest ever cast metal production at 2,98,207 MT.

The Metal purity & pot productivity during the year has also increased to 99.74% and 1.375 MT/pot/day respectively from 99.72% and 1.367 MT/Pot/day achieved

last year. Zero Discharge of industrial effluents was achieved in the year.

Captive Power Plant (CPP)

CPP generated 5,122 MU of Net Power being the highest since inception.

Productivity of the plant has improved with plant load factor at 76.47% as compared to 75.15% in the previous year. CPP also achieved the 'Zero Discharge' status with commissioning of ash pond over flow recycling system.

Port Facilities

A total quantity of 9,34,874 MT of Alumina and 59,022 MT of metal was exported from Vizag.

Marketing

Alumina & Chemicals

A total quantity of 9,34,874 MT of alumina/hydrate was exported to various overseas buyers and 17,784 MT of alumina/hydrate was sold in the domestic market.

Strong Chinese demand continued to help sharp rise in spot alumina prices which jumped from USD 285 PMT (FOB) in March, 2003 to USD 490 PMT (FOB) in March, 2004. During the year 2003-04 the World Consumption of Alumina was 55.449 million MT against the World production of 55.742 million MT showing a marginal surplus of 0.293 million MT. The World Alumina production and consumption grew by 8% during 2003-04 compared to 2002-03.

Aluminium

Your Company achieved highest ever total metal sale of 2,96,368 MT comprising domestic metal sale of 1,66,650 MT and export metal sale of 1,29,718 MT.

A total of 36,620 MT of metal was sold from the stockyards during the year exceeding the previous best of 26,563 MT achieved during the year 1997-98. Bhiwandi stockyard was reopened during the year besides having regular sales activity from other stockyards at Jaipur, Kolkata, Vizag and Bangalore. The Company signed MOU with more number of domestic customers for supply of metal during the year 2003-04. This policy of MOU helped the Company to achieve growth in sales in the domestic market and increasing its market share. This also helped the customers to get regular flow of supplies. The domestic market remained strong during the year with improved demand for the primary products.

During the year 2003-04, the world consumption of primary aluminium was 28.103 million MT against world supply of 28.489 million MT, showing marginal surplus of 0.386 million MT. The World supply & consumption grew by 7% & 8% respectively during 2003-04 compared to 2002-03. In China consumption is estimated to have risen to 26% and production grew even faster at 28% during 2003. With the

recoveries of the economy in USA & Asian countries and the demand for aluminium in China helped strengthening the international aluminium prices during the year.

Finance

You will be pleased to know that because of increased production and sales performance on all fronts, the net profit for the year after provision for taxes increased from Rs.520.92 crore to Rs.737.37 crore. Highest ever gross sales turnover of Rs.3,338.87 crore was achieved surpassing the previous best of Rs.2,739.67 crore achieved during 2002-03. The total foreign exchange earning out of exports of Rs.1,717.27 crore is highest ever exceeding the previous best of Rs.1,500.65 crore. The summarized financial results as compared to previous year is furnished below :

	(Rs. in crore)	
	Year ending 31.03.2004	Year ending 31.03.2003
01. Gross Sales	3,338.87	2,739.67
Less: Excise Duty	224.50	175.37
Net Sales	3,114.37	2,564.30
Other income	200.77	229.42
Total Income	3,315.14	2,793.72
02. Gross Profit	1,602.44	1,217.24
03. Less: Interest & depreciation	549.68	465.81
04. Profit Before Tax (PBT)	1,052.76	751.43
05. Provision for Taxes	315.39	230.51
06. Profit After Tax (PAT)	737.37	520.92
07. Appropriation:		
General Reserve	550.00	195.00
Debenture redemption reserve	(-) 106.97	(-) 107.61
Proposed dividend	257.72	386.59
Dividend tax	33.02	49.53

Re-payments of loan

Out of Rs.428.33 crore 14.5% Non-convertible Redeemable Secured Debentures outstanding as on 31.03.2003, an amount of Rs.213.94 crore was redeemed by your Company during the year. The entire short term borrowing of Rs.456.11 crore outstanding as on 31.03.2003 was repaid during the year. The outstanding term borrowing of Rs.654.39 crore as on 31.03.2004 is expected to be redeemed fully during 2004-05.

Dividend and appropriations

Keeping in view the funds requirement for expansion projects, your Directors are pleased to recommend a dividend rate of 40% for 2003-04 amounting to Rs.257.72 crore. In addition, Rs.33.02 crore is payable by the Company towards dividend tax on proposed dividend. Thus, dividend and dividend tax constitutes 39.43% of Profit After Tax. It is proposed to transfer Rs.106.97 crore from Debenture Redemption Reserve to Profit and Loss

Account. It is also proposed to transfer Rs.550 crore to General Reserve Account from Profit and Loss Account.

Risk Management

As a part of strategic business policy, your Company gives due importance to the process of risk identification, assessment and control in different functional areas of the organization. Inherent risk due to external and internal factors is assessed and necessary control measures are taken through policies and systems to manage the risk effectively. Exchange rate fluctuations, volatility in global aluminium price, external trade policies, global recession variation in input cost etc. are some of the critical external factors which are monitored continuously by the management. Internal factors like plant maintenance and security, industrial relations, liquidity etc. are also given due importance to ensure smooth operation.

Human Resources

The manpower strength of the Company as on 31.03.2004 stands thus :

	As on 31.03.2004	As on 31.03.2003
Executives	1,702	1,607
Supervisors	814	798
Skilled/Highly skilled	3,064	3,111
Unskilled/Semiskilled	1,122	1,138
Total	6,702	6,654

Training and Development

The organization has moved from a Performance Appraisal based training needs identification to a Competency based training needs identification. As such, the priority for the Company is bridging the technical and managerial gaps in competency. This has enabled the Company to establish a direct linkage between training and effectiveness on the job. In a bid to capture the measurable of training effectiveness, training impact assessment for job skill programmes is being carried out.

The break up of the training activities for the year 2003-04 is given below :

	No. of employees covered	Mandays
Training in-house	3,818	9,780
Training external (within India)	1,348	5,004
Training abroad	23	116
Total	5,189	14,900

Emerging out of various thrust areas identified for training, some specialized training programmes were conducted on Strategy for Corporate Excellence, HIV – AIDS: Prevention and Control, Developing Personal Competency Model, Internal Faculty Development

Programme, Mentoring and Coaching for building Employee Relationship Accounting Standards and Finance for Non-Finance executives.

Presidential Directives

In line with Presidential Directives, measures to improve the representation of the SC/ST communities in employment of the Company continued. The Company is also complying with the provisions of Persons with Disability Act, 1995.

As on 31.03.2004, out of 6,702 employees on the Company's roll including trainees, there were 1,106 SCs, 1,206 STs, 568 OBCs and 59 physically handicapped persons. Thus, 16.58% of employees are SC, 17.99% are ST, 8.47% are OBC and 0.88% are physically handicapped. The total number of lady employees in the organization stands at 277.

Industrial Relations

The urge for achievement of targets and enhancement of image of the Company has become the core thrust of individual employees in general and Unions in particular. The collaborative approach in industrial relations front has kept the performance level of the Company high irrespective of the constraints on availability of required manpower and inter-union rivalry in a multi-union scenario. There has been structured and continuous interaction with the recognized Unions on the matter of production, productivity, discipline, work culture besides on resolution of various demands and employee related issue both at Unit, Corporate and also at the Chief Executive level. The revision of the canteen subsidy reimbursement was done at bi-partite level at all the units of the Company and later registered with the statutory authority for a legal sanction.

There have been no mandays lost on account of industrial relations problem. However, the statewide agitation by political parties, trade unions of the state and the Coordination Committee of the Officers' Association and Unions of your Company against the Central Government's decision on disinvestment/privatization of your Company resulted in total bandh. The total mandays lost during the year mainly on this account is about 0.38% of the total mandays available.

The agitational action by the land affected villagers has remained controlled by constant interaction with the employees groups and representatives of the land affected villagers with the support of State Administration and proactive steps taken by the management have reduced the adverse impact of the agitation on the project and production activities of the Company.

Visit by Parliamentary Committees

Parliamentary Sub-Committee for Scheduled Castes and Scheduled Tribes, New Delhi, led by Shri Dillip Singh Bhuria, Chairman, visited on April 24-25.

A Parliamentary Committee on Petitions of Rajya Sabha visited Orissa from 8th to 11th February and interacted with the management representatives of your Company, NTPC, Mahanadi Coalfields and Rourkela Steel Plant regarding pollution of river Brahmani.

Social Sector/Peripheral Development Activities

As a responsible corporate citizen, your Company has been spending substantial amount on various social sector activities under its Peripheral Development Schemes. During the year 2003-04, requisite amount was sanctioned for different peripheral activities at Damanjodi, Angul, Bhubaneswar and other parts of Orissa as per annual project finalized by the Local Peripheral Development Committee consisting of senior executives of your Company, District Administration & Local Authorities. During the year, your Company completed development of a large public park at Bhubaneswar and handed over the same to the Government of Orissa. A new rehabilitation colony at Damanjodi named after Sahid Laxman Nayak with basic amenities like road, electricity and water etc. was constructed and 75 families of Village Koragunda and Champapada were shifted and settled in the new colony. Besides various construction activities, your Company has also organized a number of health camps including animal health camps in the periphery villages. As a special relief measure, your Company provided LDPE sheets worth Rs. 75.35 lakhs to the Government of Orissa during flood in coastal Orissa in September, 2003.

During the year, your Company completed construction of 53 primary school buildings in super cyclone area in Orissa under Prime Minister's Relief Programme.

In its pursuit of preserving the art and culture of Orissa, your Company organized Kalinga Mahostav at Dhauli, Bhubaneswar in association with Tourism Department of Government of Orissa.

Awards & Recognitions

Your Directors are pleased to inform you that your Company has received the following awards in various fields:

1. The prestigious Niryat Shree Award for Excellence in Export for the years 2000-01 and 2001-02, instituted by the Federation of Indian Export Organisations (FIEO).
2. The highest export award of CAPEXIL for the year 2002-03 for the record 16th time in succession.
3. The prestigious Quality Award of Indian Institute of Metals (IIM) for the year 2003.
4. The EEPC (Eastern Region) Export Award for the 4th time in succession.
5. The Excellent Performance Award in the National Convention of Quality Circles-2003, held in December 4-7, 2003 at Madurai.

Expansion & Diversification

Expansion of Smelter and Power Complex

This project has been completed with commissioning of 60 Pots as per the milestones committed. However, only 120 Pots out of the total 240 Pots have been commissioned till 31st March, 2004 as the 8th Unit of CPP was synchronized on 25th February and achieved full load operation only on 20th March, 2004. Out of the balance 120 pots, 60 pots have been in operation and balance 60 pots are under commissioning.

Financial Status of S&P Expansion Project

A total expenditure of Rs.2,049.36 crore has been incurred on S&P Expansion Project till 31.03.2004. Most of it has been funded through internal generation. Further, out of approved cost of Rs.2,541.98 crore (Rs.2,061.98 crore for Smelter & 7th Unit of CPP expansion and Rs.480 crore for 8th Unit of CPP), commitment of Rs.2,207.24 crore net of Cenvat, has been made till 31.03.2004. It is now expected that these projects will be completed with an overall savings of about Rs.300 crore.

2nd Phase Expansion of Integrated Aluminium Complex

You will be happy to know that the Public Investment Board (PIB) has recommended the 2nd phase expansion on 06.02.2004 at a cost of Rs.4,091.51 crore (July,2003 price level). The environment clearance for this 2nd phase expansion has also been received. Your Company is awaiting the approval of Cabinet Committee on Economic Affairs (CCEA) for the project.

The capacities of various units considered in the 2nd phase expansion are as follows:

	Unit	Capacity after 1 st phase expansion	Additions in 2 nd phase expansion
Mines	MT	48,00,000	15,00,000
Refinery	MT	15,75,000	5,25,000
Smelter	MT	3,45,000	1,15,000
Power	MW	8x120	2x120

Rolled Products Unit

The Cold Rolling Mill portion of Rolled Products Unit has already been commissioned. The unit has produced 2,660 MT during the year under report. The completion of the remaining portion of Rolled Products Unit got delayed due to non-receipt of approval for revised project cost estimates.

The proposal for Revised Project cost estimates at Rs.398.35 crore has been recommended by Public Investment Board (PIB) on 25.08.2004 and the Company is awaiting the approval. It is expected that the balance activities would be completed within 6 months from the date of approval of Revised Project cost estimates.

Business Development

Your Company has plans for undertaking few backward integration projects for catering its raw material requirements and for insulating itself from their price escalations. These proposals are being actively pursued by your Company. Proposals for Joint Ventures, takeovers, tolling/conversion arrangements were also evaluated and considered depending on their merit. Your Company in active association with professional bodies viz. AAI, CII, FICCI, Utkal Chamber of Commerce and Industry and Confederation of power plants etc. contributed immensely for furthering the cause of the industry.

MOU Performance

Your Company's performance based on actual performance has been provisionally rated "Excellent" in

the evaluation of the Memorandum of Understanding (MOU) signed with Government of India for the year 2003-04. MOU for 2004-05 with a target of 101% capacity utilization in Smelter and 100% capacity utilization in Alumina Refinery has been signed.

Corporate Planning

The fast changing scenario in global business environment warranted your Company to recast its Corporate Plan and Vision document. Based on the revision of the plan documents, further actions are being taken for capacity enhancement of alumina refinery and smelting operations.

During the year, your Company made steady progress on its growth roadmap as laid down in its Corporate Plan. All action plans and activity schedules concerning to production, expansion, marketing, HRD, finance and other related areas were implemented for achieving the respective targets.

Computerisation Activities

During the financial year, new initiatives for integrating the operations of all Regional Offices, Branch Offices and Stockyards by implanting Virtual Private Network (VPN) have been taken. A major initiative to implement Enterprise Resource Planning (ERP) to integrate the information systems of the enterprise and achieve a software lead business process re-engineering has been initiated.

Extending facilities like Local Area Networks in units, integration of e-mail services of all units to a single domain, securing from virus attacks by implementing Trend Micro neat suit was also achieved.

Quality Management

Quality Management System of Alumina Refinery was re-certified to ISO 9001: 2000 for a further three year period while those at Bauxite Mines, Smelter and CPP successfully underwent Surveillance Audits during the year. Continual improvement activities in operation and other service areas as well as horizontal and vertical spread of the Quality Management System were focussed during the year.

In pursuance of the Company's objective of progressive efforts towards achieving Business excellence, implementation of TPM (Total Productive Maintenance) was started in Alumina Refinery during the last quarter of the year, with two machines being taken up as "Managers model" machine for demonstrating autonomous maintenance activities. Further implementation activities are since continuing. The Company has become a member of the CII, TPM Club India to receive the benefits of knowledge and guidance from counsellors of Japan Institute of Plant Maintenance (JIPM).

Training and development in the field of Total Quality was continued during the year. While the main thrust was on Training programmes on TPM, programmes focussing on Facilitation Skills, Quality System Auditing, Daily Routine Activity Management etc. were also conducted during the year.

Five Quality Circles from different units were selected through Chapter level competitions and participated in the

National Convention for Quality Circles organised by Quality Circle Forum of India at Madurai. Based on their performance and presentations, four of these, "Aluminium" & "Manthan" of Smelter Plant, "Sunshine" of Captive Power Plant and "Lotus" of Mines were adjudged in the "Excellent" category and selected to participate in the forthcoming International Convention of Quality Circles to be held at Bangkok in December, 2004.

In keeping with its leading role in fostering the Quality movement in the State, your Company is organising the All Orissa Quality Circle Convention and Competition for NALCO Trophy every year. This event is widely considered as the biggest effort towards encouraging the quality movement in the State, using the employee involvement route.

Highlights of Safety, Health & Environment Management

During the year under review, the performance of the Company with respect to Pollution Control, Safety, Health & Environment Management, Forest & Plantation activities has been satisfactory. Apart from normal activities, the Company adopted new process technology in Pot line-III which has reduced Aluminium Fluoride consumption by 40% as compared to old Pot lines. The dry fly ash collection system for Captive Power Plant & Refinery has been commissioned and 1,00,979 tonnes of fly ash has been utilized in different activities. The Company is in process of implementing OHSAS-18001 (Occupational Health & Safety Assessment Series) for all its units. The EIA/EMP study for abandoned coal mine of MCL has been completed to proceed for other activities in order to fill ash in the voids of coal mines. Application for lease over Gandhamardan Bauxite Mine has been submitted to State Government Authorities.

Ancillary Development

Your Company has been giving thrust towards development of ancillary industries in the State of Orissa, for production of ancillary products by the SSI units which can be used during construction and commissioning stage of your Company. After commissioning of the units at Damanjodi and Angul there has been continuous effort by your Company for promotion of ancillary industries.

Your Company has participated from time to time in exhibitions and Buyers & Sellers meet at Bhubaneswar, Cuttack, Angul, Damanjodi, Rourkela, Sambalpur and Rayagada. In the interest of development of Small Scale Industries of Orissa, your Company also participated in the Annual Convention conducted by M/s. Orissa Assembly of Small & Medium Enterprises (OASME) in the month of August, 2003. Plant Level Committee Meetings at Angul and Damanjodi were conducted, in which Director of Industries and all other senior officials of different Organizations & Associations of Orissa participated.

Rajbhasha

During the year, special efforts were made for increasing the original correspondence in Hindi and writing notes in Hindi on the files as per the Annual Programme issued by Ministry of Home Affairs, Department of Official Language.

For imparting working knowledge of Hindi, deputing the employees for Hindi Training under Hindi Teaching Scheme was continued and in the units Hindi Training is arranged through correspondence course. Hindi workshops were organised for practice of working in Hindi.

Hindi week and Hindi Day on 14th September were observed at Corporate Office and at the units with a number of Hindi competitions and prizes were distributed to the winners and participants on the concluding day. At Corporate Office, special issue of Hindi magazine 'Akshar' was released.

The Angul Town Official Language Implementation Committee (TOLIC) meetings were organised regularly. Arrangement of meetings of TOLIC, Koraput were undertaken at M & R Complex, Damanjodi of the Company successfully.

Bilingual Computerised Forms were hosted on Intranet Website of your Company.

Vigilance

The Vigilance Department of your Company operates at Corporate Office, S&P Complex, Angul and M&R Complex, Damanjodi headed by the Chief Vigilance Officer reporting to the Chairman-cum-Managing Director of the Company. Preventive, Reformatory, Punitive and Positive Vigilance are the focal points of vigilance function. Stress is being given for preventive vigilance with a view to aid and assist the management in improving systems, procedures, so as to ensure transparency in decision making. A number of Surprise Checks, Regular Inspections and system studies were conducted during the year and feed back was furnished to the concerned authorities. A campaign for creating vigilance awareness was taken up by organizing Vigilance Awareness Week Celebrations commencing from 3rd November to 8th November, 2003, at all the units of the Company, in which distinguished guests with specialized knowledge & experience were invited to share their views in the matter of Prevention of Corruption and the role of Positive Vigilance in Administration of Management. Training Programme on Vigilance related issues was also imparted at all the Units.

Sports

Your Company contributed Rs. 50 lakh for the 1st Afro-Asian Games, 2003.

Ms. Shradhanjali Samantray did the Company proud by representing Indian Women Football Team as Vice-Captain at the AFC Women's Championship held in Thailand from June 8 to 21.

Shri S.P. Das, Sr. Accountant, represented Orissa in the All India Rajiv Gandhi Memorial Badminton Tournament for the Physically Challenged and bagged gold in men's doubles (in below knee category). Subsequently, he also represented India in the 4th Israel Open Badminton Championship for the Disabled, held at Jerusalem in March and bagged the third prize in doubles (standing lower).

Your Company's ace athlete Anuradha Biswal, footballer Shradhanjali Samantray, cricketers Debasis Mohanty and S.S. Das were among the chosen few, who were felicitated by the State Government.

Sponsored by the Company, the 5th NALCO All Orissa Ranking Tennis Tournament was held at Bhubaneswar from December 12 to 14. NALCO East Zone Golf Tournament was held at Bhubaneswar from February 6 to 8 and NALCO Cup State Hockey Championship-2004 was held at Barabati Stadium, Cuttack, from February 23 to 28.

Particulars of Employees

During the year under review, no employee of your Company was in receipt of remuneration in excess of the limits i.e. Rs.2,00,000/- p.m or Rs.24,00,000/- p.a prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Report on Conservation of Energy, R&D and Technology Absorption

Information in accordance with provisions of Section 217(1)(e) of the Companies Act, 1956, regarding Conservation of Energy, Research & Development and Technology Absorption is placed at Annexure-I to this report.

Status of listing in Stock Exchanges

Your Company's shares and debentures are listed in the following Stock Exchanges for which listing fees for 2004-05 has been paid:

1. The Stock Exchange, Mumbai (BSE), Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai-400 001.
2. National Stock Exchange of India Limited (NSE), Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra(E), Mumbai – 400 051.

Delisting of Securities

The securities of your Company have been de-listed from Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited w.e.f. 22.12.2003 and 11.02.2004 respectively. The Company has complied with all the requirements required for de-listing of securities of the Company from Bhubaneswar Stock Exchange and The Calcutta Stock Exchange Association Limited and the approvals for de-listing of the Company's securities are awaited from these Stock Exchanges. Your Company has neither paid listing fee for 2004-05 nor sending any returns/reports/documents etc. required to be sent as per Listing Agreement to these two Stock Exchanges w.e.f. 01.04.2004.

The Calcutta Stock Exchange Association Limited has agreed in principle for de-listing of equity shares of the Company. The Company has taken up with them for de-listing of 14.5% Non-convertible Redeemable Secured Debentures also as has been done by Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited.

Foreign Exchange Earnings and outgo (on Cash Basis)

Foreign Exchange earnings during the year 2003-04 was Rs.1,723.54 crore as against Rs.1,532.79 crore during the previous year.

The foreign exchange outgo during the year was Rs.150.31 crore as against Rs.276.56 crore during the previous year.

Directors' Responsibility Statement under Section 217 (2AA) of the Companies Act, 1956

Your Directors confirm ;

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

Corporate Governance

A report on Corporate Governance is placed at Annexure-II to this report. Your Company has voluntarily got the Secretarial Audit done for the year 2003-04 as a part of good Corporate Governance practice and the report is placed at Annexure-III to this report.

Management Discussion & Analysis Report

Management Discussion & Analysis Report is placed at Annexure-IV to this report.

C&AG Comments

Review on Accounts for the year ended 31st March, 2004, prepared by the Comptroller and Auditor General of India is placed at Annexure-V to this report.

Deposits

Your Company has not accepted or renewed any deposits during the year under report.

Auditors

M/s. SRB & Associates, Chartered Accountants, 5th Floor, IDCO Tower, Janapath, Bhubaneswar-751 022 have been appointed as Statutory Auditors of the Company for the year 2003-04 by the Comptroller and Auditor General of India. Auditors in their report have suggested for improving the frequency of physical verification of fixed assets and strengthening of internal control procedures in certain areas of stores which will be implemented during the current financial year.

M/s. Niran & Company, Cost Accountants, 440, Saheed Nagar, 1st Floor, Bhubaneswar-751 007 have been appointed as Cost Auditors of the Company for the year 2003-04.

M/s. KKA & Associates, Practicing Company Secretaries, 401, 4th Floor, Janapath Towers, Ashok Nagar, Bhubaneswar-751 009 have been appointed as Secretarial Auditors of the Company for the year 2003-04.

Directors

Changes in the composition of the Board were as follows:

- Smt. Adarsh Misra, Addl. Secretary, Ministry of Mines ceased to be a Director with effect from 01.09.2003.
- Dr. Sutanu Behuria, Joint Secretary & FA, Ministry of Coal ceased to be a Director with effect from 24.10.2003.
- Shri Prashant Mehta, Joint Secretary, Ministry of Mines was appointed as Part-time official Director with effect from 05.11.2003.
- Shri Vyas Ji, Director, Ministry of Mines was appointed as part time official Director with effect from 02.12.2003 and ceased to be a Director with effect from 26.12.2003.

- Shri S.C.Chhatwal was appointed as Director (Finance) of your Company with effect from 10.03.2004.
- Shri P Mohapatra, ceased to be a Director with effect from 09.06.2004.

Your Directors would like to place on record their deep sense of appreciation for the valuable services and guidance received from Smt. Adarsh Misra, Dr. Sutanu Behuria, Shri Vyas Ji, Shri P Mohapatra during their tenure on the Board of your Company.

Acknowledgement

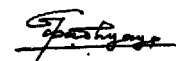
Your Directors acknowledge with deep appreciation the co-operation received from the Government of India in general and Ministry of Coal & Mines, Department of Mines in particular, Indian Railways, the Government of Orissa, Mahanadi Coal Fields, State Bank of India, GRIDCO and other Government agencies.

Your Directors also convey their gratitude to the customers, bankers, auditors, solicitors, business associates and shareholders for their co-operation and assistance extended to your Company, during the year. Your Directors wish to place on record their appreciation for the untiring efforts and contributions made by the employees at all levels.

For and on behalf of the Board of Directors



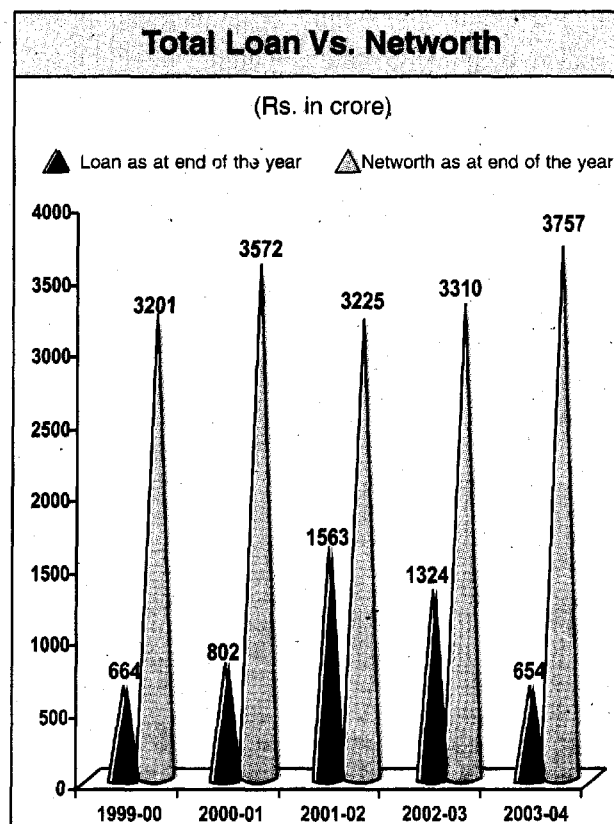
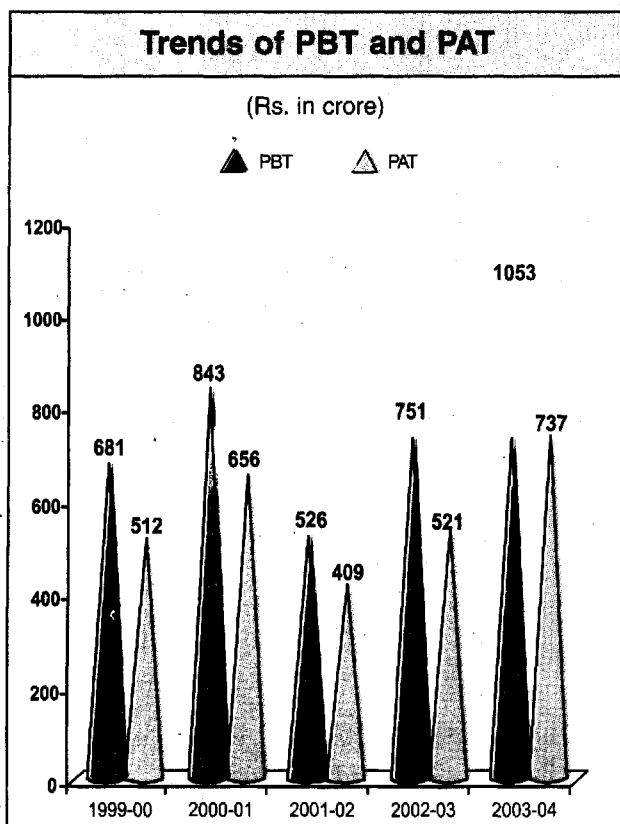
(S.K. Banerjee)
Director (P&T) & CMD I/C



(G. Upadhyaya)
Director (P&A)

Place : Bhubaneswar

Date : 26.08.2004



STATEMENT OF PARTICULARS UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

The Company continues to give importance to energy conservation measures for all its operations. Accordingly, the Company has gone for the latest technology with installation of energy efficient equipment for expansion project of all units. As a result, there has been substantial reduction in specific consumption of power, fuel oil and raw materials in the above units during the year. Besides that energy audit, condition monitoring and system modifications were undertaken for optimal energy consumption. Periodical review and monitoring of the energy consumption took place at regular intervals in all units of NALCO.

Some of the important energy conservation measures implemented during the year are highlighted below:

A) ENERGY CONSERVATION MEASURES TAKEN:

Smelter

- In the anode-baking furnace (expansion) PLC controlled heating regulation system has been introduced resulting in reduction of specific fuel oil.
- Advanced pot regulation system has been introduced in Pot Line - 3 thus resulting in reduction of volts/pot, instability in pot and anode effect frequency and subsequently reduction in DC energy consumption.
- Multiple doors for melting/holding furnaces, which are susceptible for heat losses through joints, have been replaced by single solid metal charging door in Cast House.
- Automatic control of cooling tower fans of Strip Casting Plant has been done through water temperature controller leading to lower energy consumption.
- Automatic control of shop floor lightings through timers has been done in Cast House and Expansion area.
- Other modifications are carried out :
 - a) ECL Hook rotation motor switching off during idle period through PLC programme.
 - b) In Expansion Cast House ICM drying fans are switched ON through PLC programme so that idle running has been avoided.
- Prefabricated launders have been installed in Billet Casting and in one Wire Rod Mill furnaces resulting in reduction in temperature of casting and in turn saving in energy.

Alumina Refinery

Specific Coal consumption with respect to Hydrate reduced over the MOU target through the following measures:-

- Optimal control of excess air to achieve efficient and complete combustion inside the furnace resulting improvement in Boiler efficiency.
- Improvement in Milling system output by proactive maintenance and time based replacement of critical spare parts like gearbox.
- Replacement of inefficient impellers of PA fans in each overhauling, thereby achieving adequate velocity profile of pulverized coal from Mill to furnace.
- Major repair/replacement of flue gas duct & repair of AH seals in Boilers, thereby arresting air infiltration into flue gas circuit thus achieving effective combustion.
- Rigorous monitoring of coal leakages and repairs.

Specific Fuel oil consumption in Calcination with respect to Alumina reduced over last year through the following measures:-

- Better capacity utilization of calcination circuit with availability of hydrate from third stream.

- Fine Hydrate bypassing system introduced under debottlenecking/Expansion.

Specific Fuel oil consumption in SPP with respect to Hydrate reduced over last year through the following measures:-

- Improvement in availability of Milling system by suitable replacement of damaged gearboxes and adherence to proactive maintenance.
- Improvement in stabilization period of Boiler after annual overhaul.
- Regular cleaning of Mill classifier, thereby ensuring proper fineness of pulverized coal, thereby achieving effective combustion

Specific Electrical Energy consumption reduced over last year through the following measures:-

- Replacement of two cooling tower fans of SPP by FRP fans.
- Running of two Cooling tower fans during cold weather lasting about five months in CT-3 of SPP in stead of three fans .
- Elimination of 2nd stage overflow and drainage pump running in hydrate filtration area after installation of classifying cyclone system.
- Optimization of number of Air compressors in operation
- Introduction of VFD in all new speed variable drives. 2 Nos. of VFD introduced in seed filter area.
- Maintaining high liquor productivity in the range of 72kg/M³ to 74kg/M³.

Operation of Condensate Polishing Unit resulted in the following advantages:-

- Filter water consumption has reduced; burden on DM plant and water Intake was there fore less.
- Higher DM water temperature from CPU enhanced the Boiler cycle efficiency and there is reduction in coal consumption.

Captive Power Plant :

- Running 3 nos. of coal mills in place of earlier 4 mills, resulting in net saving of power to the tune of 100 KW per Unit.
- In Cooling Tower - 4, energy efficient hollow FRP blades had been replaced in all 6 cells resulting in net saving of power to the tune of 17% to 26%.
- In BFP - 4A the pump cartridge was replaced with a overhauled one resulting in improvement of pump efficiency & saving of power to the tune of 194 KW.
- In BFP - 6B the pump cartridge was replaced with a overhauled one resulting in improvement in pump efficiency & saving of power to the tune of 175 KW.
- Regular monitoring of coal mill performance and reviewing on fortnightly basis and taking corrective action has resulted in reduction in coal reject from mills.
- Reclamation and reuse of Fuel Oil from the oil water separator pits has resulted in direct savings of fuel oil during the period.
- Energy conservation measures in illumination system:
 - a) Modification has been made in the illumination circuit in Station Switchgear room so that only 14 tube light out of 200 will glow round the year whereas rest are made to glow as and when required.
 - b) By replacing the existing MV lamps with the SV lamps in the Boiler area it has been made possible to reduce the power consumption from 600 watt to 125 watt per fitting and also the no. of fittings in use have been halved.
- Modification in Air Conditioning system of ESP:- With installation of temperature sensors and auto start / stop switch, compressor is running only for 8 hours which previously was running throughout the day.

FORM – A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption :

	CAPTIVE POWER PLANT		ALUMINA REFINERY	
	Current year 2003-04	Previous Year 2002-03	Current year 2003-04	Previous Year 2002-03
1. Electricity				
(a) Purchased from GRIDCO	8.868	47.260	—	—
Unit (Million KWH)				
Total amount (Rs. in lakhs)	289.78	1,489.97	—	—
Rate/Unit (Rs. /KWH)	3.27	3.15	—	—
(b) Own Generation				
i) Through Diesel Generator	NA	NA	NA	NA
Unit				
Unit per Ltr. of diesel oil				
Cost/Unit				
ii) Through Steam Turbine/Generator				
Units (Gross)/Million KWH	5,710.465	4,285.016	386.157	364.643
Units per litre of fuel oil/gas	900.99	1,123.79	—	—
Cost/Units (Rs./KWH)	1.01	1.04	—	—
2. Coal (Specify quality & where used)				
(Quality F&G) Million KWH				
Quantity (Tonnes)	44,19,540	3,691,642	1,000,605	9,04,520
Total cost (Rs. in lakh)	23,257.25	19,016.21	10,182.01	9,254.12
Average rate (Rs./Tonne)	526.24	515.12	1,017.59	1023.10

3. Furnace Oil

	Captive Power Plant		Alumina Refinery		Smelter Plant	
	Current Year 2003-04	Previous Year 2002-03	Current Year 2003-04	Previous Year 2002-03	Current Year 2003-04	Previous Year 2002-03
Quantity (KL)	6,338	3,813	1,26,344	1,25,302	27,502	24,785
Total Amount (Rs. in lakh)	865.90	443.04	14,217.55	13,961.98	3,243.53	2,722.94
Average rate (Rs./Tonne)	13,662	11,619	11,253	11,143	11,794	10,986
4. Others/Internal generation						
Quantity	NA	NA	NA	NA	NA	NA
Total Cost						
Rate/Unit						

B. Consumption per unit of production

Products with details	Unit	Standards (if any)	Current year (2003-04)	Previous Year (2002-03)
1. Alumina				
a) Power	(Kwh/Tonne)	380	331	347
b) Fuel oil for clacination	(Kg/Tonne)	85.30	81.43	79.06
c) Coal for steam	(Kg/Tonne)	674	645	611
d) Oil for steam	(Kg/Tonne)	10.00	3.27	5.57
2. Aluminium				
a) A.C. Power	(Kwh/Tonne)	14,600	15,018	14,898
b) Fuel Oil	(Ltr./Tonne)	95	92	104
c) Others				
i) CP Coke	(Kg/Tonne)	408	385	377
ii) CT Pitch	(Kg/Tonne)	106.50	102	99.84

FORM – B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH & DEVELOPMENT (R & D) :

1. Specific areas in which R&D activities carried out by the Company are:

(A) In-house R&D Activities :

(a) Alumina Plant :

- Lab scale studies to improve the flowability of Zeolite-A :
- Mud digestion tests on the last washer underflow mud were carried out at 145°C and 160°C in the ATH equipment in order to extract the undigested/autoprecipitated alumina present in the mud.
- Studies on Scale samples collected from separators, vapour chambers of the evaporation batteries were carried out.
- Regeneration Studies on Spent activated Alumina samples obtained from Smelter Plant, Angul were carried out.

(b) Smelter Plant :

- Monitoring of Anode quality & Baked Anode characterization.
- Green anode process was studied in detail to improve the consistency & quality of Anodes.
- Development of Indigenous Trimetallic Anode Clads.
- Dispersion of sludge in LDO main tank using fuel additive.

(B) Collaborative R&D Projects in hand :

- Basic studies on Precipitation of Boehmite (Alumina Monohydrate) in collaboration with RRL, Bhubaneswar.
- Dispersion pattern and behaviour of Valuable Trace and Rare Earth Elements in Bauxite Profiles at Panchpatmali deposit and scope of their recovery from rejects of Refinery Plant in collaboration with RRL, Bhubaneswar.
- Technology Demonstration Studies on effect of Fly Ash on Soil Fertility and Crop Yield at CPP, Angul and Demonstration Trials in the Farmers' fields around CPP for popularisation of bulk use of Fly Ash in collaboration with RRL, Bhopal.
- Joint Research Project (JRP) for extraction of Iron from NALCO's Red Mud and preparation of Techno-economic Feasibility Report (TEFR) for setting up of an Optimal size commercial plant for production of iron by ROMELT Process in collaboration with MISA, Russia/RSIL, New Delhi.
- Studies on Mechanochemical Activation of Bauxite to improve the performance of Bayer Process for Alumina Production and minimize Environmental impact of Red Mud in collaboration with NML, Jamshedpur.

- Studies on Extraction of Alumina from Last Washer Mud of NALCO's Alumina Plant in collaboration with JNARDDC, Nagpur.
- Studies on Modeling of Alumina Precipitation Circuit in collaboration with EIL, New Delhi.
- Studies on Safe Disposal of Emulsion Oil in collaboration with RRL, Bhubaneswar.

2. Benefits derived as a result of the above R&D :

- Baked Anode characterization & monitoring of anode quality have resulted in improvement in Sodium content, Resistivity and mechanical properties.
- Development of Indigenous Trimetallic Anode Clads has been successful.
- Lab scale studies were successful for dispersion of sludge in LDO main tank using fuel additive.
- 41-43% of Alumina can be extracted from the Last Washer Mud by re-digesting the Mud at Medium pressure digestion at 140°C temperature with 145gpl digestion liquor.
- Using a Batch Type Attrition Mill, it has been established that there is a potential to improve the performance of Bayer process of Alumina production through Mechanical activation of the Bauxite.

3. Future Plan of Action :

- Product development, Process development, Waste utilisation, Energy conservation, Indigenization of equipment and Diversification for production of different value added items etc. to be the focus areas of Company's Research & Development activities.
- National/International collaborations with research laboratories, academic institutions and industries.

New Projects :

- Utilization of NALCO Red Mud for Manufacture of Ordinary Portland Cement with National Council for Cement and Building Materials (NCB), Ballabgarh, Haryana.
- Simulation of Alumina Precipitation Circuit with EIL, New Delhi.
- JRP on the development of effective technology for treatment of NALCO's PLK and preparation of TEFR for extraction of Alumina from PLK with RSIL, New Delhi/MISA, Russia.
- JRP on the development and semi-industrial approbation of novel high strength Aluminium Alloys with RSIL, New Delhi/MISA, Russia.
- JRP on Silica dissolution, alternative Desilicated Product (DSP) structure & Recovery of Caustic Soda from DSP.

- JRP on Inerting of Red Mud through inorganic Polymers and other cost effective methods and developing uses for the same.
- JRP on Unified Model to design (or modify) electrolytic cells.
- Direct reduction of Bauxite and other Aluminium bearing materials to produce Aluminium metal.
- Fundamental precipitation Chemistry, Process kinetics, Solubility & super saturation and alternative non-sodium solvents.
- Development of value added products from PLK in collaboration with RRL, Bhubaneswar.
- Development of High Temperature Conductors for Transmission Lines.
- Development of integrated technology for processing East Coast Bauxite for production of Alumina in collaboration with JNARDDC, Nagpur (SSAG Project).
- Study on Impurity Build-up during Bauxite Process and its effect on Bayer liquor Chemistry in collaboration with JNARDDC, Nagpur (SSAG Project).
- Ultrasonic Treatment of Spent Pot Lining in collaboration with JNARDDC, Nagpur (SSAG Project).
- Evaluation of grain refining efficiency of commercially available grain refiner alloys in collaboration with JNARDDC, Nagpur (SSAG Project).
- Setting up of a Bench Scale plant to carry out detail study on raw materials quality of anodes.
- In-house development of In line degasser.
- Complete characterization of Billets.
- Evaluation of low density AlF₃ in Potline-III.
- Reprocessing of rejected tepid ramming paste for use in Potlining.
- Determination of cell factor for prediction of Net carbon consumption.
- Studies on enhancement of pot amperage.

4. **Expenditure on R&D :**

	(Rs. in lakhs)	
	2003-04	2002-03
(a) Capital	0.51	0.34
(b) Recurring	198.59	202.73
Total	199.10	203.07
(c) Total R&D expenditure as % of total turnover	0.06	0.08

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Measures taken by the Company in its different units concerning technology absorption, adaptation and innovations and benefits derived thereof are summarized below :

(a) **M&R Complex, Damanjodi :**

Details of Modifications	Benefits thereof
- Common System Controller Modification in SPP : Boiler common system controllers were suitably modified from conventional pneumatic controller to electronic controller and incorporated in DCS logic.	This has eliminated the repeated malfunctioning of the earlier controller due to air leakage. Moreover, as the controller is functioning through DCS, data keeping and analysis becomes easy.
- Provision of Individual trip bypass system in TG in SPP : Necessary trip circuit modification was carried out in the Trip circuit of TG and Individual tripping of TG were clubbed with two existing bypass switches and provided in the TG desk.	This avoids bypass the total trip solenoid in case of exigency situation, which could prove catastrophic. Bypassing the individual trips allows all other trips in line, protecting turbines. As the turbine lock out relay did not operate with this mode of bypass through respective switch, chance of inadvertent tripping during normalization of final relay also avoided.
- Modification of Islanding circuit in ECS in SPP :	The existing islanding scheme was not successful in case of one or two TG in operation. Modification was carried out to enable tripping of the coal mill of the selected boiler together with load shedding in plant areas, so that a balance between generation and drawl is maintained and islanding is sustained.
- Modification in Outhaul beetle charger in SPP : Suitable modification was carried by providing extra plate/channels and necessary grouting and leveling was carried out on the gear box foundation.	This will reduce the vibration of the gearbox and increase the life of gearbox.

Details of Modifications	Benefits thereof
<ul style="list-style-type: none"> Electrical energy savings due to replacement of two cooling tower fans by FRP blades, thus achieving saving of 25%. 	<p>CT3 fan 4 :</p> <ul style="list-style-type: none"> (a) Power consumption in conventional aluminium bladed fan : 41.49 KW (b) Power consumption in FRP bladed fan : 32.76 KW (c) Net saving of power : 8.73 KW <p>CT3 A fan 2 :</p> <ul style="list-style-type: none"> (a) Power consumption in conventional aluminium bladed fan : 21.45 KW (b) Power consumption in FRP bladed fan : 15.29 KW (c) Net savings of power : 6.16 KW
<ul style="list-style-type: none"> Introduction of Oxalate removal unit for Oxalate removal from the liquor. 	Reducing the impurities in the Liquor.

(b) Smelter Plant, Angul :

Details of Modifications	Benefits thereof
<ul style="list-style-type: none"> Three Solid Metal Charging Door (SMCD) Systems of Cast house melting cum holding furnaces were replaced by single SMCD system in the furnaces 2, 5, 6 & 7 to reduce heat losses. 	Reduction of heat losses, hence HFO consumption.
<ul style="list-style-type: none"> Indigenous development of integrated AIF3 hopper for continuous charging of AIF3 in one pot showed encouraging result. This facility will be extended to all other pots Potline 3, 1 & 2 in future. 	This will ensure improving conformance level (with respect to excess AIF3 %) of bath composition and thus improve current efficiency.
<ul style="list-style-type: none"> One die set was machined/fabricated in house for pot hood size and with the help of this die set fabrication of new pot hood panel is being carried out. 	Annual saving of Rs.40 lakhs through in-house innovation.
<ul style="list-style-type: none"> Indigenous vendors (3 agencies) developed for trimetallic anode clads. 	Import substitution & cost reduction.
<ul style="list-style-type: none"> Modification of refractory lining pattern of tapping ladle has been done which resulted in 20% more life. 	Life of tapping ladle increased by 20%.
<ul style="list-style-type: none"> In the expansion shop in Anode Handling Zone-3, modification was done so that the anodes of GAP II can be rodged in the Rodding Shop-I. 	Interchangeability between Rodding shop 1 & 2 is feasible.
<ul style="list-style-type: none"> Maintenance prone and expensive DC motor and DC drive of shot blasting machine (Rodding shop-I) was replaced by indigenous AC motor and AC variable frequency drive unit. 	Cost of total system of AC motor with Variable Frequency drive is almost one fourth of old system.
<ul style="list-style-type: none"> Shear pin mounting system of Billet Casting Platen has been modified for easy replacement of damaged shear pins. 	The stoppage time for shear pin replacement has been reduced from 24 hours to 2 hours.
<ul style="list-style-type: none"> 3 nos. indigenous ELGI make air compressors complete with modified electrical system installed and commissioned in three PTMs jointly with mechanical maintenance in place of imported compressors of PTM. 	Import substitution & cost reduction.
<ul style="list-style-type: none"> ABB, Norway make PLC in FTP 3 which had become obsolete has been replaced by indigenous Schneider make PLC. 	Breakdown time has reduced.

(c) Captive Power Plant, Angul :

Details of Modifications	Benefits thereof
– BHEL was engaged in combustion optimization in one of the units in November, 2002. Three mills operation was tried successfully and now 3 mills are tried in all the units since January, 2003. Correction was made in Primary airflow measurement of all the units, which was faulty since inception.	Mill availability has increased and there is power savings in running the auxiliary equipments to the tune of 200 KW/unit. Method of air flow measurement has been corrected. Correction in the air flow measurement has resulted in better mill performance due to correct flow of required quantity to mills which was very high before, leading to flame instability.
– In addition to the existing two passes in the ESP system one more ESP Pass (C-Pass) has been installed and commissioned in Unit#5 as a pollution control measure.	This has been done to meet the stack pollution norm.
– New Multi-stage Valves (MIL Make, 38-78103 type) were replaced in place of Single Stage Re-heater Spray Water line Block Valves in Unit#2 & #5 during overhauling of Boiler.	Another set of valve has been replaced in Unit#1. Multi-stage Valves are giving much better performance in avoiding seat passing, which was a frequent problem in single stage valves; thus reducing operational problem & valve break down.
– Near Super-heater Header-7 Boiler there was erosion of the steam supply tube due to fly ash impact & subsequently tubes were getting failed. Half tube shields were provided on all 86 nos. supply tube bends so that surface erosion (Fly-ash) of tubes are minimized.	During the year 2003-04 there was not a single boiler tube leakage on this account.
– Existing cooling tower fan blades were replaced in all 6 cells of one unit with energy efficient light weight fibre body aerodynamic fan blades.	During the year 2003-04 a set of blade has been procured which will be replaced with the existing cooling tower fan blades of Unit#2. Power saving to the tune of 25% achieved.
– Industrial drain water was recycled by pump on continuous basis. About 227000 M3 of water, which previously was going out of the plant was recycled back to our ash handling system during 2002-03.	There is water conservation as well as condition of "Zero discharge" imposed by Pollution Board is being met.
– Reduction in Lube Oil top up : The lubricating oil top up system has been computerized, where top up in about 800 equipments are regularly monitored and corrective actions are taken wherever necessary.	During the year 2003-04, 1100 equipments have been computerized for lube oil top up for 8 Units.

DETAILS OF TECHNOLOGY IMPORTED DURING LAST FIVE YEARS:

Smelter Plant, Angul :

Technoogy Imported	Year of Import	Has technology been fully absorbed ?	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.
– Technology for continuous strip casting (jumbo caster) from M/s FATA-HUNTER.	1998	Fully absorbed	–
– Autogenous mill in the new bath system.	1998	Fully absorbed	–
– Import of developments made by AP for use in expansion of Smelter (2,30,000 tpy to 3,45,000 tpy).	1998-99	Being commissioned in stages.	In the process of commissioning.
– Manufacture, testing and supply of anode raising beam with hammering arrangements.	1998	Fully absorbed	–
– Equipments for Strip casting and cold rolling technology from M/s FATA HUNTER (sheet thickness up to 0.12 mm and 1676 mm wide in coil from 1800 mm ID x 600 mm ID).	2001-2002	Commissioned. Under observation.	In the process of stabilization and absorption.
– Innovatherm prebake heat regulation system for Bake oven.	2001-2002	Fully absorbed	–
– ALPSYS pot regulation system in Pottline-III under expansion from AP.	2001-2002	Commissioned. under observation.	In the process of stabilization and absorption.

Report on Corporate Governance

NALCO believes in practicing good Corporate Governance, attaining maximum level of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders viz. shareholders, employees, the Government, bankers, society at large, customers etc.

Board of Directors

The Board of Directors of the Company comprised of eight directors viz. Chairman-cum-Managing Director (Executive Chairman), four executive directors and three non-executive directors as on 31.03.2004. In terms of Clause 49 of the Listing Agreement with Stock Exchanges, at least half of the Board should comprise of independent directors. Out of three non-executive directors, two were independent directors in terms of Clause 49 of Listing Agreement. The matter has been taken up with the Government of India for re-constitution of the Board by appointing some more independent directors to bring the composition of the Board in line with the

requirements of the said Clause.

The Board meets regularly and is responsible for the proper direction and management of the Company. All the Directors have access to the advice of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and all the applicable rules and regulations are complied with.

During the financial year ended March 31, 2004, eight Board Meetings were held on 29.04.2003, 23.06.2003, 31.07.2003, 18.09.2003, 10.10.2003, 07.11.2003, 30.01.2004 & 23.03.2004. The maximum time gap between any two Board meetings was not more than three calendar months.

The composition of the Board, Directors' attendance at the Board Meetings during the year and also at the last Annual General Meeting, number of directorships in other companies and membership in other committees etc. are as follows:

Name & Designation	Board Meetings		Attendance at last AGM held on 29.09.2003	No. of other directorships	Membership in other committees of other companies	
	Held during the tenure	Attended			Membership	Chairmanship
Shri C. Venkataramana * Chairman-cum-Managing Director	08	07	Yes	Nil	Nil	Nil
Smt. Adarsh Misra ** Part-time official Director	03	02	—	01	Nil	Nil
Dr. S.Behuria *** Part-time official Director	05	03	—	05	05	04
Shri Prashant Mehta Part-time official Director (Appointed as Director w.e.f. 05.11.2003)	03	03	—	01	Nil	01
Shri Vyasji **** Part-time official Director (Appointed as Director w.e.f. 02.12.2003)	Nil	Nil	—	Nil	Nil	Nil
Shri G.P.Gupta Part-time Non-official Director	08	08	Yes	06	02	01
Shri P. Mohapatra Part-time Non-official Director	08	08	Yes	01	Nil	Nil
Shri S. K. Banerjee * Director (Projects & Technical)	08	08	Yes	Nil	Nil	Nil
Shri G.Upadhyaya Director (Personnel & Administration)	08	08	Yes	Nil	Nil	Nil
Shri B.N.Jha Director (Commercial)	08	08	Yes	Nil	Nil	Nil
Shri S. C. Chhatwal Director (Finance) (Appointed as Director (Finance) w.e.f. 10.03.2004)	01	01	—	Nil	Nil	Nil

* Since Shri C. Venkataramana, Chairman-cum-Managing Director is on leave, Shri S.K.Banerjee is looking after duties of Chairman-cum-Managing Director w.e.f. 14.02.2004.

** ceased to be director on 01.09.2003.

*** ceased to be director on 24.10.2003.

**** ceased to be director on 26.12.2003.

The Board has reserved certain items of governance which include approval of annual and interim results, acquisitions, disposals and joint ventures as well as material agreements, major capital expenditure, major sale contracts, employees remuneration and perquisites, incentive schemes, manpower plans, budgets, all statutory compliance and long term plans for its review and approval.

Remuneration of Directors (as on 31.03.2004)

(a) Whole time Directors

Name	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid during 2003-04			
			All elements of remuneration package, i.e. salary, CPF, pension, Gratuity etc. (Rs.)	Other benefits (Rs.) *	Service contracts, notice period, severance fee	Stock option details, if any
Shri C. Venkataramana	Nil	Chairman-cum-Managing Director	7,17,830	2,30,072	Note 'A'	Nil
Shri S. K. Banerjee	Nil	Director (P&T)	6,86,448	2,82,522	Note 'A'	Nil
Shri G.Upadhyaya	Nil	Director (P&A)	6,50,914	1,61,339	Note 'A'	Nil
Shri B.N.Jha	Nil	Director (C)	7,37,066	1,79,917	Note 'A'	Nil
Shri S.C. Chhatwal (Appointed as Director (Finance) w.e.f. 10.03.2004)	Nil	Director (F)	30,053	1,444	Note 'A'	Nil

* Other benefits include Educational Allowance, Ex-gratia, Gift Coupon, Incentives for acquiring higher qualification, Liveries, Canteen Subsidy.

Note A : Appointed by the President of India. The appointment may be terminated by either side on 3 months notice or on payment of 3 months salary in lieu thereof. No severance fees is payable to these Directors.

The terms & conditions of all the whole time functional directors are decided by the President of India as per Article 63 of Articles of Association of the Company. While Chairman-cum-Managing Director is placed at schedule "A" scale of pay i.e. Rs.27,750-750-31,500, the other whole time functional directors are placed at schedule "B" scale of pay i.e Rs. 25,750-650-30,950. All the terms & conditions of the whole time functional directors other than the scale of pay, leased accommodation, provision of car etc. as specified in their respective appointment orders are same as those of the regular employees of the Company. All other terms & conditions not covered in their respective appointment orders are governed by the rules of the Company.

The benefit of monthly incentive schemes which are based on the performance parameters is equally applicable to whole time functional directors like other employees of the Company. The maximum amount that can be earned under production linked incentive scheme is Rs.2,850/- per month and the maximum amount that can be earned under Nirantar Utkarsha Utpadana Puraskar (NUUP) is Rs.400/- per month.

(b) Part-time Non-official Directors

Name	Sitting Fees (Rs.)		Total (Rs.)
	Board Meetings	Committee Meetings	
Shri G.P.Gupta	40,000	35,000	75,000
Shri P.Mohapatra	40,000	40,000	80,000

An amount of Rs.5,000/- is paid to the Part-time Non-official Directors as sitting fee for attending each of Board/Sub-committee Meetings.

Sitting Fees is the only amount paid by the Company to the Part-time Non-official Directors.

(c) Part-time official Directors

No remuneration is paid to the Part-time official Directors by the Company.

The following Committees of the Board have been formed with specific responsibilities.

Audit Committee

The composition of the Audit Committee as on 31.03.2004 was as follows:

Shri G. P. Gupta, Chairman

Shri Pyarimohan Mohapatra, Member

Shri Prashant Mehta, Member

The above composition consists of all non-executive directors of which two are independent directors.

The Audit Committee's functions include the following apart from the areas specified in the amended Clause 49 of the Listing Agreement and various provisions in the Companies Act, 1956 as amended from time to time:

- To check whether controls are adequate commensurate with size of the operations.
- To study the areas where income can be increased and the areas where cost can be reduced.
- Management Information System on each of the above areas.

During the year, seven Audit Committee Meetings were held. The Company Secretary is also the Secretary to the Audit Committee. The Chairman of the Audit Committee apprises the Board about the observations of the Audit Committee during the Board Meeting. The minutes of the Audit Committee Meetings are also placed before the Board in their subsequent Meetings.

Shareholders' Grievance Committee

The Audit Committee also specifically looks into the redressal of complaints/grievances of the shareholders/investors of the Company. The details of shareholders/investors complaints received and the status of their redressal are placed before the Audit Committee Meetings as well as the Board Meetings.

Technology Committee

The Board has constituted a Technology Committee, consisting of the following Directors:

Shri P.Mohapatra - Part-time Non-official Director

Shri S.K. Banerjee - Director (Projects & Technical)

Shri B.N. Jha - Director (Commercial)

This Committee monitors and pays special attention to the assessment of status of the Company's own technology, acquiring and assimilating new technologies necessary to make it competitive and to its own R&D efforts for maintaining a sustained strength in the technological field.

During the year, one such Technology Committee Meeting was held.

Remuneration Committee

In view of the fact that the Company is a Government Company in terms of Section 617 of the Companies Act,

1956, the remuneration of the whole time Directors is fixed by the President of India and hence Company does not have any Remuneration Committee.

Standing Committee

A Standing Committee has been constituted by the Board consisting of the Chairman-cum-Managing Director, all whole time Directors and co-opted officer(s) of the Marketing Department. The Committee deals with sales contracts of value between Rs.30 crore and Rs.50 crore each for export of alumina / aluminium. The decisions of the Committee are put up in the subsequent Board Meeting for information.

During the year, two such Standing Committee Meetings were held.

Share Transfer Committee & Debenture Transfer Committee

The Board has constituted two separate committees namely Share Transfer Committee and Debenture Transfer Committee to consider and approve all related issues in physical mode besides taking note of beneficial owners position under demat mode. During the year 2003-04, the Share Transfer Committee met 38 times and the Debenture Transfer Committee met 24 times.

Shri K.N.Ravindra, Company Secretary is the Compliance Officer of the Company and is the Secretary to these Committees.

During the year 2003-04, the Company received 200 complaints/grievances from the shareholders/investors of the Company and has redressed all of them besides attending to various queries /correspondence within a period of around 8-10 days from the date of receipt of the same. The details of these complaints/grievances are as under:

Particulars	Letters in the nature of various types of complaints/grievances received		
	Individuals & Institutions	Stock Exchanges	SEBI
No. of cases received during the period 01.04.2003 to 31.03.2004.	190	04	06
No. of cases attended and redressed to the satisfaction of the shareholders/investors.	190	04	06
No. of pending cases remained unresolved/unredressed.	Nil	Nil	Nil

The status of complaints/grievances were regularly placed before each Audit Committee Meeting as well as the Board Meeting, during the year.

Statutory Auditors

M/s. S R B & Associates, Bhubaneswar have been appointed as Statutory Auditors of the Company for the

financial year 2003-04 by the Comptroller and Auditor General of India (C&AG) as per Section 619(2) of the Companies Act, 1956. In terms of sub-clause (aa) of Section 224(8) of the Companies Act, 1956, the shareholders had authorised the Board of Directors to fix a suitable remuneration to be paid to the Statutory Auditors of the Company on their appointment by the C&AG for the year 2003-04. The Board on recommendation by the Audit Committee has fixed Rs. 5,00,000/- plus reimbursement of out of pocket expenses as the remuneration of Statutory Auditors for the year 2003-04.

General Body Meetings

Particulars of the Annual General Meetings of the Company held in last 3 years:

Year	Date	Time	Location
2000-2001	05.11.2001	11.00 A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar
2001-2002	30.10.2002	10.00A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar
2002-2003	29.09.2003	11.00 A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar

Two Extraordinary General Meetings of the Company were also held on 27.03.2002 and 04.07.2003 at NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar in last 3 years.

No special resolution was passed through postal ballot at any of the General Meetings of the Members held during the year under report.

Disclosures

As per the disclosures given by the Directors of the Company, there were no materially related party transactions that have potential conflicts with the Company at large.

There is no case of non-compliance of statutory provisions of the Companies Act, 1956 or SEBI Regulations or provisions of Listing Agreement except regarding composition of Board as required under Clause 49 of the Listing Agreement stated under the heading Board of Directors and none of these authorities have passed any strictures or imposed any penalty on the Company on any matter related to capital markets during the last three years.

Means of Communication

Quarterly Unaudited Financial Results are published in The Economic Times, local Oriya daily newspapers and some other leading English newspapers. The same are also posted in the Company's website www.nalcoindia.com. The Company's website also displays official news, releases etc. In addition, the Company also uploads the required information under Electronic Data Information Filing And Retrieval (EDIFAR) system in the website maintained on line by National Informatics Center (NIC) which can be accessed from the SEBI website i.e. www.sebiedifar.nic.in and www.sebi.gov.in.

Management's Discussion and Analysis forms part of the Annual Report of the Company which is posted to the shareholders of the Company along with the Notice of AGM every year.

General Shareholder information

The Annual General Meeting is scheduled to be held on Tuesday, the 28th September, 2004 at 11.00 A.M at NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar-751 013. Financial Calendar (tentative and subject to change) :

Events	Tentative Date
Annual General Meeting for the year ending March 31, 2004	28 th September, 2004
Unaudited Financial results for the first quarter ending 30th June, 2004	28th July, 2004
Unaudited Financial results for the second quarter ending 30 th September, 2004	October, 2004
Unaudited Financial results for the third quarter ending 31 st December, 2004	January, 2005
Unaudited Financial results for the year ending 31 st March, 2005	April, 2005

Book Closure Dates

Friday, the 24th September, 2004 to Tuesday, the 28th September, 2004 (both days inclusive) for determining the entitlements of dividend for the financial year 2003-04.

Dividend payment date

Before 27th October, 2004 as per the provisions of the Companies Act, 1956.

The Company has transferred an amount of Rs.80,496.55 relating to the unclaimed and unpaid dividend for the financial year 1995-96 to the Investor Education and Protection Fund on 20.02.2004 in terms of Section 205A of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

Listing on Stock Exchanges

The Company's shares and debentures are listed in The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE). The securities of the Company have been delisted from Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited w.e.f. 22.12.2003 and 11.02.2004 respectively. The Company has complied with all the requirements required for delisting of securities of the Company from Bhubaneswar Stock Exchange and The Calcutta Stock Exchange Association Limited and the approvals for delisting of the Company's securities are awaited from these Stock Exchanges. The Company has neither paid listing fees for 2004-05 nor sending any returns/reports/documents etc. required to be sent as per Listing Agreement to these two Stock Exchanges w.e.f. 01.04.2004. The Calcutta Stock Exchange Association Limited has agreed in principle for delisting of equity shares of the Company. The Company has taken up with them for delisting of 14.5% Non-convertible Redeemable Secured Debentures also as has been done by Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited. However, the securities of the Company will continue to remain listed in both The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE).

Stock Code

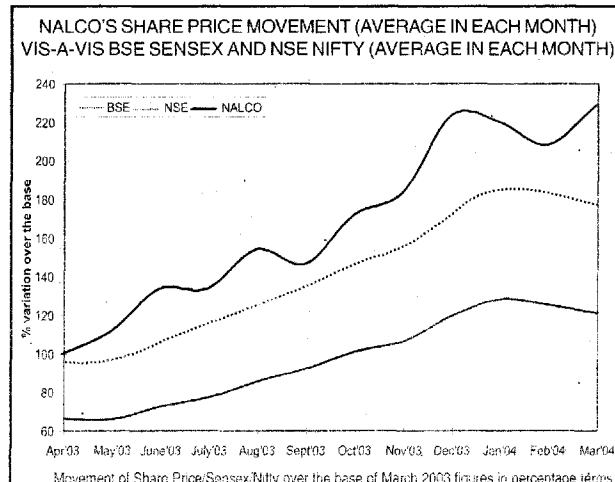
Stock Exchange Code	Reuters Code
BSE : 532234	NALU.BO(Mumbai Stock Exchange)
NSE : NATIONALUM	NALU.NS(National Stock Exchange)

Market Price Data in last Financial Year, 2003-04

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2003	89.35	70.90	89.30	70.00
May, 2003	96.40	81.00	96.50	83.00
June, 2003	116.60	96.00	116.60	96.15
July, 2003	120.45	95.00	120.65	92.10
August, 2003	141.80	103.50	141.90	103.55
September, 2003	135.00	97.50	135.75	97.70
October, 2003	146.50	118.85	154.80	123.45
November, 2003	157.80	134.10	158.00	133.75
December, 2003	199.20	155.60	199.30	156.05
January, 2004	205.25	145.10	205.90	144.00
February, 2004	187.00	144.00	186.00	144.05
March, 2004	193.40	170.55	193.40	170.00

The Company's shares are regularly traded in BSE and NSE.

Performance in comparison to broad-based Indices



Registrar and Transfer Agents

All work related to Share Registry both for physical and electronic segments are maintained at a single point at the Company's In-house Share Registry located at NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar-751 013 (Orissa).

Share Transfer System

All share transfers and debenture transfers are effected in time. Transfer-cum-Dematerialisation Option letters were sent regularly after each Share Transfer Committee Meeting and Debenture Transfer Committee Meeting to all the transferees and dematerialisation of shares/debentures was effected, wherever valid requests were received or else the physical certificates were despatched to the transferees within the scheduled time till withdrawal of the scheme by SEBI in terms of Circular No.SEBI/MRD/Cir-10/2004 dtd.10.02.2004. All physical share/debenture certificates are despatched to the transferees immediately after effecting transfer.

Distribution of share holding

The Company had 33,872 shareholders and 14,208 debenture holders as on 31.03.2004. The shareholding pattern of the Company as on 31.03.2004 was as under :

Category	No. of shares held			Percentage of shareholding		
	As on 31.03.04	As on 31.03.03	Difference	As on 31.03.04	As on 31.03.03	Difference
A. Promoter's holding*						
1. Promoters						
- Indian Promoters (Govt.of India)	56,14,99,635	56,14,99,635	—	87.15	87.15	—
- Foreign Promoters	Nil	Nil	—	Nil	Nil	—
2. Persons acting in Concert	Nil	Nil	—	Nil	Nil	—
Sub-Total	56,14,99,635	56,14,99,635	—	87.15	87.15	—
B. Non-Promoters Holding						
3. Institutional Investors						
a. Mutual Funds and UTI	1,44,11,518	1,76,66,739	(32,55,221)	2.23	2.74	(0.51)
b. Banks, Financial Institutions, Insurance Companies (Central/ State Government Institutions/ Non-Government Institutions)	2,19,59,725	2,47,73,081	(28,13,356)	3.41	3.84	(0.43)

Category	No. of shares held			Percentage of shareholding		
	As on 31.03.04	As on 31.03.03	Difference	As on 31.03.04	As on 31.03.03	Difference
c. FII's	1,57,70,193	57,19,998	1,00,50,195	2.45	0.89	1.56
Sub-Total	5,21,41,436	4,81,59,818	39,81,618	8.09	7.47	0.62
4. Others						
a. Private Corporate Bodies	2,08,48,040	2,31,62,139	(23,14,099)	3.24	3.59	(0.35)
b. Indian Public	89,41,099	1,07,76,743	(18,35,644)	1.39	1.68	(0.29)
c. NRIs/OCBs	4,57,910	4,76,432	(18,522)	0.07	0.07	—
d. Others	4,21,508	2,34,861	1,86,647	0.06	0.04	0.02
Sub -Total	3,06,68,557	3,46,50,175	(39,81,618)	4.76	5.38	(0.62)
GRAND TOTAL	64,43,09,628	64,43,09,628	—	100.00	100.00	—

Dematerialisation of shares, debentures and liquidity

The Company's shares and debentures are admitted for dematerialisation through National Securities Depository Limited and Central Depository Services (India) Limited under ISIN INE 139A01026 and ISIN INE 139A07015 respectively.

Total number of shares and debentures dematerialised during the year 2003-04 are 2,78,060 and 2,484 respectively.

Status of dematerialisation of shares and debentures is as follows :

Year	Shares dematerialised (Cumulative)	Debentures dematerialised (Cumulative)
	% to Listed Capital	% to total debentures
1998-99	78.07	—
1999-00	96.57	—
2000-01	97.76	40.30*
2001-02	98.02	93.40
2002-03	98.31	98.71
2003-04	98.64	98.79

* Dematerialisation of debentures commenced w.e.f. 14.08.2000.

Keeping in view the present trend in the Capital Market, NALCO has been encouraging dematerialisation of securities because of the inherent benefits of holding securities in the electronic mode. However, the Company had received some rematerialisation requests during the year and accordingly it has effected rematerialisation of 4,119 shares and 41 debentures and despatched the physical share/debenture certificates in time to the concerned investors.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on equity

The Company has neither issued any GDR / ADR nor any convertible instrument as on date.

Plant locations of the Company

Mines & Refinery

Mines & Refinery Complex, Damanjodi
Dist.-Koraput (Orissa), Pin – 763 008

Smelter Plant

Nalco Nagar, Dist.-Angul (Orissa), Pin –759 145

Captive Power Plant

Angul (Orissa)
Pin – 759 122

Port Facilities

Opposite Ore Handling Complex, Port Area
Visakhapatnam – 530 035 (Andhra Pradesh)

Address for correspondence

The Company's Registered Office is situated at :

NALCO BHAWAN, Plot No. P/1, Nayapalli
Bhubaneswar – 751 013 (Orissa)

Shareholders and Debenture holders correspondence should be addressed to :

Share Registry
NALCO BHAWAN
Plot No. P/1, Nayapalli
Bhubaneswar – 751 013 (Orissa)
Tel : 0674-2303197

0674-2301988 to 2301999 (EPABX) (Extn. 2585-86)

Fax: 0674-2300677

E-mail addresses: i) knravindra@nalcoindia.co.in

ii) dmrao@nalcoindia.co.in

iii) nkmohanty@nalcoindia.co.in

iv) bharatsahu@yahoo.com

The Company has created a dedicated E-mail Id in the name and style of investorservice@nalcoindia.co.in for exclusive dealing with shareholder/investor related correspondence/grievances for prompt and efficient investor service by the Share Registry of the Company.

Shareholders/Debenture holders holding shares/debentures in electronic form should address all their correspondence regarding change of address, bank particulars etc. to their respective Depository Participants (DPs) only. No need to inform these changes to the Company.

AUDITORS' CERTIFICATE

To
The Members of
NATIONAL ALUMINIUM COMPANY LTD.
Bhubaneswar

We have examined the compliance of conditions of Corporate Governance by **NATIONAL ALUMINIUM COMPANY LTD.** Bhubaneswar for the year ended on 31st March, 2004 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of

Corporate Governance as stipulated in the above-mentioned Listing Agreements except composition of the Board which was not in conformity with the provisions of Clause 49. As verified by us, against five executive directors there are three non-executive directors out of which two are independent directors.

We state that in respect of investor grievances received during the year ended 31st March, 2004, no investor grievances are pending against the Company as on 31st March, 2004 as per the records maintained by the Company and presented to the Audit Committee/Board.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of

SRB & Associates
Chartered Accountants

Place : Bhubaneswar
Date : 23.08.04

Rajib S Sahoo
Partner

SECRETARIAL AUDIT REPORT

To
The Members
National Aluminium Company Limited
Bhubaneswar

We have examined all secretarial records and the compliance of provisions of the Companies Act, 1956, the guidelines and the instructions issued by the Securities and Exchange Board of India (SEBI) and the relevant clauses of the Listing Agreement with Stock Exchanges where the shares and debentures of National Aluminium Co. Ltd. (the company) are listed, for the year ended 31st March, 2004 and we report that :

1. Maintenance of Statutory Records :

The company is maintaining all statutory records and registers as required to be maintained under various provisions of the Companies Act, 1956 and the rules made thereunder and all the records and entries in the registers are up to date.

2. Filing of Statutory Returns :

The company has timely filed all statutory returns with the Registrar of Companies as well as with other Statutory Authorities and has furnished the required documents/intimations to the Stock Exchanges regularly and within the scheduled time frame as required under various clauses of the Listing Agreements.

3. Daily Reconciliation of Listed and Paid up Capital :

The company has setup adequate systems and procedures voluntarily even prior to the SEBI guidelines to ensure daily reconciliation of shares and debentures held in physical and electronic segments with the total shares and debentures issued by the Company.

4. No Legal Notice :

The company has not received any show cause notice for any alleged offence/violation under the Companies Act, 1956 or under the clauses of the Listing Agreement or under SEBI guidelines and no fine, penalty or other punishment has been imposed on the company in this regard during the year under review.

5. Transfer to Investor Education and Protection Fund :

The company has transferred an amount of Rs. 80,496.55 (Rupees Eighty Thousand Four Hundred Ninety Six and Paise Fifty Five Only) relating to the unclaimed and unpaid dividend for the financial year 1995-96 to the Investor Education and Protection Fund on 28.02.2004 in terms of Section 205A of the Companies Act, 1956 and the Investor Education and

Protection Fund (Awareness and Protection of Investors) Rules, 2001.

6. Composition of the Board :

The Board of Directors of the company comprised of eight directors; consisting of the Chairman-cum-Managing Director (Executive Chairman), four executive directors and three non-executive directors as on 31.03.2004. In terms of Clause 49 of the Listing Agreement, at least half of the Board should comprise of independent directors. Out of three non-executive directors, two were independent directors in terms of Clause 49 of Listing Agreement. The matter has been taken up by the company with the Government of India for re-constitution of the Board by appointing some more independent directors to bring the composition of the Board in line with the requirements of Clause 49 of the Listing Agreement.

7. Board Meetings :

During the year, the Board of Directors of the company met eight times on 29.04.2003, 23.06.2003, 31.07.2003, 18.09.2003, 10.10.2003, 07.11.2003, 30.01.2004 and 23.03.2004 in respect of which proper notices were given. The proceedings of the meetings including the circular resolutions passed were properly recorded in the Minutes Book maintained by the company and duly signed.

8. In-house Share Registry :

The company has an In-house Share Registry located at NALCO BHAWAN, Nayapalli, Bhubaneswar and all the work related to Share Registry in terms of both physical and electronic segments are being handled here at a single point.

9. Share/Debentures Transfer Committees :

To ensure speedy and timely transfer/transmission of shares and debentures in physical segment, the Share/Debenture Transfer Committees constituted by the Board consider and approve all the share/debenture related issues besides taking note of beneficial owners position under demat mode. All the complaints/grievances relating to share/debenture transfers/transmissions, demat/remat of shares and debentures, issue of duplicate share/debenture certificates, payment of dividend/debenture interest etc. are promptly attended to by the company and they are resolved within 8-10 days of their receipt. Details of shares and debentures

transfers, complaints, electronic holding of shares and debentures (both NSDL and CDSL) etc. were put up at every Board Meeting and Audit Committee Meeting (Audit Committee is also entrusted with the job of looking into redressal of investors grievances). During the year ended 31st March, 2004, the Share Transfer Committee met 38 times and the Debenture Transfer Committee met 24 times.

10. Dematerialisation/Rematerialisation :

The dematerialisation/rematerialisation request of shares and debentures are processed by the company within 15 days from the date of receipt of physical documents from the DPs as per the SEBI guidelines.

11. Payment of Corporate Cash Benefits to the Investors :

The Company has paid half yearly interest on debentures on due dates i.e. 25.09.2003 & 25.03.2004. The company has also paid dividend by due date after its declaration and wherever necessary has kept in abeyance rights to dividend and rights to debenture interest and/or right to

redemption proceeds pending registration of transfer of shares/debentures or pending final settlement of suits in compliance with the provisions of the Companies Act, 1956.

12. Redemption of Debentures :

As per the terms and conditions of the issue, the company has already redeemed 2/3rd face value (Rs. 666/- per debenture) of Debentures within due dates after complying with the relevant provisions of the Companies Act, 1956. The company has so far redeemed 16,600 debentures in full as per the options exercised by the respective debenture holders.

13. Public Deposits :

No Public Deposits were accepted by the Company under Companies (Acceptance of Deposits) Rules, 1975 during the year. The company has neither issued any GDR/ADR nor any convertible instrument during the year under report, which may have an impact on enquiry.

K.K A & Associates

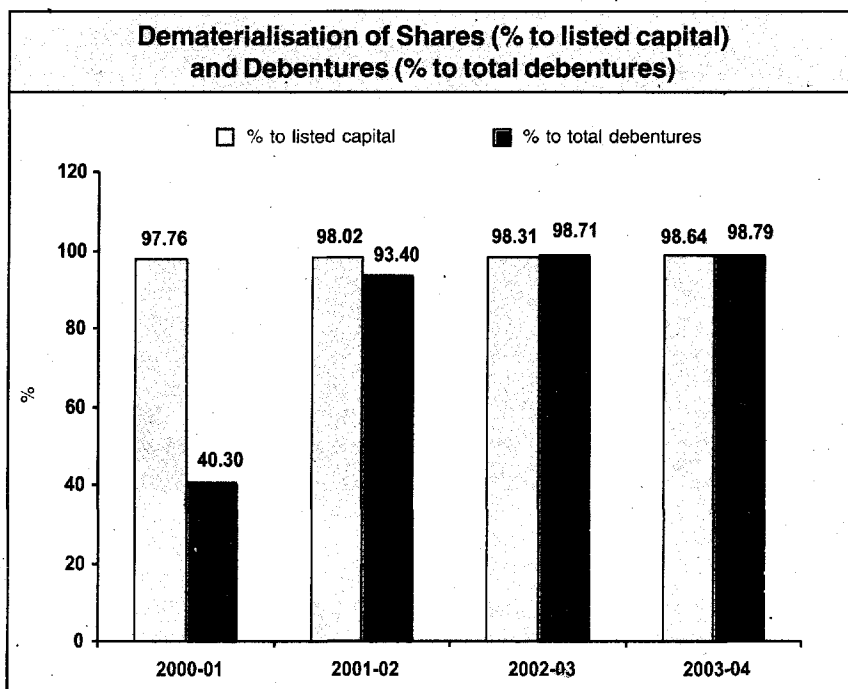
(Practicing Company Secretaries)

Place : Bhubaneswar

Date : 19.07.2004

K.K. Agarwal

(C.P. No. 2804)



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure & Development

In the year 2003-04, Indian economy and global economy performed remarkably well as it came out successfully from the recessionary trend. Alumina and Aluminium prices remained buoyant during the year and scaled new highs during the last quarter of the year. A healthy trend prevailed in almost all sectors of the economy.

Spurt in demand for alumina has prompted your Company to commence project work for new green field alumina projects and expansion of their existing smelters. It is expected that there will be a massive investment for undertaking greenfield and brown field expansions.

During the year, the international alumina and aluminium market showed strength and prices moved upwards due to rising demands across the globe. In India, a very good monsoon coupled with improvement in bilateral relations with boundary countries and buoyancy in all sectors of

Your Company's Speciality alumina and other value added products are being well received in the market.

Internal Control Systems and their adequacy

Your Company has well established internal control system commensurate with the size of the Company. 'Purchase Manual' and 'Contract Manual' have been updated. Your Company has entrusted the jobs of internal audit to outside professional accounting firms. The internal audit reports are discussed thoroughly by an independent Audit Committee constituted by the Board. The vigilance department of your Company has taken several preventive steps in controlling corruption in the Company.

Future Outlook :

Domestic Market Outlook :

The domestic aluminium supply is going to see more metal flowing in from the expanded capacities of both your

Performance with respect to last year:

i) The performance in respect of production, sales & financial parameters for year 2003-04 in comparison to last year is given below :

Sl. No	Item	Unit	Actuals 2003-04	Actuals 2002-03	% of increase (+)/ decrease (-) over last year
A. PRODUCTION					
1.	Bauxite	MT	48,16,762	47,77,003	0.83
2.	Alumina	MT	15,50,100	14,80,600	4.69
3.	Aluminium	MT	2,98,207	2,44,708	21.86
4.	Power	MU	5,122	4,291	19.37
B. SALES/EXPORT					
1.	Alumina/Hydrate Sale	MT	9,34,874	10,37,287	(-)9.87
2.	Export of Aluminium	MT	1,29,718	1,07,302	20.89
3.	Domestic Metal sale	MT	1,66,650	1,35,193	23.37
4.	Total Metal Sale	MT	2,96,368	2,42,495	22.22
C. FINANCIAL PARAMETERS					
1.	Sales Turnover	Rs. Cr.	3,338.87	2,739.67	21.87
2.	Export Earning	Rs. Cr.	1,717.27	1,500.65	14.44
3.	Profit Before Tax	Rs. Cr.	1,052.76	751.43	40.10
4.	Profit After Tax	Rs. Cr.	737.37	520.92	41.55

economy created a healthy domestic market for aluminium. It is expected that this trend shall continue in the coming days.

During the year, production from your Company's expanded capacities of the Mines and Refinery was fully available. It is expected that benefits from the expanded capacities of both the smelter and power plant will be available in the year 2004-05. Apart from this, second phase expansion programme of your Company's production facilities is under active consideration.

Company and other aluminium producers in the country. The domestic demand is expected to remain strong during the year 2004-2005 and your Company shall try to increase both its domestic & global aluminium market share. With the commencement of export of special grade Hydrate and Zeolite-A in the overseas market, your Company is going to make its presence as a regular exporter of speciality products. The export of rolled products is likely to commence during the year 2004-05.

International Market Outlook

Aluminium :

The IMF forecasts the global growth of 4.6% in 2004 and 4.4% in 2005. The U.S. economy is expected to grow by 4.6% in 2004 and 3.9% in 2005, while the economy of Japan is expected to grow by 3.2% and 1.7% and the Eurozone by 1.9% and 2.5% respectively. China is expected to grow by 8% in 2004.

The expansion of primary demand in Western World market over the past couple of years has been far stronger than end use demand. The demand for primary aluminium has been boosted by a lack of scrap metal. The Primary aluminium production and consumption of the World are expected to grow by 4% and 9% respectively. The Asian demand is likely to grow by around 6% year on year basis.

Alumina :

The rapid rise in the Alumina prices on account of Chinese demand is likely to slow down during the coming year as spot prices are close to their peak. Alumina and Power price increases are adversely affecting Chinese aluminium production. Besides there has been a noticeable tightening of credit amongst Chinese buyers adversely affecting the small scale operators. Further, power shortages are a growing issue of concern for the aluminium industry in China giving the rapid pace of demand. However, in other parts of world demand is likely to remain firm.

Opportunities and Threats

Your Company has ample scope for commencing & executing its second phase expansion with its own resources & funds from markets. The availability of surplus alumina with your Company has put it altogether in a different platform and offers attractive opportunities for participating in the JVs of overseas smelters. The continuation of second generation liberalisation process and the ongoing globalisation trend is likely to bring ample opportunities for the Company in playing a key role in metal trading, hedging, tolling, technology collaboration and in redefining new areas for application of its value

added rolled products and chemical business.

The threat perceptions for the Company include possible worsening of geopolitical scenario across the globe, political instability, great volatility in international prices, terrorism, slowdown of demand in China, reversal in global economic scenario and levy of antidumping duties on its raw material import.

Outlook for Future

Your Company expects that the current up-healthy trend in the economy shall continue in the coming days and Indian industry as a whole is expected to perform well. Apart from firming up its position in the field of alumina and aluminium, your Company is strengthening its position in newly entered areas like special alumina, zeolite, rolled products etc. with consistent track record in capacity utilisation, quality management, it has gained customers confidence. It is anticipated that LME prices for metals will remain steady in the coming years.

Your Company's future strategic growth plans include further expansion of the capacities in Mines, Refinery, Smelter and Captive Power Plants. Its strategic plans are also directed towards meaningful utilisation of resources and full capacity utilisation of existing units with proactive financial management and with thrust on human resource development.

Your Company has major plans to enter the market in a big way in the coming year to market its value added products like rolled products, specialty alumina and zeolites in the domestic and international markets.

Risks & Concerns

The depreciation of US\$ against rupee causes concern for net export realisation of your Company, as it is a key player in the export market. The prime risk lies in possible international disturbances and sudden appearance of unhealthy trends in the global scenario arising out of political uncertainty in global context. Apart from this, probability of imposition of antidumping duties on its imported raw material and its cost fluctuations add to the existing concern. However, your Company enjoys a natural hedge against these concerns as it has technological edge coupled with professional approach.

Annexure-V

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NATIONAL ALUMINIUM COMPANY LIMITED, BHUBANESWAR FOR THE YEAR ENDED 31ST MARCH 2004.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of National Aluminium Company Limited, Bhubaneswar for the year ended 31st March 2004.

Dated, Kolkata
The 20th August 2004

Sd/-
(S.B. Pillay)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-I,
KOLKATA

REVIEW OF ACCOUNTS OF NATIONAL ALUMINIUM COMPANY LIMITED FOR THE YEAR ENDED 31st MARCH 2004 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

(Review of accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in Statutory Auditors' Report.)

1. Financial Position

The table below summarises the financial position of the company under broad headings for the last three years :

(Rs. in crore)

	2001-02	2002-03	2003-04
Liabilities			
(a) Paid up capital			
(i) Government	561.50	561.50	561.50
(ii) Others	82.81	82.81	82.81
(b) Reserves and Surplus			
(i) Free Reserves & Surplus	2147.94	2340.40	2894.05
(ii) Capital Reserves	1.22	1.17	1.12
(iii) Debenture Redemption Reserve	431.77	324.16	217.19
(c) Borrowings from			
(i) Non-convertible Redeemable Debentures	643.54	428.33	214.39
(ii) Bonds	440.00	440.00	440.00
(iii) Foreign Currency Loan	145.67	—	—
(iv) Commercial paper	196.37	—	—
(v) Export Packing Credit	137.87	256.34	—
(vi) Other Loan	—	199.77	—
(d) Current Liabilities & Provision	719.20	1011.60	864.28
(e) Deferred Tax Liability	492.13	573.17	609.99
TOTAL	6000.02	6219.25	5885.33
Assets			
(f) Gross Block	6277.75	7459.96	8092.87
(g) Less : Cumulative Depreciation	3388.13	3747.01	4189.39
(h) Net Block	2889.62	3712.95	3903.48
(i) Capital Work-in-Progress	1920.81	1298.66	791.34
(j) Investments	50.00	200.00	200.00
(k) Current Assets, Loans and Advances	1138.45	1006.50	990.51
(l) Miscellaneous Expenditure not written off	1.14	1.14	—
TOTAL	6000.02	6219.25	5885.33
(m) Working Capital (k-d)	419.25	(-) 5.10	126.23
(n) Capital Employed (h+m)	3308.87	3707.85	4029.71
(o) Net Worth [a+b(i)+b(iii)-l]	3222.88	3307.73	3755.55
(p) Net Worth per rupee of paid up capital (in Rupees)	5.00	5.13	5.83

2. Working Results :-

(Rs. in Crore)

	2001-02	2002-03	2003-04
(i) Sales	2406.92	2773.61	3344.84
(ii) Less Excise Duty	160.41	175.37	224.50
(iii) Net sales	2246.51	2598.24	3120.34
(iv) Other Misc. Income	130.04	196.66	194.78
(v) Profit/Loss before tax and Prior period adjustment	524.71	733.84	1039.08
(vi) Prior period adjustment	(0.90)	(17.59)	(13.68)
(vii) Profit/Loss before tax	525.61	751.43	1052.76
(viii) Tax provision	116.26	230.51	315.39
(ix) Profit after tax	409.35	520.92	737.37
(x) Proposed Dividend including dividend tax	257.73	436.12	290.74

The profit for the year Rs.737.37 crore included non-operational income of Rs.69.59 crore.

3. Ratio Analysis

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

(in percentage)			
	2001-02	2002-03	2003-04
A. Liquidity Ratio			
Current Ratio	158	99	114.61
B. Debt Equity Ratio			
Long term Debt to Equity	44	26	17.42
C. Profitability Ratio			
a) Profit before tax to :			
(i) Capital Employed	15.88	20.26	26.12
(ii) Net Worth	16.31	22.72	28.03
(iii) Sales	20.93	25.66	30.21
b) Profit after tax to Equity Capital	63.53	80.85	114.44
c) Earning per Share (Rupees)	6.35	8.08	11.40

4. Sources and Utilisation of Funds

Funds amounting to Rs.1231.76 crore from internal and external sources were generated and utilised during the year as shown below :

(Rs. in crore)

Sources of Funds

Funds from Operations :-

Profit after tax	737.37
Add : Deferred tax	36.82
Add : Depreciation	442.38
Add : Miscellaneous Expenditure written off	1.14
Decrease in Working Capital (See Note No. C)	14.05
Total Funds inflow during the year	1231.76

Utilisation of Funds

Increase in Gross Fixed Assets and Capital Work-in-Progress	125.59
Increase in Investment	—
Dividend paid (including tax thereon)	436.12
Decrease in borrowing	670.05
Total funds outflow during the year	1231.76

5. Inventory Levels

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

(Rs. in crore)

	2001-02	2002-03	2003-04
(i) Raw Materials	57.52	71.61	48.08
(ii) Stores, Spares and others	261.55	280.74	283.55
(iii) Finished Goods and work-in-progress	164.33	137.60	148.85

6. Sundry Debtors

The Sundry debtors vis-a-vis sales during the last three years are given below :

Year ended as on	Sundry Debtors			Sales during the year	Rs. in crore % of total sundry debts to sale
	Considered Good	Considered Doubtful	Total		
31.03.2002	257.83	42.30	300.13	2510.95	12%
31.03.2003	101.83	42.66	144.49	2928.03	5%
31.03.2004	102.24	42.83	145.07	3484.63	4.1%

Sd/-

(S.B. Pillay)

Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-I,
KOLKATA

Dated, Kolkata
The 20th August 2004

AUDITORS' REPORT

TO

The Members of
National Aluminium Company Limited,
Bhubaneswar.

1. We have audited the attached Balance Sheet of the **NATIONAL ALUMINIUM COMPANY LIMITED, Bhubaneswar** as at 31st March, 2004, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that :
 - a. 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;
 - b. 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;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; except accounting for certain items of scrap and bath tapped from pot shells on disposal as stated in Accounting Policy No.B.3.4 of Schedule W and not on accrual basis in line with Accounting Standard-1;
 - e. None of the directors of the Company are disqualified as on 31st March, 2004 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f. Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - ii. in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For SRB & Associates
Chartered Accountants**

**R.S. Sahoo
Partner
Membership No.053960**

**Bhubaneswar
June 30, 2004**

ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE)

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) The company has a system of verification of movable fixed assets every year and of immovable fixed assets, once in every five years. In our opinion Company should have a system of physical verification of immovable Fixed Assets to cover such assets at least once in every three years.
- (c) In our opinion and according to the information and explanations, the company has not disposed of substantial part of fixed assets during the year and the going concern status of the company is not affected.
- ii. (a) As explained to us, all inventories except stocks relating to expansion project, stocks with third parties and stock in-transit have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records. Discrepancies relating to shortages have been dealt with in the books of account, while excesses have been ignored except in case of finished goods.
- iii. (a) The company has not granted or taken any loans secured or unsecured to / from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly sub-clause (b), (c) & (d) are not applicable.
- iv. In our opinion and according to the information given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and sale of goods except in certain areas of stores which needs to be strengthened.
- v. The Company has not entered in to transactions which require to be recorded in a register in pursuance of section 301 of the Companies Act.
- vi. The company has not accepted any deposits from the public.
- vii. We have reviewed the internal audit system and are of the opinion, that the Company has an Internal Audit System commensurate with the size and nature of its business.
- viii. We have carried out a limited review of the books of account and cost records maintained by the company, pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act., 1956 in respect of manufacturing activities and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the same.
- ix. a. According to the records of the company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise duty, Cess and other material statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authority.
- b. According to the information and explanations given to us, no undisputed amounts are payable as at 31st March, 2004 for a period of more than six months from the date on which they become payable except Entry Tax amounting to Rs. 2.54 Crores to the Orissa State Sales Tax Authorities which is since paid.
- c. According to the records of the company, Sales Tax, Income Tax, Custom duty, Wealth Tax, Excise duty and Cess which have not been deposited on account of dispute are given below:

(Rs. In Crores)

Name of the Statute	Forum where dispute is pending		Total Amount	Amount paid on protest
	Commissionerate	Tribunal		
Sales Tax	54.90	7.07	61.97	20.82
Central Excise	20.57	0.01	20.58	0.55
Custom Duty	8.69	2.73	11.42	0.06
Income Tax	52.76	38.17	90.93	28.07
Total	136.92	47.98	184.90	49.50

- x. The company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. Based on our examination of the records and the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) order 2003 is not applicable to the Company.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations and as per the best estimate by the management, we report that short term funds to the tune of Rs.49.46 Crores have been used by the Company for part of the year for acquisition of Fixed Assets and long term funds (internal accruals) aggregating Rs.126.23 Crores have been utilized for short term purposes (working capital) as on 31st March, 2004.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The company has not issued debentures during the year and hence requirement of reporting regarding creation of securities in respect of debentures issued does not arise.
- xx. The company has not raised any money by public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For SRB & Associates
Chartered Accountants**

**R.S. Sahoo
Partner
Membership No.053960**

**Bhubaneswar
June 30, 2004**

Balance Sheet as at March 31, 2004

(Rupees in crores)

	Schedule	As at March 31, 2004	As at March 31, 2003
SOURCES OF FUNDS			
Shareholders' Funds :			
Share capital	A	644.31	644.31
Reserves and Surplus	B	3,112.36	2,665.73
Loan Funds :	C		
Secured loans		654.39	1,324.44
Deferred Tax Liability (Net)		<u>609.99</u>	<u>573.17</u>
TOTAL		<u>5,021.05</u>	<u>5,207.65</u>
APPLICATION OF FUNDS			
Fixed Assets:	D		
Gross Block		8,092.87	7,459.96
Less: Depreciation		<u>4,189.39</u>	<u>3,747.01</u>
Net Block		3,903.48	3,712.95
Capital Work-in-Progress	E	<u>791.34</u>	<u>1,298.66</u>
		4,694.82	5,011.61
Investments	F	200.00	200.00
Current Assets, Loans and Advances:	G		
Inventories		480.48	489.25
Sundry Debtors		102.24	101.83
Cash and Bank Balances		98.36	49.56
Other Current Assets		86.51	89.80
Loans and Advances		<u>222.92</u>	<u>276.06</u>
		990.51	1,006.50
Less: Current Liabilities & Provisions:	H		
Liabilities		547.88	553.59
Provisions		<u>316.40</u>	<u>458.01</u>
		864.28	1,011.60
Net current Assets/(Liabilities)		126.23	(5.10)
Miscellaneous Expenditure (to the extent not written off)			1.14
TOTAL		<u>5,021.05</u>	<u>5,207.65</u>
Significant Accounting Policies	W		
Notes on Accounts	X		
Additional information	Y		
<i>(Schedules A to Y form part of Accounts)</i>			

In terms of our report of even date attached.
For and on behalf of
SRB & Associates
Chartered Accountants

For and on behalf of Board of Directors

R.S.Sahoo **Bhubaneswar**
Partner 30th June, 2004

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

S.K.Banerjee
Chairman-cum-Managing
Director (In charge)

Profit and Loss Account for the year ended March 31, 2004

(Rupees in crores)

	Schedule	Year ended March 31, 2004	Year ended March 31, 2003
INCOME:			
Gross Sales	I	3,338.87	2,739.67
Less: Excise Duty		<u>224.50</u>	<u>175.37</u>
Net sales		3,114.37	2,564.30
Finished goods internally consumed/capitalised		5.97	33.94
Accretion / (Decretion) to stock of finished / intermediary products / work-in-process	J	9.65	(32.44)
Other income	K	<u>194.78</u>	<u>195.48</u>
		3,324.77	2,761.28
EXPENDITURE:			
Raw materials consumed	L	409.04	342.24
Power & Fuel	M	648.29	560.41
Repairs & Maintenance	N	165.73	138.38
Other Manufacturing Expenses	O	95.09	86.21
Employees' Remuneration & Benefits	P	258.42	265.51
Administrative Expenses	Q	67.50	62.25
Other Expenses	R	13.96	18.23
Selling and Distribution Expenses	S	71.14	65.69
Interest & Financing Charges	T	118.12	120.45
Provisions	U	(1.95)	8.50
Depreciation		439.21	359.57
Deferred Revenue Expenditure		<u>1.14</u>	<u>—</u>
		2,285.69	2,027.44
PROFIT FOR THE YEAR		1,039.08	733.84
Add : Prior Period Adjustments (Net)	V	<u>13.68</u>	<u>17.59</u>
PROFIT BEFORE TAX		1,052.76	751.43
Less : Provision for taxation - Current		280.72	149.47
Less : Provision for taxation - Deferred		36.82	81.04
Less : Provision for taxation for earlier years written back(Net)		<u>(2.15)</u>	<u>—</u>
PROFIT AFTER TAX		737.37	520.92
Balance of profit brought forward from previous year		3.15	5.69
Transfer from Capital Reserve		0.05	0.05
Transfer from Debenture Redemption reserve		<u>106.97</u>	<u>107.61</u>
Amount available for appropriation		847.54	634.27
APPROPRIATIONS:			
Proposed dividend		257.72	386.59
Tax on dividend		33.02	49.53
Transfer to General Reserve		<u>550.00</u>	<u>195.00</u>
		840.74	631.12
Balance of profit carried to Balance Sheet		<u>6.80</u>	<u>3.15</u>
Earning per share		11.44	8.08
Significant Accounting Policies	W		
Notes on Accounts	X		
Additional information	Y		

(Schedules A to Y form part of Accounts)

In terms of our report of even date attached.

For and on behalf of

SRB & Associates

Chartered Accountants

For and on behalf of Board of Directors

R.S.Sahoo **Bhubaneswar**
Partner 30th June, 2004

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

S.K.Banerjee
Chairman-cum-Managing
Director (In charge)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2004	As at March 31, 2003
Schedule A		
SHARE CAPITAL		
Authorised:		
130,00,00,000 Equity Shares of Rs.10/- each	1,300.00	1,300.00
Issued, Subscribed and Paid up:		
64,43,09,628 Equity Shares (Previous year 64,43,09,628 shares) of Rs. 10/- each fully paid up . Out of these shares, Government of India holds 56,14,99,635 shares (Previous year 56,14,99,635 shares).	644.31	644.31
Schedule B		
RESERVES & SURPLUS		
Capital Reserve:		
Grants-in-aid received from Government of India :		
As per last Balance Sheet	1.17	1.22
Less: Transfer to Profit & Loss Account	0.05	0.05
	1.12	1.17
General Reserve:		
As per Last Balance Sheet	2,337.25	2,142.25
Add: Transfer from Profit & Loss Account	550.00	195.00
	2,887.25	2,337.25
Debenture Redemption Reserve :		
As per Last Balance Sheet	324.16	431.77
Add/(Less): Transfer from (to) Profit & Loss Account	(106.97)	(107.61)
	217.19	324.16
Balance in Profit & Loss Account	6.80	3.15
Total	3,112.36	2,665.73
Schedule C		
LOAN FUNDS		
Secured Loans:		
14.5 % Non-convertible Redeemable Debentures	214.39	428.33
64,18,733 Nos of Rs.334/- each (Previous year 64,21,642 Nos of Rs.667/- each) Redeemable at par on 26.03.2005 and secured by hypothecation of plant & machinery and other assets (excluding book debts) of captive power plant at Angul.		
8.60 % Non-convertible Secured Redeemable Taxable Bonds	300.00	300.00
Rs.210.00 crores redeemable on 15.11.2004 and Rs.90.00 crores redeemable on 15.02.2005. Secured by hypothecation of part of plant & machinery of Smelter plant at Angul.		
8.60 % Non-convertible Secured Redeemable Taxable Bonds	140.00	140.00
Redeemable on 21.3.2007 with put and call option at the end of third year(21.03.2005). Secured by hypothecation of part of plant & machinery of Alumina Refinery plant at Damanjodi.		
Short term borrowings:		
(Secured by hypothecation of raw materials, finished/intermediary products, stores and book debts etc.)		
Working Capital Demand Loan (at CP related cost)	—	100.00
Foreign currency Non-Resident (B) - Demand loan	—	99.77
Export Packing Credit (EPC)	—	57.75
Pre-shipment Packing Credit in Foreign Currency (PCFC)	—	198.59
Total	654.39	1,324.44

Schedule D
FIXED ASSETS

(Rupees in crores)

Particulars of Assets	Gross Block				Depreciation				Net Block	
	As on 1.4.2003	Additions	Sales/ Adjust- ments	As on 31.3.2004	As on 1.4.2003	For the Year	On sales/ adjust- ments	Upto 31.3.2004	As on 31.3.2004	As on 31.3.2003
A. PLANT, MINES AND OTHERS :										
Freehold land including development costs	44.26	(0.20)	—	44.06	—	—	—	—	44.06	44.26
Leasehold land including development costs	4.57	0.78	(0.15)	5.20	1.58	0.57	(0.10)	2.05	3.15	2.99
Buildings	306.72	78.89	—	385.61	113.51	16.69	—	130.20	255.41	193.21
Roads, bridges and culverts	45.08	4.59	—	49.67	9.40	0.86	—	10.26	39.41	35.68
Railway sidings	69.34	(0.06)	—	69.28	45.80	3.43	—	49.23	20.05	23.54
Water supply, drainage and sewerage	60.87	5.71	—	66.58	34.24	2.96	—	37.20	29.38	26.63
Power supply, distribution and lighting	397.62	6.28	(0.02)	403.88	140.40	21.69	(0.02)	162.07	241.81	257.22
Plant and machinery	6,163.02	526.74	0.41	6,690.17	3,291.26	386.09	0.26	3,677.61	3,012.56	2,871.76
Office equipments	23.94	1.33	(2.99)	22.28	13.98	2.41	(2.35)	14.04	8.24	9.96
Furniture and fittings	13.99	0.67	(0.02)	14.64	9.63	0.87	(0.03)	10.47	4.17	4.36
Vehicles	28.39	2.11	(2.03)	28.47	19.16	1.52	(1.93)	18.75	9.72	9.23
Miscellaneous equipments	44.89	4.07	0.16	49.12	17.69	2.25	(0.02)	19.92	29.20	27.20
Total	7,202.69	630.91	(4.64)	7,828.96	3,696.65	439.34	(4.19)	4,131.80	3,697.16	3,506.04
B. SOCIAL FACILITIES :										
Freehold land including development costs	2.92	—	—	2.92	—	—	—	—	2.92	2.92
Leasehold land including development costs	0.35	—	—	0.35	0.27	(0.13)	—	0.14	0.21	0.08
Buildings	186.46	1.03	—	187.49	26.25	3.15	—	29.40	158.09	160.21
Roads, bridges and culverts	17.41	3.72	—	21.13	3.52	0.36	—	3.88	17.25	13.89
Water supply, drainage and sewerage	23.29	0.06	—	23.35	7.91	0.85	—	8.76	14.59	15.38
Power supply, distribution and lighting	17.66	(0.19)	—	17.47	7.51	0.79	—	8.30	9.17	10.15
Office equipments	0.09	—	—	0.09	0.08	—	—	0.08	0.01	0.01
Furniture and fittings	2.09	0.07	(0.04)	2.12	1.75	0.08	(0.04)	1.79	0.33	0.34
Vehicles	0.91	—	(0.06)	0.85	0.58	0.04	(0.04)	0.58	0.27	0.33
Miscellaneous equipments	6.09	0.42	(0.24)	6.27	2.49	0.42	(0.05)	2.86	3.41	3.60
Total	257.27	5.11	(0.34)	262.04	50.36	5.56	(0.13)	55.79	206.25	206.91
C. INTANGIBLE ASSET :										
Total for current year	7,459.96	636.02	(3.11)	8,092.87	3,747.01	445.14	(2.76)	4,189.39	3,903.48	3,712.95
Total for previous year	6,277.75	1,185.15	(2.94)	7,459.96	3,388.13	361.26	(2.38)	3,747.01	3,712.95	2,889.62

Notes:

- Plant and machinery includes capitalisation of Rs.1785.66 (Previous year Rs.1759.73) towards net exchange variation loss in accordance with Accounting Policy No. B 4.4 of schedule W.
- Depreciation for the year includes Rs.0.01 transferred to expenditure during construction period, pending capitalisation to Fixed Assets (previous year Rs.1.11) and Rs.5.92 charged to prior period adjustment (Previous year Rs.0.58).
- Included in Gross Block above are the following assets laid on land not belonging to the Company :
 - Buildings - Rs.1.58 (Previous year Rs.1.21)
 - Roads, bridges and culverts - Rs. 3.71 (Previous year Rs.3.32)
 - Water supply, drainage and sewerage - Rs.1.07 (Previous year Rs.1.02)
 - Power supply, distribution and lighting - Rs.7.98 (Previous year Rs.7.88)
 - Railway sidings - Rs.6.53 (Previous year Rs. 6.53)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2004	As at March 31, 2003
Schedule E		
CAPITAL WORK - IN - PROGRESS		
Construction and other work - in - progress at cost (Includes borrowing cost of Rolled Products Unit of Rs.26.92, previous year Rs.84.13)	641.67	1,076.04
Advances to contractors and suppliers for capital goods (Unsecured, considered good)	16.29	10.62
Stock of construction materials (at cost)(Including materials with contractors Rs.24.83, Previous year Rs.16.64)	46.68	63.71
Construction materials and Plant & Machinery - In - Transit (at cost)	1.57	8.46
Exchange variation pending capitalisation	13.39	39.32
Expenditure during construction pending allocation (Schedule E.1)	<u>71.74</u>	<u>100.51</u>
Total	<u>791.34</u>	<u>1,298.66</u>
Schedule E.1		
EXPENDITURE DURING CONSTRUCTION		
(Pending allocation)		
Opening Balance	100.51	121.02
Expenditure/Adjustments during the year :		
Technical Knowhow	0.12	0.44
Technical Consultancy	8.25	19.31
Other expenses	5.08	8.10
Interest & financing charges	21.66	42.48
Startup and commissioning expenses	15.44	51.12
Excise Duty	0.22	4.93
Selling & Distribution expenses	0.05	0.85
Depreciation	<u>0.01</u>	<u>1.11</u>
	<u>50.83</u>	<u>128.34</u>
Less: Income/Adjustments during the year :		
Sale out of trial production	1.65	49.00
Export incentives	—	0.75
Finished goods transferred to commercial production	15.28	5.51
Interest	—	0.02
Other Income	<u>0.06</u>	<u>1.19</u>
	<u>16.99</u>	<u>56.47</u>
Net Expenditure during the year	<u>39.84</u>	<u>71.87</u>
Total Expenditure	<u>134.35</u>	<u>192.89</u>
Less: Transfer to other heads	2.15	1.48
Less: Amount allocated to Fixed assets	<u>60.46</u>	<u>90.90</u>
Balance carried forward	<u>71.74</u>	<u>100.51</u>

Schedule F

INVESTMENTS :

	Face value per unit(Rs.)	March 31, 2004 Number Book Value	March 31, 2003 Number Book Value
Non-Trade :(Investments at Cost)			
10 year 15% GRIDCO Bonds, 1999	1,000	500,000 50.00	500,000 50.00
10 year 10.95% GRIDCO Bonds, 2002	1,000	1,500,000 <u>150.00</u>	1,500,000 <u>150.00</u>
Total		<u>200.00</u>	<u>200.00</u>

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2004	As at March 31, 2003
Schedule G		
CURRENT ASSETS, LOANS & ADVANCES		
Current Assets:		
Inventories:		
(As Certified by the Management)		
Raw materials (Including in transit Rs.11.84, Previous year Rs.9.33)	48.08	71.61
Stock of Finished/Intermediary Products / Work-In-Process	148.85	137.60
Coal and fuel oil (Including In Transit Rs.4.56 Previous year Rs.9.42)	31.23	30.05
Stores, spares and others (Including in transit Rs.17.66, Previous year Rs.34.79)	251.42	248.97
Fixed Assets retired from active use and unserviceable materials	1.34	1.72
Less: Provision for unserviceable material	<u>0.44</u>	<u>0.70</u>
	0.90	1.02
	480.48	489.25
Sundry Debtors :		
(Unsecured)		
Debts over six months		
Considered good	54.74	28.07
Considered doubtful	<u>42.83</u>	<u>42.66</u>
	97.57	70.73
Less: Provision for doubtful debts	<u>42.83</u>	<u>42.66</u>
	54.74	28.07
Other debts, Considered good	<u>47.50</u>	<u>73.76</u>
	102.24	101.83
Cash and Bank Balances :		
Cash on hand including imprest & stamps	0.15	0.14
Cheques on hand	6.58	3.02
Balances with Scheduled Banks:		
In Current Accounts	0.43	0.23
In Exchange Earner's Foreign Currency Account	0.02	0.01
In Unpaid dividend Accounts	0.51	0.29
In Debenture Int.Payment Account	2.24	—
In Term Deposits (As per direction of Orissa High court against demand of Electricity Duty)	<u>88.43</u>	<u>45.87</u>
	98.36	49.56
Other Current Assets :		
Interest accrued :		
Investments	9.31	15.57
Bank deposits and others	2.12	2.70
Loans to Employees	<u>23.39</u>	<u>19.47</u>
Accrued Export Incentives	55.97	55.94
Less: Provision for doubtful realisation	<u>4.28</u>	<u>3.88</u>
	51.69	52.06
	86.51	89.80
Sub-total of Current Assets:	767.59	730.44

Schedules forming part of Balance Sheet

(Rupees in crores)

	As at March 31, 2004	As at March 31, 2003
Loans and Advances :		
(Unsecured, considered good unless otherwise stated)		
Loans to employees (Secured Rs.65.97 Previous Year Rs.53.80)	72.49	63.93
Stores on loan basis		
Considered good	0.18	0.16
Considered doubtful	<u>0.06</u> 0.24	<u>0.06</u> 0.22
Less: Provision for doubtful recovery	<u>0.06</u>	<u>0.06</u>
	0.18	0.16
Advances to Employees	5.93	5.87
Income Tax refund receivable	28.40	22.88
Payments made towards disputed Sales Tax, Customs and Excise demands	22.02	18.36
Advances to Suppliers and others:		
Considered good	6.06	5.85
Considered doubtful	<u>3.42</u> 9.48	<u>3.29</u> 9.14
Less: Provision for doubtful recovery	<u>3.42</u>	<u>3.29</u>
	6.06	5.85
Prepaid Expenses	0.95	1.63
Claims Recoverable (Considered good) :		
CENVAT credit claims	42.51	82.60
DEPB claims	14.49	51.12
Other claims	<u>20.97</u> 77.97	<u>14.56</u> 148.28
Claims Considered doubtful	<u>6.05</u> 84.02	<u>8.44</u> 156.72
Less: Provision for doubtful recovery	<u>6.05</u>	<u>8.44</u>
	77.97	148.28
Deposits with :		
Customs Authorities	0.17	0.07
Port Authorities	0.69	0.44
Excise Authorities	0.01	0.04
Other Government Departments	6.11	6.22
Others	<u>1.94</u>	<u>2.33</u>
	8.92	9.10
Sub-total of Loans, advances, claims and deposits:	<u>222.92</u>	<u>276.06</u>
Total	<u>990.51</u>	<u>1,006.50</u>

Note : Loans due from Directors as on 31.3.2004 - Rs.0.50 lakhs, Maximum amount due during the year Rs.2.96 lakhs)
(Previous year - Rs.1.19 lakhs, Maximum amount due Rs.4.28 lakhs)

Schedules forming part of Balance Sheet

(Rupees in crores)

	As at March 31, 2004	As at March 31, 2003
Schedule H		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities:		
Sundry creditors :		
On capital account	82.64	141.77
Others	143.65	151.86
Other liabilities *	243.15	144.64
Security deposits	61.75	73.19
Book Overdraft	8.09	32.99
Interest accrued but not due on :		
Redeemable debentures	0.51	1.02
Redeemable bonds	8.09	8.09
Short term loans	<u>—</u>	<u>0.03</u>
	547.88	553.59
Provisions:		
For taxation (net of advance payment of tax)	1.96	0.97
For proposed dividend	257.72	386.59
For tax on dividend	33.02	49.53
For leave encashment and post - retirement medical benefits	<u>23.70</u>	<u>20.92</u>
	316.40	458.01
Total	<u>864.28</u>	<u>1,011.60</u>

* Includes advance from customers Rs.64.61(Previous Year Rs.19.32) and Liability for unclaimed dividend Rs.0.51 (Previous Year Rs.0.29). No amount is over due for credit to Investor Education and Protection Fund as on 31.03.2004.

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2004	Year ended March 31, 2003
Schedule I		
SALES		
Export :		
Sp.Grade Hydrate	0.14	—
Calcined Alumina	822.63	798.70
Aluminium Standard and Sow Ingots	894.50	701.95
	1,717.27	1,500.65
Domestic :		
Zeolite	0.64	—
Alumina Hydrate	10.55	8.79
Sp. Grade Hydrate	1.17	—
Calcined Alumina	11.39	4.45
Aluminium Standard and Sow Ingots	970.15	787.90
Aluminium Wire Rods	397.38	292.46
Aluminium Billets	114.08	63.12
Aluminium Strips	37.95	42.59
Rolled Products	27.94	—
Electricity	50.35	39.71
	1,621.60	1,239.02
Total	3,338.87	2,739.67

Schedule J

ACCRETION/DECRETION TO FINISHED/WORK-IN-PROCESS/INTERMEDIARY PRODUCTS

	Opening Stock	Transfer from/(to) trial operation	Adjusted Opening Stock	Closing Stock	Accretion / Decretion
Finished Products :					
Bauxite	5.40	—	5.40	3.98	-1.42
	(6.57)	(—)	(6.57)	(5.40)	(-1.17)
Zeolite	—	0.28	0.28	0.60	0.32
	(—)	(—)	(—)	(—)	(—)
Alumina Hydrate	1.35	—	1.35	0.38	-0.97
	(1.54)	(—)	(1.54)	(1.35)	(-0.19)
Special Grade Hydrate	—	—	0.00	0.03	0.03
	(—)	(—)	(—)	(—)	(—)
Calcined Alumina	22.45	—	22.45	37.24	14.79
	(38.74)	(—)	(38.74)	(22.45)	(-16.29)
Aluminium Standard and Sow Ingots	2.58	—	2.58	11.47	8.89
	(12.80)	(0.04)	(12.84)	(2.58)	(-10.26)
Aluminium Wire Rods	5.43	—	5.43	0.56	-4.87
	(1.87)	(0.17)	(2.04)	(5.43)	(3.39)
Aluminium Billets	0.97	—	0.97	0.42	-0.55
	(0.79)	(0.03)	(0.82)	(0.97)	(0.15)
Aluminium Strips	4.54	—	4.54	1.52	-3.02
	(2.16)	(0.09)	(2.25)	(4.54)	(2.29)
Rolled Products	—	1.47	1.47	0.02	-1.45
	(—)	(—)	(—)	(—)	(—)
Intermediary products:					
Anodes	16.81	(1.60)	15.21	34.40	19.19
	(13.59)	(—)	(13.59)	(16.81)	(3.22)
Anode butts	23.46	(0.06)	23.40	0.47	-22.93
	(27.47)	(0.36)	(27.83)	(23.46)	(-4.37)
Aluminium scraps	2.27	0.94	3.21	4.54	1.33
	(6.55)	(—)	(6.55)	(2.27)	(-4.28)
Work-in-process	52.34	0.57	52.91	53.22	0.31
	(52.25)	(5.02)	(57.27)	(52.34)	(-4.93)
Total :	137.60	1.60	139.20	148.85	9.65
	(164.33)	(5.71)	(170.04)	(137.60)	(-32.44)

Note : Figures in brackets represent those of previous year

Schedules forming part of the Balance Sheet

(Rupees in crores)

	Year ended March 31, 2004	Year ended March 31, 2003
Schedule K		
OTHER INCOME		
Operating :		
Export incentives	112.52	145.28
Exchange variation gain	<u>12.67</u>	<u>7.33</u>
	125.19	152.61
Non-Operating :		
Interest on/from : *		
Investments	23.96	19.83
Debtors	—	0.02
Bank Deposits and others	4.80	1.89
Loans to Employees	4.95	4.02
Exchange variation gain on bank balance	—	0.22
Premium on forward contracts	0.90	1.41
Profit on sale of fixed assets	0.15	0.03
Sale of bath, butt, rejects and scrap (net of excise duty)	27.27	7.96
Receipt for rent, electricity & water charges	2.10	2.24
Miscellaneous Income	<u>5.46</u>	<u>5.25</u>
	69.59	42.87
Total	<u>194.78</u>	<u>195.48</u>

* Tax deducted at source from interest income from debtors, investments deposits with banks and financial institutions Rs.6.76 (previous year Rs.1.18).

Schedule L

RAW MATERIALS CONSUMED

	Year ended March 31, 04		Year ended March 31, 03	
	Quantity(MT)	Value	Quantity(MT)	Value
Caustic soda	119,390	145.83	111,223	139.80
C.P.Coke	116,395	108.85	90,141	89.96
C.T.Pitch	29,825	53.10	23,870	39.12
Aluminium fluoride	7,012	30.94	6,043	26.20
Lime	36,203	9.72	30,787	8.35
Crystal growth modifier	395	5.75	336	4.74
Purchased anodes	6381 Nos	27.41	5,124 Nos	22.44
Others		<u>27.44</u>		<u>11.63</u>
Total		<u>409.04</u>		<u>342.24</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2004	Year ended March 31, 2003
Schedule M		
POWER & FUEL		
Coal	334.39	282.70
Fuel oil	192.88	179.40
Duty on self generation	111.80	91.76
Power transmission charges	4.95	5.06
Purchased power	2.90	1.49
Power from Trial operation	1.37	—
Total	<u>648.29</u>	<u>560.41</u>

Schedule N

REPAIRS & MAINTENANCE

Buildings	9.54	8.47
Machinery	148.61	121.94
Others	7.58	7.97
Total	<u>165.73</u>	<u>138.38</u>

Schedule O

OTHER MANUFACTURING EXPENSES

Royalty & Cess	24.16	22.61
Freight inwards	31.03	24.01
Consumption of stores	29.72	24.17
Water charges	1.55	1.55
Technical assistance fee & expenses	6.61	8.57
Entry Tax	3.87	4.79
Excise Duty on closing stock of finished goods	(1.85)	0.51
Total	<u>95.09</u>	<u>86.21</u>

Schedule P

EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, wages, bonus & exgratia	211.83	206.25
Contribution to Provident & Pension funds	17.90	16.40
Provision for leave encashment and post-retirement medical benefits	2.78	10.63
Staff welfare expenses	22.61	27.98
Gratuity	3.30	4.25
Total	<u>258.42</u>	<u>265.51</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2004	Year ended March 31, 2003
Schedule Q		
ADMINISTRATIVE EXPENSES		
Rent	2.49	2.50
Rates and taxes	0.75	0.81
Insurance	4.70	3.20
Repairs and Maintenance :		
Buildings	2.22	1.98
Others	2.58	2.66
Vehicle operating expenses	0.74	0.77
Consumption of stores	0.31	0.34
Recruitment expenses	0.41	0.26
Bank charges	0.89	1.33
Legal expenses	0.61	0.50
Printing and Stationery	1.51	1.42
Electronic data processing expenses	1.38	1.94
Communication expenses	3.23	3.00
Advertisement & publicity	3.19	2.03
Electricity and water charges	2.99	3.30
Travelling expenses	7.74	6.74
Director's sitting fees	0.02	0.01
Hire charges for machinery and vehicles	3.92	3.46
Management development & training	2.51	2.43
Consultancy charges	1.44	0.73
CISF and other security expenses	16.40	15.57
Fire fighting services	2.69	2.51
Miscellaneous expenses	4.78	4.76
	<u>67.50</u>	<u>62.25</u>
Schedule R		
OTHER EXPENSES		
Research and development expenses	1.47	1.52
Plantation and horticulture	2.46	1.28
Environment and pollution control	0.36	0.23
Peripheral development expenses	3.90	3.57
Auditors' remuneration :		
Statutory audit fee	0.05	0.05
Statutory audit expenses	0.03	0.01
Tax audit, other certification fee and expenses	0.06	0.06
Cost audit fee and expenses	0.02	0.02
Donations	0.95	0.05
Demurrage	0.17	0.18
Loss on sale of assets	0.44	0.06
Shortages and losses	0.75	0.01
Stores and spares written off	3.28	11.14
Claims, receivables and debts etc written off	0.02	0.05
	<u>13.96</u>	<u>18.23</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2004	Year ended March 31, 2003
Schedule S		
SELLING AND DISTRIBUTION EXPENSES		
Packing and forwarding	2.06	1.55
Freight outwards and handling (net of recoveries)	43.35	42.23
Cash discount	17.03	12.20
Commission to selling agents	0.11	—
Wharfage	0.96	0.19
Bank charges	0.85	1.04
Others	6.78	8.48
Total	<u>71.14</u>	<u>65.69</u>
Schedule T		
INTEREST AND FINANCING CHARGES		
Interest on :		
Redeemable debentures	61.58	92.80
Redeemable bonds	37.84	25.80
Short term loans	6.36	19.61
Others	18.84	9.13
Issue and other expenses.	0.45	0.80
	125.07	148.14
Less: Transferred to Capital Work-in-progress	6.95	27.69
Total	<u>118.12</u>	<u>120.45</u>
Schedule U		
PROVISIONS		
Unserviceable materials	(0.26)	(0.05)
Doubtful Debts	0.17	0.36
Doubtful Other current assets	0.40	3.88
Doubtful advances	0.13	0.11
Doubtful claims	(2.39)	4.20
Total	<u>(1.95)</u>	<u>8.50</u>
Schedule V		
PRIOR PERIOD ADJUSTMENTS(NET)		
Other Income	(0.02)	—
Raw materials consumed	(0.12)	(0.53)
Power and fuel	(5.66)	2.87
Repairs and maintenance	0.74	(0.04)
Other manufacturing expenses	0.03	—
Employees' remuneration & benefits	—	(5.24)
Other Expenses	0.14	—
Selling & distribution expenses	—	(0.44)
Interest & financing charges transferred to CWIP	(14.71)	(14.79)
Depreciation	5.92	0.58
Total	<u>(13.68)</u>	<u>(17.59)</u>

Note : Figures in brackets represent credits.

Schedules forming part of the Accounts

Schedule - W

SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF ACCOUNTING:

The Company prepares its accounts on accrual basis under historical cost convention and in accordance with mandatory accounting standards.

B. BALANCE SHEET:

1. FIXED ASSETS:

- 1.1 All fixed assets are stated at historical cost less depreciation. Cost of acquisition is inclusive of freight, duties, taxes, attributable borrowing cost and net of CENVAT credit wherever applicable.
- 1.2 Direct revenue expenditure incurred during construction period on New / Expansion projects is treated as expenditure during construction and is allocated to relevant fixed assets at the time of capitalisation.
- 1.3 Expenses on development of land including leasehold land are capitalised as part of cost of land.
- 1.4 Expenses of capital nature incurred on assets laid on land not belonging to the Company are capitalised under appropriate asset heads.
- 1.5 Where final bills/statements of account are not received, capitalisation of assets has been made provisionally on the basis of technical assessments which may undergo change on settlement of final bills / receipt of statements of account.
- 1.6 Fixed assets acquired out of financial grant from Government are shown at gross cost by crediting the grant-in-aid received to Capital Reserve. Equivalent amount of depreciation written off on such assets each year is transferred from Capital Reserve to Profit & Loss Account.
- 1.7 Insurance spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular (except small value items valuing less than Rs1 lakh per unit) are capitalized with the related fixed assets.
- 1.8 Application software packages like ERP and application development tools like RDBMS acquired from outside agencies for internal use are treated as intangible asset.

2. INVESTMENTS:

Long term Investments are stated at cost.

3. INVENTORIES:

- 3.1 Raw materials, stores, spare parts and tools are valued at weighted average cost and net of CENVAT credit wherever applicable.
- 3.2 Finished goods are valued at lower of cost or net realisable value. Cost is determined on the basis of current year's average cost of production and excludes selling and distribution overheads, interest, exchange variation and depreciation on capitalised exchange variation. Cost of Finished goods inside the plant includes excise duty payable.
- 3.3 Intermediary product, viz. Anodes are valued at cost. Anode butts and anode rejects are valued at lower of realizable value or 45% of direct material cost (being 50% of direct material cost less 10% thereof

towards reprocessing cost).

- 3.4 Aluminium scrap is valued at lower of cost or net realizable value. Scrap arising out of replacement of major machinery components is valued on the basis of technical estimation. Other scrap and bath tapped from pot shells are accounted for on disposal.
- 3.5 Stock of work-in-process is ascertained on the basis of technical estimates and is valued at lower of annual average direct material, power & fuel and proportionate conversion cost or net realisable value.
- 3.6 Inventory of stores and spares, other than insurance spares, not moved for more than 5 years is valued at 5% of cost.

4. FOREIGN CURRENCY TRANSACTIONS :

- 4.1 Exports and imports during the year in foreign currency are recorded in Indian rupees by applying average Bill Buying and Bill Selling rates of the respective months.
- 4.2 Other transactions in foreign currency are accounted for at the exchange rates prevailing on the date of the transactions.
- 4.3 All foreign currency assets and liabilities are stated at the rates prevailing as on the date of the Balance Sheet.
- 4.4 Exchange differences relating to acquisition of fixed assets are adjusted against relevant nature of fixed assets. Other exchange differences arising out of their settlement and restatement are dealt with in the Profit & Loss Account.
- 4.5 In case of Forward Exchange contracts, the difference between the forward rate and the exchange rate on the date of inception of the contract is recognized as income or expense over the life of the contract.

C. PROFIT AND LOSS ACCOUNT :

1. DEPRECIATION AND AMORTISATION :

- 1.1 Depreciation on fixed assets is provided on straightline method at the rates and manner prescribed under Schedule XIV of the Companies Act 1956 as amended from time to time except in case of the following assets where depreciation at higher rates is provided based on their estimated useful life evaluated on the basis of technical estimate.

Assets	Rate of Depreciation
Red mud pond (Earth work portion)	14.29%
Ash pond at Alumina Refinery (Earth work portion)	13.34%
Ash ponds at Captive Power Plant	18.08% to 26.51%

- 1.2 Certain assets at Port Facilities are depreciated at rates calculated on the basis of balance lease period of land belonging to the Port Authority on which these assets are installed.

- 1.3 Assets costing Rs.5,000/- or less individually are depreciated fully in the year in which they are put to use.
- 1.4 Exchange variation loss/gain adjusted to cost of Plant and Machinery is fully depreciated prospectively over the residual life of assets.
- 1.5 Assets laid on land not belonging to the Company are depreciated over a period of five years.
- 1.6 Cost of leasehold land including development expenses thereon is amortised over the period of lease. However, where lease agreement is yet to be signed, such expenses is amortised over a period of 20 years commencing from the year of commercial operation.
- 1.7 Insurance spares added to fixed assets are depreciated over the residual useful life of related Plant & Machinery.
- 1.8 Intangible assets as stated at Para No.B.1.8 are amortised over a period of three years without retaining any residual life.
2. **PRIOR PERIOD INCOME /EXPENDITURE & PRE-PAID EXPENSES:**

Income / Expenditure relating to prior period and pre-paid expenses not exceeding Rs.1 lakh in each case is treated as income / expenditure of the current year.
3. **RECOGNITION OF REVENUE :**
 - 3.1 Export sales are recognised based on the date of Bill of Lading. Indigenous sales are recognised based on the date of document of despatch.
 - 3.2 Claims and interest receivables are accounted for in the Profit and Loss Account based on certainty of their realisation.
 - 3.3 Export incentives in the form of credit earned on exports made during the year, under Duty Entitlement Pass Book (DEPB) are accounted for on accrual basis.
4. **EXCISE DUTY :**

Excise Duty is accounted for on despatch of products from the factory and on closing stock inside the plant as stated in Para No.B 3.2
5. **REPAIRS AND REPLACEMENTS :**
 - 5.1 Replacements of major machinery components of high value items of gear boxes, transformers, conveyor belts, wire ropes etc are charged to Profit & Loss Account in the year of replacement after adjustment of estimated realisable value of the scrap arising there-from.
 - 5.2 Pot relining expenses are charged to Profit & Loss Account in the year of occurrence.
6. **RETIREMENT BENEFITS :**
 - 6.1 Contribution to Provident Fund is provided on the basis of actual liability.
 - 6.2 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.
- 6.3 Liabilities towards other retirement benefits such as leave encashment and post retirement medical facilities to employees as at the end of the year are provided for on the basis of actuarial valuation.
7. **RESEARCH & DEVELOPMENT EXPENDITURE :**

Research expenditure is charged to Profit & Loss Account in the year of occurrence. Development expenditure except of capital nature, is charged to Profit & Loss Account in the year of incurring after setting off of incidental income, if any.
8. **BORROWING COST :**

Borrowing costs are accounted for as an expense in the period in which they are incurred, except to the extent where borrowing costs, that are attributable to the acquisition and construction of qualifying assets, are allocated to the cost of relevant fixed assets.
9. **DEFERRED TAXATION:**

Deferred Tax resulting from timing difference between book and tax profit is accounted for at the current rate of tax, to the extent that the timing differences are expected to crystallise.
10. **DIVIDEND :**

Proposed dividend, subject to approval of shareholders, is provided in the accounts.
- D. **SEGMENT REPORTING:**
 - 1.1 The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting.
 - 1.2 The Company has considered Chemicals and aluminium as the two primary business segments. Chemicals include calcined alumina, alumina hydrate and other related products. Aluminium includes aluminium ingots, wire rods, billets, strips and other related products. Bauxite and power, produced for captive consumption, are included under chemicals and aluminium respectively.
 - 1.3 India and Outside India are the two geographical segments. Since all production and other facilities are located in India, segment assets except export debtors are shown under one geographic segment i.e. India.
 - 1.4 Inter-Segment transfer of alumina is valued at annual weighted average export sales realisation, reduced by railway freight. Inter-segment transfer of power is valued at annual weighted average sales price to state grid.
 - 1.5 Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities. Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are not allocable on a reasonable basis, have been included under "Unallocated Corporate" segment.

Schedule -X

Notes Forming Part of the Accounts :

1. Balance Sheet:

1.1 Loan Funds:

Debentures:

During the year, 2909 numbers of 14.5% Non-convertible Redeemable Secured Debentures of Rs.667/- each was redeemed in full because of exercising full redemption option by the debenture holders (2881 Nos) and cancellation of fractional allotment of shares (28 Nos).

1.2 Reserves and Surplus:

Debenture Redemption Reserve:

The balance in Debenture Redemption Reserve represents 50% of the outstanding 14.5% Non-convertible Redeemable Secured Debentures and 25% of 8.60% Non-convertible Secured Redeemable Taxable Bonds.

1.3 Fixed Assets:

Land:

- Cost of freehold land includes land acquired through Government of Orissa, for which relevant title deeds have been executed except a few.
- Cost of leasehold land includes payment to the Government of Orissa for acquisition of land on lease basis in respect of which, though the Company has been permitted by the Government to use such land, lease deeds are yet to be executed in certain cases.

1.4 Contingent Liabilities :

(Rupees in crores)

	As at 31st March 2004	As at 31st March 2003
a) Estimated amount of contracts to be executed on capital account (net of advances and LCs opened)	104.46	132.31
b) Outstanding letters of credit, guarantees and counter guarantees	23.32	20.74
c) Claims against the Company not acknowledged as debts :		
i) Sales Tax	56.48	51.27
ii) Excise Duty	70.16	29.82
iii) Customs Duty	11.51	13.88
iv) Claims of contractors, suppliers & others	53.65	50.74
v) Land acquisition and interest thereon	31.75	25.45
vi) Unrealised bank guarantees due to court injunctions	0.57	0.57

(Rupees in crores)

	As at 31st March 2004	As at 31st March 2003
vii) Income Tax & Wealth Tax	90.93	38.65
viii) Entry Tax and Road Tax	2.66	0.01
ix) Interest on Electricity Duty	—	1.89
TOTAL	317.71	212.28

- An amount of Rs.22.02 crores (Previous year Rs.18.36 crores) paid under protest against some of the above demands is shown under Loans and Advances.

- Dues to various Small Scale Industrial Units amounting to Rs.1.69 crores (Previous year Rs.0.58 crores) have been grouped under Current Liabilities. There are no dues to Small Scale Industrial Units for more than thirty days.

2. Profit and Loss Account:

- Depreciation was charged in respect of main Plant and Machinery and related Factory Buildings and Storage go-downs etc., at the rate of 5 per cent up to 31st March, 1994, based on estimated useful life of assets being 20 years without retention of 5 per cent residual value. The useful life of these assets has been revised to 18 years to bring it at par with the life of "Continuous process plant" as envisaged in Schedule XIV of Companies Act, 1956. Such change in life of assets has been considered from 1.4.93 i.e. from the year of introduction of "Continuous process plant" in Schedule XIV of Companies Act, 1956. Depreciation rates on all such assets have been recomputed based on guidelines issued under Circular No.14/93 dated, 20.12.93 by Department of Company Affairs, by allocating the unamortized value over the remaining life after retention of 5 per cent residual value except for assets already written off fully.
- In view of final judgment by Hon'ble Supreme Court, upholding Employees Pension Scheme'95 (EPS'95), the Company has transferred the dues under EPS'95 for eligible employees from NALCO Employees' Provident Fund Trust to Regional Provident Fund Commissioner.
- Out of total sum of Rs.64.83 crores received towards export of 33,300 MT of Calcined Alumina under the Order of Hon'ble Supreme Court, Rs.25.95 crores, being the original contract value, has been considered as sales income and the balance of Rs.38.88 crores is kept under advance from customers pending finalisation of arbitration as per the terms of contract.
- In respect of self-generation of power, the cost under "Power and Fuel" consists of consumption of coal

and fuel oil but does not include other expenses of generation and consumption of certain other materials, which have been included under the natural heads of account.

2.5 Components of deferred tax assets and liabilities arising on account of timing differences are:

	Up to 31.3.2004	Up to 31.3.2003
	(Rs. in crores)	
Deferred tax liabilities:		
Depreciation on Fixed Assets	670.88	613.69
Less: Deferred tax assets:		
Taxes duties, etc.	38.32	16.65
Provision for doubtful debts, claims, etc.	20.32	21.43
Employee separation/retirement and others	<u>2.25</u>	<u>2.44</u>
	<u>60.89</u>	<u>40.52</u>
Net deferred tax liability	<u>609.99</u>	<u>573.17</u>

3.1 The changes made in the accounting policies during the year have the following effects on the items in financial statements:

- a) Consequent to change in the method of accounting of insurance spares to bring it in consonance with Accounting Standard Interpretations (ASI-2) (Policy No. B.1.7 and C.1.7), gross fixed assets has increased by Rs.10.64 crores, depreciation charged on above assets to Profit & Loss Account is Rs.7.53 crores (Rs.2.00 crores for current year and Rs.5.53 crores under Prior Period).
- b) Consequent to introduction of Accounting Standard on Intangible Assets (AS-26) from 1.4.2003 (Policy No.B.1.8 and C.1.18), software expenses acquired for internal use of Rs.1.87 crores is treated as Intangible Assets against which Rs.0.24 crores is amortised during the year. Also, preliminary and training expenses of Rs.1.14 crores of Rolled Products Unit appearing as Miscellaneous Expenditure (to the extent not written off) as on 1.4.2003 was charged off during the year.
- c) Consequent to change in Accounting Policies on amortisation of cost of lease-hold land including development expenses (Policy No.C.1.6), additional depreciation charged to Profit & Loss Account is not material.
4. Previous year's figures have been regrouped / rearranged wherever necessary to make them more comparable.

Schedule - Y

Additional information forming part of accounts for the year ended March 31, 2004

	Current Year (Rs. in crores)	Previous Year (Rs. in crores)
1. a) Whole-time Directors' Remuneration:		
Salaries	0.20	0.21
Company's contribution to Provident Funds & Gratuity scheme	0.02	0.03
Leave travel concession	—	—
Medical benefits	0.03	0.01
Other benefits	0.06	0.06
Total	0.31	0.31

(In addition, each whole time director is allowed the use of Company's car for private purposes up to 750 kms per month on payment of Rs.4,800/- to Rs.9,360/- per annum as applicable.)

b) Part-time Directors' Remuneration:		
Sitting Fees	0.01	0.01
2. Expenditure incurred in Foreign Currency on cash basis:		
Continued technical assistance to Aluminium Pechiney	5.21	5.35
Payments to consultants / supervision charges	16.46	41.65
Travelling expenses	0.66	0.58
Interest on foreign currency loan	—	4.34
Agency commission on export sales	0.11	—
Books, periodicals, advertisement, bank charges etc.	0.24	0.74
Total	22.68	52.66
3. Earnings in Foreign Currency on cash basis:		
Export of goods	1,722.27	1,531.78
Despatch money	1.27	1.01
Total	1,723.54	1,532.79
4. Value of Imports calculated on CIF basis:		
Raw materials	77.33	118.11
Components, spare parts and construction materials	27.20	34.89
Capital goods	23.10	70.90
Total	127.63	223.90

5. Value of Raw materials, stores, spares & components consumed during the year:

	Current Year		Previous Year	
	Value	%	Value	%
a) Raw materials:				
Imported	60.95	14.90	154.53	45.15
Indigenous	348.09	85.10	187.71	54.85
Total	409.04	100.00	342.24	100.00
b) Stores, spares and components:				
Imported	68.32	38.13	50.09	36.00
Indigenous	110.86	61.87	89.06	64.00
Total	179.18	100.00	139.15	100.00

6. Licenced Capacity, Installed Capacity and Actual Production/Generation:

Products	Licenced Capacity	Installed Capacity		Actual Production/Generation	
		Current year (In Tonnes)	Previous year (In Tonnes)	Current year (In Tonnes)	Previous year (In Tonnes)
i) Bauxite	Not Applicable	48,00,000	48,00,000	48,16,762	47,77,003
ii) Detergent Grade Zeolite	Not Applicable	10,000	—	928	—
iii) Aluminium Hydrate	Not Applicable	15,75,000	15,75,000	15,56,100	14,96,600
a) Special Grade Hydrate	Not Applicable	7,000	—	1,745	—
iv) Calcined Alumina	Not Applicable	15,75,000	15,75,000	15,50,100	14,80,600
v) Aluminium Metal	Not Applicable	2,87,500	2,87,500	2,98,207	2,44,708
a) Aluminium Standard Ingots	Not Applicable	2,15,000	1,00,000	1,08,286	93,846
b) Aluminium Sow Ingots	Not Applicable	—	—	1,29,754	1,03,166
c) Aluminium Wire rods	Not Applicable	1,00,000	1,00,000	40,939	32,791
d) Aluminium Billets	Not Applicable	30,000	30,000	11,872	7,074
e) Aluminium Strips	Not Applicable	26,000	26,000	3,493	4,899
f) Rolled Products	Not Applicable	45,000	—	2,660	—
vi) Electricity	Not Applicable	840 MW	840 MW	5,122 MU	4,291 MU

Note: 1. Installed capacities are as per project report .

2. Production of Zeolite, Special Grade Hydrate and Electricity includes 423 MT, 684 MT and 13 MU respectively out of trial operation. Previous year's production includes aluminium metal of 5633 MT out of trial operation.

3. Bauxite of 49,43,999 MT (previous year 44,47,450 MT), Alumina Hydrate of 15,52,288 MT (previous year 14,80,909 MT), Calcined Alumina of 5,77,208 MT (previous year 4,73,486 MT) and Electricity of 4,624 MU (previous year 3,880 MU) have been consumed internally during the year.

4. The Aluminium production at coloumn v) includes production of 2 MT (previous year 1466 MT) of bus bar, 820 MT (previous year 950 MT) of Anode stem and wedges and 3,041 MT of strip coil (previous year 876 MT) produced for internal consumption.

7. Stocks and Sales :

Products	Opening Stock		Sale		Closing Stock	
	Quantity In Tonnes	Value Rs. in crores	Quantity In Tonnes	Value Rs. in crores	Quantity In Tonnes	Value Rs. in crores
Bauxite	3,96,942 (3,68,959)	5.40 (6.57)	— —	— —	2,69,004 (3,96,942)	3.98 (5.40)
Zeolite	— (—)	— (—)	316 (—)	0.64 (—)	389 (—)	0.60 (—)
Alumina Hydrate	2,929 (3,035)	1.35 (1.54)	9,040 (7,967)	10.55 (8.79)	803 (2,929)	0.38 (1.35)
Special Grade Hydrate	— (—)	— (—)	1,024 (—)	1.31 (—)	37 (—)	0.03 (—)
Calcined Alumina	43,423 (75,507)	22.45 (38.74)	9,43,618 (1,040,780)	834.02 (803.15)	73,828 (43,423)	37.24 (22.45)
Aluminium St.& Sow ingots	512 (2,249)	2.58 (12.80)	2,35,979 (1,98,324)	1,864.65 (1,489.85)	2,515 (512)	11.47 (2.58)
Aluminium Wire rods	923 (309)	5.43 (1.87)	41,753 (32,174)	397.38 (292.46)	94 (923)	0.56 (5.43)
Aluminium Billets	156 (121)	0.97 (0.79)	11,958 (7,039)	114.08 (63.12)	68 (156)	0.42 (0.97)
Aluminium Strips	678 (331)	4.54 (2.16)	3,940 (4,552)	37.95 (42.59)	232 (678)	1.52 (4.54)
Rolled products	— (—)	— (—)	2,738 (—)	27.94 (—)	3 (—)	0.02 (—)
Electricity (in MU net)	— (—)	— (—)	498 (411)	50.35 (39.71)	— (—)	— (—)

Note: 1. Figures in brackets pertain to those of previous year.

2. Stock of Bauxite, Aluminium hydrate, Calcined alumina and Dtrips are valued and disclosed as finished products.

3. Current year's sales excludes sale of Zeolite and Special Grade Hydrate of Rs.0.73 crores (397 MT) and Rs.0.92 crores (684 MT) respectively out of trial operation. Previous year's sales excludes sale of aluminium metal of 5,552 MT (Rs.44.89 crores) out of trial operation.

4. Figures of closing stock are after adjustment of shortage of Bauxite 701 MT (Previous year 1570 MT), Alumina hydrate excess of 3,102 MT (previous year shortage 8,100 MT) Calcined alumina excess of 1,131 MT (previous year, 1582 MT), Aluminium metal shortage of 74 MT (previous year 66 MT). Corresponding insurance claims are lodged in respect of transit shortages of aluminium metals.

8. Social Amenities:

(Rs. in crores)

Expenses	Township	Education	Medical	Social/Cultural	Canteen	Total
Payments to employees	6.42	0.01	9.61	—	1.19	17.23
Welfare expenses	—	7.08	5.54	0.88	0.83	14.33
Materials consumed	0.17	—	2.07	—	—	2.24
Repairs & maintenance	4.20	0.02	0.04	—	—	4.26
Power, fuel & water charges	4.73	—	—	—	—	4.73
Depreciation	5.06	0.14	0.13	0.18	0.05	5.56
Total	20.58	7.25	17.39	1.06	2.07	48.35
Less: Recoveries	2.09	—	0.12	—	—	2.21
Net Expenditure	18.49	7.25	17.27	1.06	2.07	46.14
For previous year	14.40	6.71	14.73	1.12	2.31	39.27

9. Balance Sheet Abstract and Company's General Profile :**i) Registration Details:**

Registration No.	1500920
State Code	15
Balance Sheet Date	31st March 2004

	Current Year	Previous Year
ii) Capital raised during the year:		
Public Issue	Nil	Nil
Right Issue	Nil	Nil
Bonus Issue	Nil	Nil
Private Placement	Nil	Nil

iii) Position of mobilisation and deployment of Funds:

Total Liabilities	5,021.05	4,634.88
Total Assets	5,021.05	4,634.88
Sources of Funds:		
Paid-up Capital	644.31	644.31
Reserves & Surplus	3,112.36	2,665.73
Secured Loans	654.39	1,324.44
Unsecured Loans	Nil	Nil
Deferred tax liabilities	609.99	573.17
Application of Funds:		
Net Fixed Assets	4,694.82	5,011.61
Investments	200.00	200.00
Net Current Assets	126.23	(5.10)
Misc. Expenditure	Nil	1.14
Accumulated losses	Nil	Nil

iv) Performance of the Company:

Gross Turnover	3,338.87	2,739.67
Total Expenditure	2,272.01	2,009.85
Profit/Loss before Tax	1,052.76	751.43
Profit/Loss after Tax	737.37	520.92
Earning per Share (In Rupees)	11.44	8.08
Dividend rate (%)	40.00	60.00

v) Generic Name of Principal products/services:(Disclosed as per Licence)

Item Code no.	335000000 and 76.06
Product	Aluminium Ingots and cold rolled aluminium strips/coils/sheets

10. Segmentwise Information

(Rs. in crores)

	Chemicals		Aluminium		Unallocated Corporate		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
BUSINESS SEGMENTS								
A. Revenue								
External sales	843.17	810.08	2,271.20	1,754.22	—	—	3,114.37	2,564.30
Inter-segment transfers	502.54	342.85	15.67	15.31	—	—	518.21	358.16
Total Revenue	1,345.71	1,152.93	2,286.87	1,769.53	—	—	3,632.58	2,922.46
Less: Elimination							(518.21)	(358.16)
Net Revenue							3,114.37	2,564.30
B. Result								
Segment result	586.87	429.91	575.21	453.01	(43.75)	(45.93)	1,118.33	836.99
Interest expense							99.28	111.32
Interest income							33.71	25.76
Income taxes							315.39	230.51
Profit from ordinary activities							737.37	520.92
Extraordinary items							—	—
Net Profit							737.37	520.92
C. Other Information								
Segment assets	1,830.55	2,028.03	3,958.25	4,117.65	96.53	72.43	5,885.33	6,218.11
Segment liabilities	144.53	133.38	388.36	422.32	331.39	455.90	864.28	1,011.60
Capital expenditure	24.96	54.81	156.58	466.28	3.17	2.19	184.71	523.28
Depreciation	170.21	167.52	273.50	191.03	1.42	1.60	445.13	360.15
Non-cash expenses (other than depreciation)	(2.45)	12.56	6.39	16.96	0.19	0.80	4.13	30.32

GEOGRAPHIC SEGMENTS

	India		Outside India		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A. Revenue						
External sales	1,397.10	1,063.65	1,717.27	1,500.65	3,114.37	2,564.30
B. Other Information						
Segment assets	5,857.69	6,168.92	27.64	49.19	5,885.33	6,218.11
Capital expenditure	184.71	523.28	—	—	184.71	523.28

In terms of our report of even date attached.

For and on behalf of
SRB & Associates
Chartered Accountants

For and on behalf of Board of Directors

R.S.Sahoo
Partner

Bhubaneswar
30th June, 2004

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

S.K.Banerjee
Chairman-cum-Managing
Director (In charge)

11. Cash Flow Statement :

(Rupees in crores)

	Year ended March 31st, 2004	Year ended March 31st, 2003
A. Cash flow from Operating Activities :		
Net Profit before tax and Extraordinary Income	1,052.76	751.43
Adjustments for :		
Depreciation	445.13	360.15
Interest & Financing charges	84.57	111.32
Provisions (Net)	0.83	19.13
Claims/Recoverables written off	0.02	0.05
Stores and spares written off	3.28	11.14
Interest income	(23.96)	(25.76)
Income from forward contract	(0.90)	(1.41)
Exchange variation gain	(7.78)	(2.42)
DRE charged to expenditure	1.14	—
Loss/(Profit) on sale of assets (net)	<u>0.29</u>	<u>0.03</u>
	<u>502.62</u>	<u>472.23</u>
Operating Profit before working capital changes	1,555.38	1,223.66
Adjustments for :		
Inventories	5.75	(16.02)
Trade & other receivables	56.95	(66.62)
Trade payables	<u>53.96</u>	<u>77.26</u>
	<u>116.66</u>	<u>(5.38)</u>
Cash generated from Operations	1,672.04	1,218.28
Direct taxes paid net of TDS	<u>(283.10)</u>	<u>(156.45)</u>
	<u>(283.10)</u>	<u>(156.45)</u>
Cash flow before Extraordinary Items	1,388.94	1,061.83
Extraordinary Item	<u>—</u>	<u>—</u>
Net cash from operating activities	1,388.94	1,061.83
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(187.82)	(483.89)
Sale/write off of Fixed Assets	0.06	0.53
Interest received	<u>30.22</u>	<u>6.99</u>
Net cash used in investing activities	(157.54)	(476.37)
C. Cash Flow from Financing Activities:		
Redemption of Debentures	(213.94)	(215.21)
Foreign currency loan	—	(145.91)
Short term borrowings	(456.11)	124.07
Income from forward contract	0.90	1.41
Interest & financing charges paid	(85.11)	(156.99)
Exchange Variation Gain	7.76	—
Dividends including dividend tax paid	<u>(436.12)</u>	<u>(257.72)</u>
Net cash used in Financing activities	(1,182.62)	(650.35)

(Rupees in crores)

	Year ended March 31st, 2004	Year ended March 31st, 2003
D. Net changes in Cash & Cash equivalents (A+B+C)	48.78	(64.89)
E. Cash & Cash equivalents - Opening balance	49.56	114.23
F. Cash & Cash equivalents - Closing balance	98.34	49.34

Note:**a) Cash & Cash equivalents:**

Cash on hand and balances with banks	98.36	49.56
Effect of exchange rate changes	(0.02)	(0.22)
Cash & Cash equivalents as restated	98.34	49.34

b) Balances with bank includes Rs.88.43 (Previous year Rs.45.87) not available for use by the Company.

c) Against working capital borrowing facility of Rs. 600.00 (Previous year Rs.600.00), sanctioned by SBI, the Company has been availing Export Packing Credit (EPC), Preshipment Credit in Foreign Currency (PCFC), Working Capital Demand Loan (WCDL) at CP related cost and FCNRB Demand Loan during the year depending upon actual requirements. At the end of the year, total balance under above heads is Nil (Previous year Rs.456.11).

e) Figures in brackets are cash outflows/incomes as the case may be.
In terms of our report of even date attached.

For and on behalf of
SRB & Associates
Chartered Accountants

For and on behalf of Board of Directors

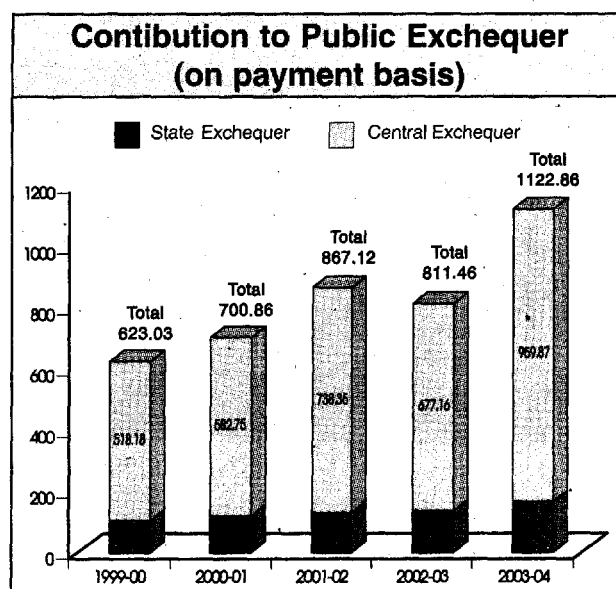
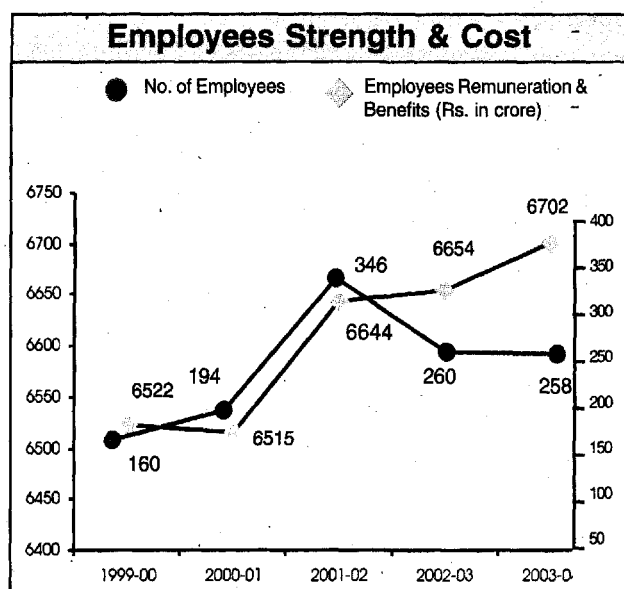
R.S.Sahoo
Partner

Bhubaneswar
30th June, 2004

K. N. Ravindra
Company Secretary

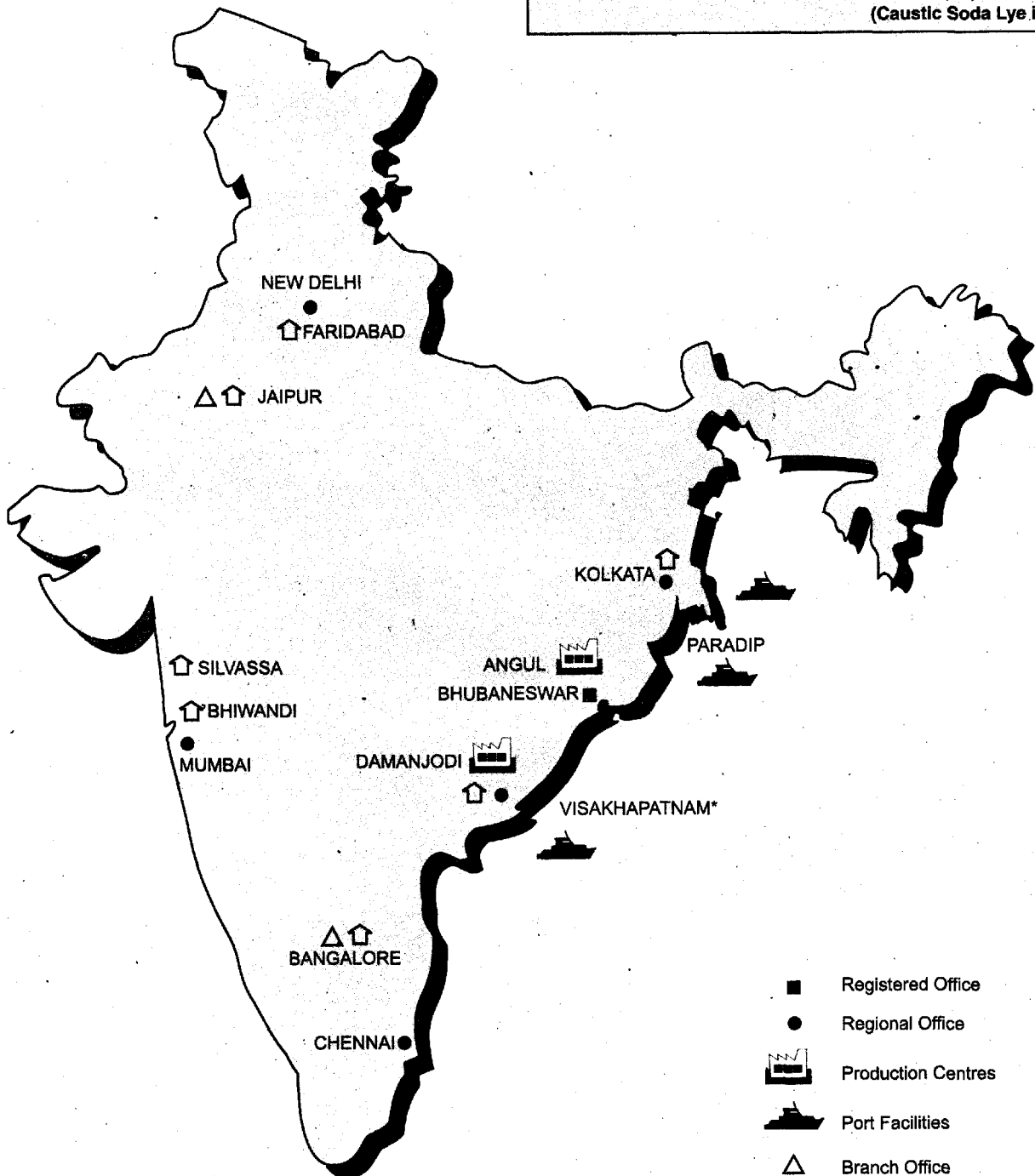
S.C.Chhatwal
Director (Finance)

S.K.Banerjee
Chairman-cum-Managing
Director (In charge)



NALCO'S VARIOUS PRODUCTION UNITS, THEIR LOCATION & INSTALLED CAPACITIES

1. Bauxite Mines	Panchpatmali	48,00,000	TPY
2. Alumina Refinery	Damanjodi	15,75,000	TPY
3. Smelter Plant	Angul	3,45,000	TPY
4. Captive Power Plant	Angul	960	MW
5. Port Facilities	Visakhapatnam	10,00,000	TPY
		(Alumina Export)	
		1,46,000	TPY
		(Caustic Soda Lye import)	



- Registered Office
- Regional Office
- ⚙️ Production Centres
- ⚓ Port Facilities
- △ Branch Office
- 🏠 Stock Yard

* Company's own port facilities exist

OFFICES AND CUSTOMER CONTACT CENTRES

UNITS

1. Mines & Refinery

Mines & Refinery Complex
Damanjodi - 763 008
Dist : Koraput (Orissa)
Phone : 06853-254201/254366
Fax : 06853-254361/254214

2. Captive Power Plant

Dist : Angul (Orissa)
Pin : 759 122
Phone : 06764-220360
Fax : 06764-220646

3. Smelter Plant

Nalco Nagar - 759 145
Dist : Angul (Orissa)
Phone : 06764-220169
Fax : 06764-220132

PORT FACILITIES

Visakhapatnam

Opp. Ore Handling Complex
Port Area
Visakhapatnam - 530 035
Andhra Pradesh
Phone : 0891-2561433/2561435
Fax : 0891-2561598
E-Mail : finpf@eth.net

Paradip (Port Office)

V' Point, Badapadia
Paradip - 754 142
Phone : 06722-221286
Fax : 06722-221286

REGIONAL OFFICES

1. Eastern Region

Binoy Bhawan
6th Floor
27-B, Camac Street
Kolkata - 700 016
Phone : 033-22470115/22477360
Fax : 033-22478936/22810393
E-Mail : rmnalkol@vsnl.net

2. Western Region

215, T.V. Industrial Estate
S.K. Ahire Marg, Worli
Mumbai - 400 025
Phone : 022-24939288/24939289
Fax : 022-24950500
E-Mail : nalcobom@mtnl.net.in

3. Northern Region

303, Mercantile House
15, Kasturba Gandhi Marg
New Delhi - 110 001
Phone : 011-23706080/81
Fax : 011-23721195/23706090
E-Mail : rmsdel@satyam.net.in

4. Southern Region

3E, Century Plaza
560, Anna Salai
Teynampet, Chennai-600 018
Phone : 044-24344162/24349157
Fax : 044-24343495
E-Mail : rmchn@satyam.net.in

BRANCH OFFICES

1. Bangalore

3rd Floor, Reshma complex
50, M.G. Road
Bangalore - 560 001
Phone : 080-25550390/25587086/298
Fax : 080-25586151
E-Mail : mktblr@satyam.net.in

2. Jaipur

National Aluminium Company Limited
C/o Central Warehousing Corporation
"Central Warehouse"
SP-1296, Sitapura Industrial Area
Jaipur - 302 022
Phone : 0141-2770226/2770817

STOCK YARDS

1. Bhiwandi

National Aluminium Company Limited
C/o NSIC Ltd.
Godown No. A/6A,
Gupta Warehousing Complex
Dapoda Village, Anjur Road
Bhiwandi, Dist. Thane
Maharashtra
Phone : 02522-276323/276600

2. Kolkata

National Aluminium Company Limited
C/o Balmer Lawrie & Company Limited
WH, 1-Sonapur Road
Kolkata - 700 088
Phone : 033-24495298/5356 (Extn. 340 & 324)

3. Bangalore

National Aluminium Company Limited
C/o M/s. Container Corporation of
India Limited
Inland Container Depot, White Field Road
Bangalore - 560 006
Phone : 080-28452078-85

4. Jaipur

National Aluminium Company Limited
C/o Central Warehousing Corporation
Central Warehouse
SP-1296, Sitapur Industrial Area
Tonk Road, Jaipur - 302 022
Phone : 0141-2770226

5. Silvassa

National Aluminium Company Limited
C/o NSIC Limited
Godown : Shalimar Enterprises Corporation
80/4, Dayat Falia Road
Amli (Piparia), Silvassa-396230
(U.T. of Dadra Nagar Haveli)
Phone : 0260-2632883/2641436

6. Faridabad

National Aluminium Company Limited
Plot No.66, Sector - 27A
Amarnagar, Faridabad, Haryana - 121 003
Phone : 0129-5044065

7. Visakhapatnam

National Aluminium Company Limited
NALCO Port Facilities
Port Area, Visakhapatnam - 530 035
Andhra Pradesh
Phone : 0891-2721032

Dos and Don'ts for Investors



MESSAGE FOR INVESTORS

relating to

ISSUE OF SECURITIES

INVESTING IN DERIVATIVES

COLLECTIVE INVESTMENT SCHEME (CIS)

DEALING WITH BROKERS & SUB - BROKERS

INVESTING IN MUTUAL FUNDS

BUYBACK OF SECURITIES

OPEN OFFER UNDER TAKEOVER REGULATIONS

DEALING IN SECURITIES

1. ISSUE OF SECURITIES

DOS

- ✓ Read the Prospectus/ Abridged Prospectus and carefully note:
 - ✓ Risk factors pertaining to the issue.
 - ✓ Outstanding litigations and defaults, if any.
 - ✓ Financials of the issuer.
 - ✓ Object of the issue.
 - ✓ Company history.
 - ✓ Background of promoters.
 - ✓ Instructions before making application.
- ✓ In case of any doubt/problem, contact the compliance officer named in the offer document.
- ✓ In case you do not receive physical certificates/credit to demat account or application money refund, lodge a complaint with compliance officer of issuer company and post issue lead manager as stated in the offer document.

DON'TS

- * Do not fall prey to market rumours.
- * Do not go by any implicit/explicit promise made by the issuer or any one else.
- * Do not invest based on bull run of the market index/scripts of other companies in same industry/issuer company.
- * Do not bank upon the price of the shares of the issuer company to go up in the short run.

2. INVESTING IN DERIVATIVES

DOS

- ✓ Go through all rules, regulations, bye-laws and disclosures made by the exchanges.
- ✓ Trade only through - Trading Member (TM) registered with SEBI or authorised person of TM registered with the exchange.
- ✓ While dealing with an authorised person, ensure that the contract note has been issued by the TM of the authorized person only.
- ✓ While dealing with an authorized person, pay the brokerage/payments/ margins etc. to the TM only.
- ✓ Ensure that for every executed trade you receive duly signed contract note from your TM highlighting the details of the trade along with your unique client-id.
- ✓ Obtain receipt for collateral deposited with Trading Member (TM) towards margin.
- ✓ Go through details of Client-Trading Member Agreement.
- ✓ Know your rights and duties vis-à-vis those of TM/ Clearing Member.
- ✓ Be aware of the risk associated with your positions in the market and margin calls on them.

- ✓ Collect / pay mark to market margins on your futures position on a daily basis from / to your Trading member.

DON'TS

- * Do not start trading before reading and understanding the Risk Disclosure Documents.
- * Do not trade on any product without knowing the risk and rewards associated with it.

3. COLLECTIVE INVESTMENT SCHEME (CIS)

DOS

- ✓ Before investing ensure that the entity is registered with SEBI.
- ✓ Read the offer document of the scheme especially the risk factors carefully.
- ✓ Check the viability of the project.
- ✓ Check and verify the background/expertise of the promoters.
- ✓ Ensure clear and marketable title of the property/assets of the entity.
- ✓ Ensure that the Collective Investment Management Company has the necessary infrastructure to carry out the scheme.
- ✓ Check the credit rating of the scheme and tenure of the rating.
- ✓ Check for the appraisal of the scheme and read the brief appraisal report.
- ✓ Read carefully the objects of the scheme.
- ✓ Check for the promise vis-a-vis performance of the earlier schemes in the offer document.
- ✓ Ensure that CIMC furnishes a copy of the Annual Report within two months from the closure of the financial year.
- ✓ Note that SEBI cannot guarantee or undertake the repayment of money to the investors.

DON'TS

- * Do not invest in any CIS entity not having SEBI registration.
- * Do not get carried away by indicative returns.
- * Do not invest based on market rumours.

4. DEALING WITH BROKERS & SUB-BROKERS

DOS

- ✓ Deal only with SEBI registered intermediaries.
- ✓ Ensure that the intermediary has a valid registration certificate.
- ✓ Ensure that the intermediary is permitted to transact in the market.
- ✓ State clearly who will be placing orders on your behalf
- ✓ Insist on client registration form to be signed by the intermediary before commencing operations.
- ✓ Enter into an agreement with your broker or sub-broker setting out terms and conditions clearly.
- ✓ Insist on contract note/ confirmation memo for trades done each day.
- ✓ Insist on bill for every settlement.
- ✓ Ensure that broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note.
- ✓ Insist on periodical statement of accounts.
- ✓ Issue cheques/drafts in trade name of the intermediary only.
- ✓ Ensure receipt of payment/ deliveries within 48 hours of payout
- ✓ In case of disputes, file written complaint to intermediary/ Stock Exchange/SEBI within a reasonable time.
- ✓ In case of sub-broker disputes, inform the main broker about the dispute within 6 months.
- ✓ Familiarise yourself with the rules, regulations and circulars issued by stock exchanges/SEBI before carrying out any transaction

DON'TS

- * Do not deal with unregistered intermediaries
- * Do not pay more than the approved brokerage to the intermediary.
- * Do not undertake deals for others.
- * Do not neglect to set out in writing, orders for higher value given over phone.
- * Do not sign blank Delivery instruction slip(s) while meeting security payin obligation.
- * Don't accept unsigned/duplicate contract note/confirmation memo
- * Don't accept contract note/confirmation memo signed by any unauthorised person.
- * Don't delay payment/deliveries of securities to broker/ sub-broker.
- * Don't get carried away by luring advertisements, if any.
- * Don't be led by market rumours or get into shady transactions

5. INVESTING IN MUTUAL FUNDS

DOS

- ✓ Read the offer document carefully before investing.
- ✓ Note that investments in Mutual Funds may be risky.
- ✓ Mention your bank account number in the application form.
- ✓ Invest in a scheme depending upon your investment objective and risk

appetite.

- ✓ Note that Net Asset Value of a scheme is subject to change depending upon market conditions.
- ✓ Insist for a copy of the offer document/key information memorandum before investing.
- ✓ Note that past performance of a scheme is not indicative of future performance.
- ✓ Past performance of a scheme may or may not be sustained in future.
- ✓ Keep track of the Net Asset Value of a scheme, where you have invested, on a regular basis.
- ✓ Ensure that you receive an account statement for the money that you have invested.
- ✓ Update yourself on the performance of the scheme on a regular basis.

DON'TS

- * Do not invest in a scheme just because somebody is offering you a commission or other incentive, gifts etc.
- * Do not get carried away by the name of the scheme/Mutual Fund.
- * Do not fall prey to promises of unrealistic returns.
- * Do not forget to take note of risks involved in the investment.
- * Do not hesitate to approach concerned persons and then the appropriate authorities for any problem.
- * Do not deal with any agent/broker/dealer who is not registered with Association of Mutual Funds in India (AMFI).

b. BUYBACK OF SECURITIES

DOS

- ✓ Read the special resolution regarding the proposed buy back in detail and then vote for it.
- ✓ Compare the price offered in buy back with market price during last few months, Earning per Share, Book Value etc.
- ✓ Determine whether the price offered is reasonable.
- ✓ Read the instructions for making the application for tendering of shares carefully and follow them.
- ✓ Ensure that your application reaches the collection centre well within time.
- ✓ If you don't get the letter of offer within reasonable period, contact the Merchant Banker.
- ✓ Mention all details as required in the letter of offer legibly.
- ✓ Furnish all the documents asked for in the letter of offer.
- ✓ Send application through the mode (post/courier/hand delivery/ordinary post etc.) specified in the letter of offer.
- ✓ Contact Merchant Banker (MB) if no response is received from company/MB regarding consideration for tendered shares within stipulated time.
- ✓ Contact Compliance Officer mentioned in the letter of offer in case of any grievance against the company.
- ✓ Contact the Registrar of Companies in case you feel that provision of the Companies Act has been violated.
- ✓ Contact the Merchant Banker in case of any grievance against the procedure followed in the buy back.

DON'TS

- * Don't submit multiple applications.
- * Don't forget to fill up the application legibly.
- * Don't mutilate the application form.
- * Don't cross/ cut in the application form.
- * Don't send the application at wrong address.
- * Don't send the application after the close of offer.
- * Don't forget to give complete information in the application form.
- * Don't forget to sign on application form.
- * Don't give wrong/contradictory information on the application form.

7. OPEN OFFER UNDER TAKEOVER REGULATIONS

DOS

- ✓ Ensure that you are aware of all competitive offers and revision of offer before deciding on accepting the offer
- ✓ Refer to national dailies/ SEBI website for details of competitive offers or revisions of offers.
- ✓ Note that the offer would be subject to statutory approvals, if any, mentioned in the Letter of Offer.
- ✓ Check whether the offer will result in delisting of the company.
- ✓ In case of dematerialised equity shares ensure credit is received to the Special Depository Account before the closure of the Offer.
- ✓ Carefully note the timings/days for hand delivery of the documents mentioned in the letter of offer.
- ✓ Wait till last date for Offer Revision (i.e. 7 working days prior to date of closing of offer) before tendering acceptance.
- ✓ Submit the Form of Withdrawal accompanying the Letter of Offer at any specified collection center upto 3 working days before date of closing of the Offer in case you want to withdraw the shares tendered.

- ✓ Ensure that signatures on Form of Acceptance, Transfer Deed, Depository Instruction and Form of Withdrawal are in same order and same as those lodged with the company.
- ✓ In case of non receipt of Offer Document, you can tender or withdraw from the Offer by making an application on plain paper giving the necessary details

DONTS

- * Don't wait for the last date for the closure of the offer for tendering your acceptance.
- * Don't fill in the details of the buyer/transferee in the transfer deed to be sent.
- * Don't file an incomplete application form/invalid documents.

8. DEALING IN SECURITIES

DOS

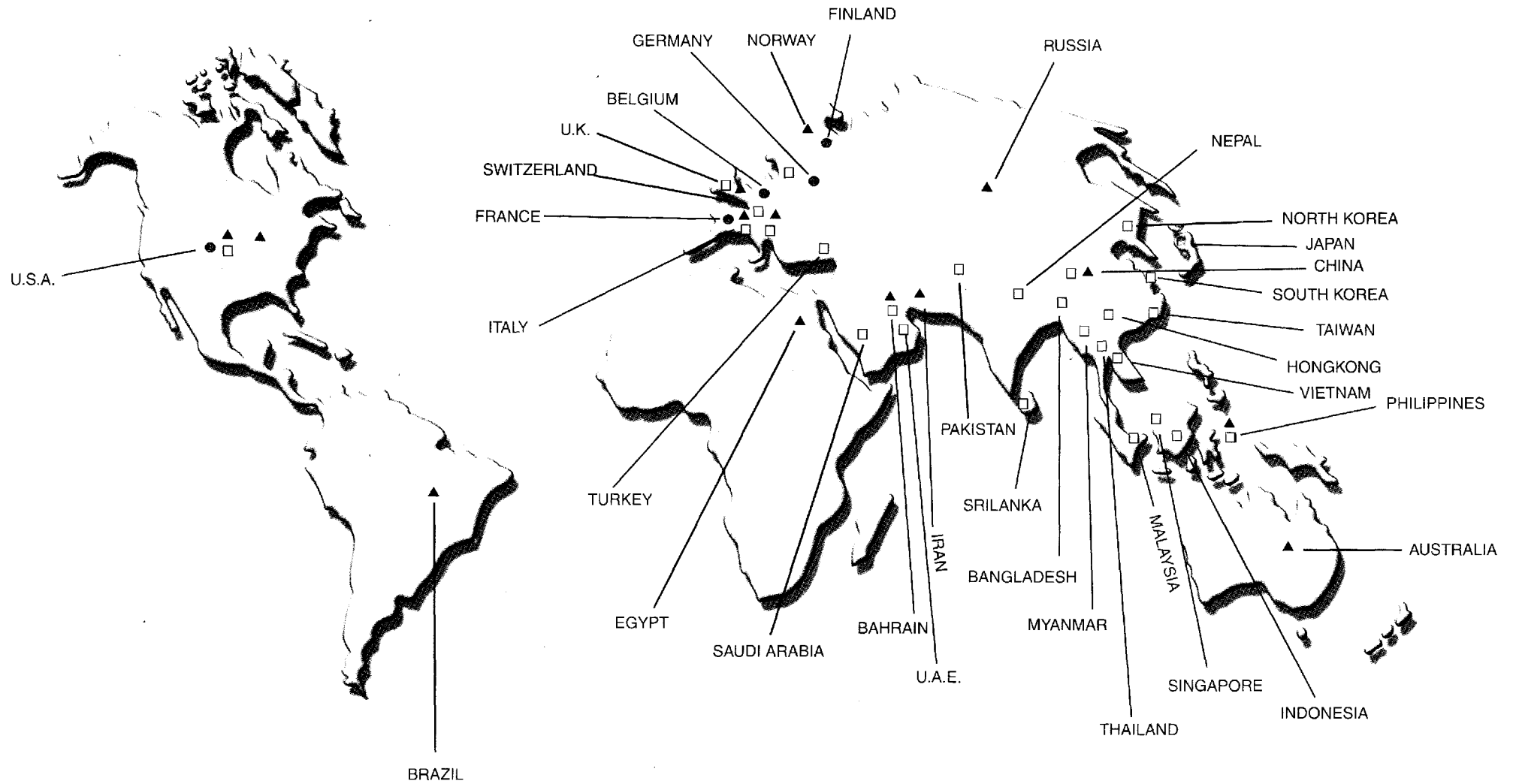
- ✓ Transact only through Stock Exchanges.
- ✓ Deal only through SEBI registered intermediaries.
- ✓ Complete all the required formalities of opening an account properly (Client registration, Client agreement forms etc).
- ✓ Ask for and sign "Know Your Client Agreement".
- ✓ Read and properly understand the risks associated with investing in securities / derivatives before undertaking transactions.
- ✓ Assess the risk – return profile of the investment as well as the liquidity and safety aspects before making your investment decision.
- ✓ Ask all relevant questions and clear your doubts with your broker before transacting.
- ✓ Invest based on sound reasoning after taking into account all publicly available information and on fundamentals.
- ✓ Give clear and unambiguous instructions to your broker / sub-broker / depository participant.
- ✓ Be vigilant in your transactions.
- ✓ Insist on a contract note for your transaction.
- ✓ Verify all details in contract note, immediately on receipt.
- ✓ Crosscheck details of your trade with details as available on the exchange website.
- ✓ Scrutinize minutely both the transaction and the holding statements that you receive from your Depository participant.
- ✓ Keep copies of all your investment documentation.
- ✓ Handle Delivery Instruction Slips (DIS) Book issued by DP's carefully.
- ✓ Insist that the DIS numbers are pre-printed and your account number (client id) be pre stamped.
- ✓ In case you are not transacting frequently make use of the freezing facilities provided for your demat account.
- ✓ Pay the margins required to be paid in the time prescribed.
- ✓ Deliver the shares in case of sale or pay the money in case of purchase within the time prescribed.
- ✓ Participate and vote in general meetings either personally or through proxy.
- ✓ Be aware of your rights and responsibilities.
- ✓ In case of complaints approach the right authorities for redressal in a timely manner

DONTS

- * Don't undertake off-market transactions in securities.
- * Don't deal with unregistered intermediaries.
- * Don't fall prey to promises of unrealistic returns.
- * Don't invest on the basis of hearsay and rumors; verify before investment.
- * Don't forget to take note of risks involved in the investment.
- * Don't be misled by rumours circulating in the market.
- * Don't be influenced into buying into fundamentally unsound companies (penny stocks) based on sudden spurts in trading volumes or prices or non-authentic favorable looking articles / stories.
- * Don't follow the herd or play on momentum - it could turn against you.
- * Don't be misled by so called hot tips.
- * Don't try to time the market.
- * Don't hesitate to approach the proper authorities for redressal of your doubts/grievances.
- * Don't leave signed blank Delivery Instruction Slips of your demat account lying around carelessly or with anyone.
- * Do not sign blank Delivery Instruction Slips (DIS) and keep them with Depository Participant(DP) or broker to save time. Remember your carelessness can be your peril.

Disclaimer: The information has been compiled to present the reader with a broad understanding of the subject and is general in nature. The contents do not purport to explain or interpret Acts, Circulars, Rules, Regulations and Guidelines.

GLOBAL PRESENCE



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नलको  **NALCO**

Company Secretary

National Aluminium Company Limited

NALCO BHAWAN, Plot No. P/1

Nayapalli, Bhubaneswar - 751 013