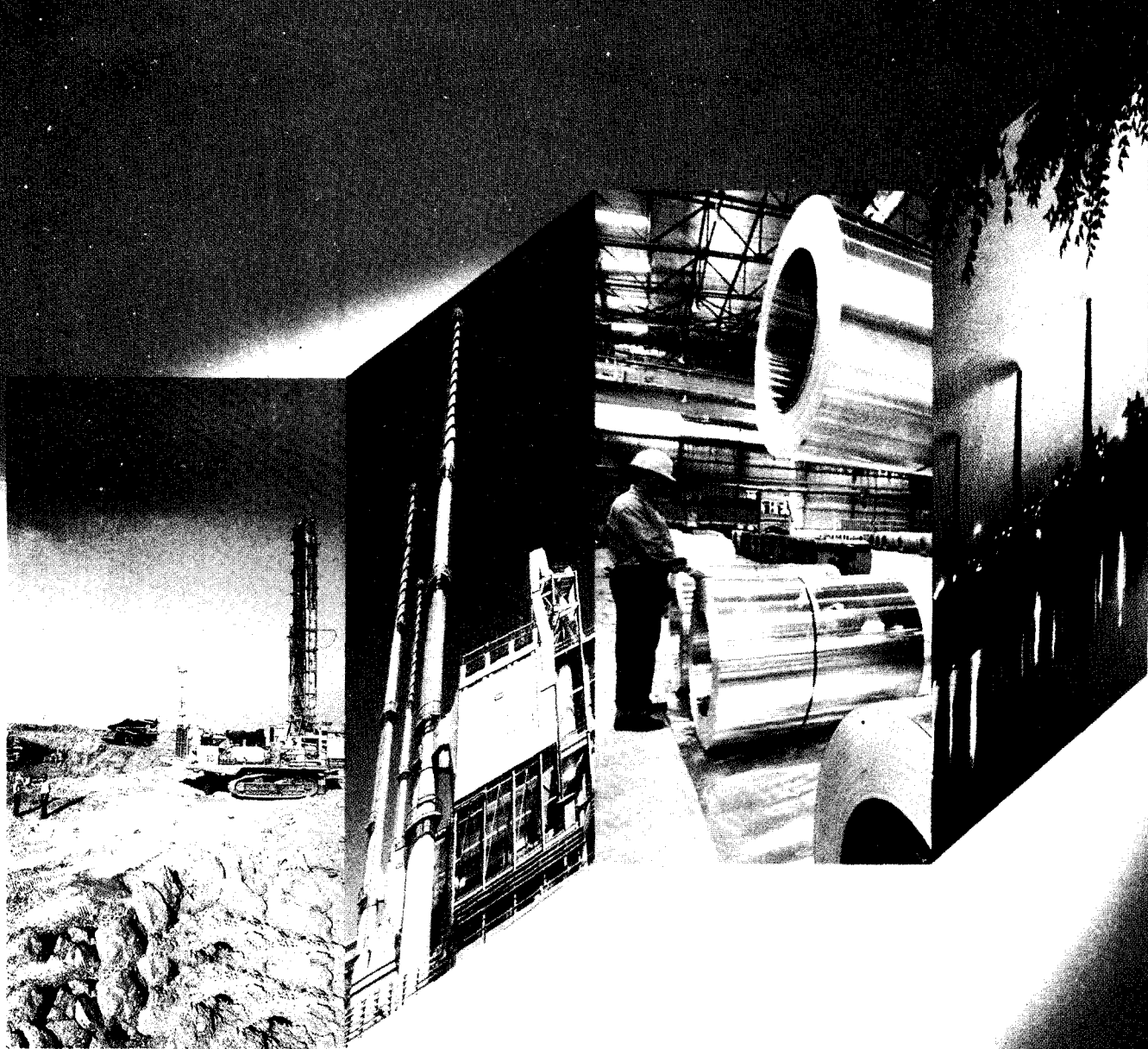

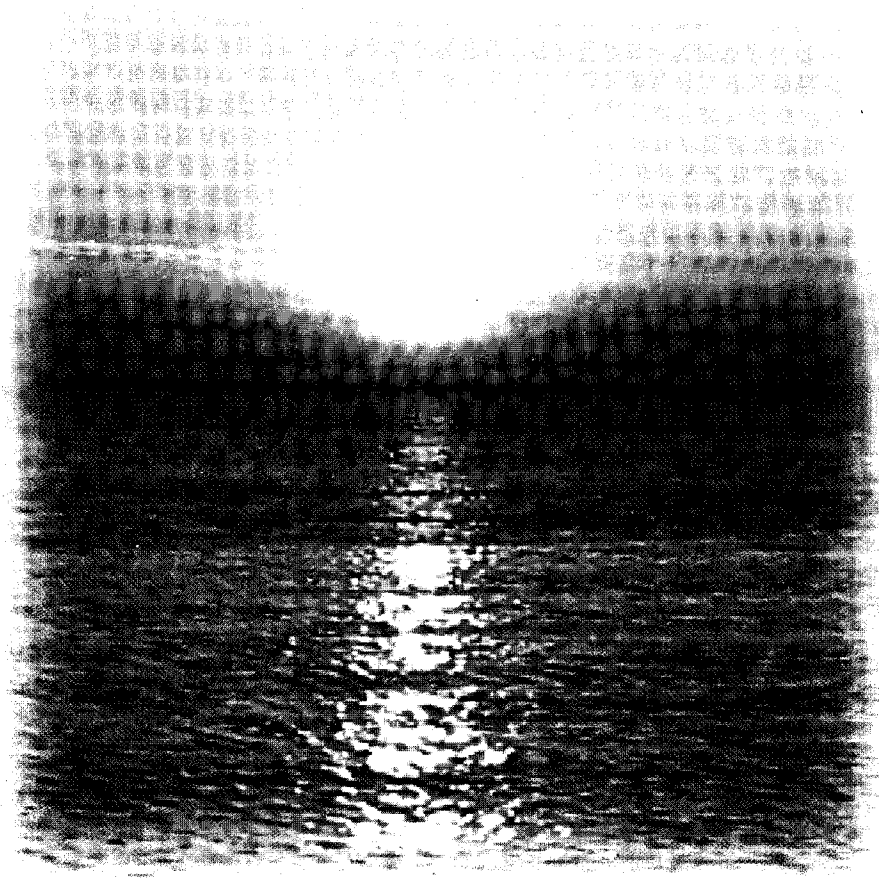


24th Annual Report 2004-05



24 glorious years
नालको  NALCO
ordinary people, extraordinary attitude



Vision

To be a company of
global repute
in Aluminium sector

Mission

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

National Aluminium Company Limited

BOARD OF DIRECTORS

Shri C. Venkataramana

Shri C. R. Pradhan

Shri Harbhajan Singh

Shri V. K. Thakral

Shri S. C. Chhatwal

Shri K. K. Mallick

Shri A.R. Ray

CHIEF VIGILANCE OFFICER

Shri G. Kameswara Rao

EXECUTIVE DIRECTORS

Shri N. K. Jain

Shri B. S. Singh Deo

Shri P.K. Routray

Shri R. K. Maheswari

Shri A. Rath

Shri U. B. Patnaik

Shri A. Mahapatra

COMPANY SECRETARY

Shri K. N. Ravindra

BANKERS

State Bank of India

REGISTERED & CORPORATE OFFICE

NALCO BHAWAN

Plot No. - P/1, Nayapalli

Bhubaneswar - 751 013 (Orissa)

Tel: 2301988-99

Fax: 0674-2300470/2300580/2300677/2300740

Website: www.nalcoindia.com

STATUTORY AUDITORS

SRB & Associates

Chartered Accountants

IDCO Tower

Janpath, Bhubaneswar - 751 022

SECRETARIAL AUDITORS

T. K. Satapathy & Co.

Company Secretaries

Biswal Commercial Complex

Cuttack Road

Bhubaneswar - 751 006

Saroj Ray & Associates

Company Secretaries

737/19A, Jaydev Vihar

Bhubaneswar - 751 013

COST AUDITORS

Niran & Company

Cost Accountants

440, Sahid Nagar

Bhubaneswar - 751 007

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The Year at a glance - 2004 - 05

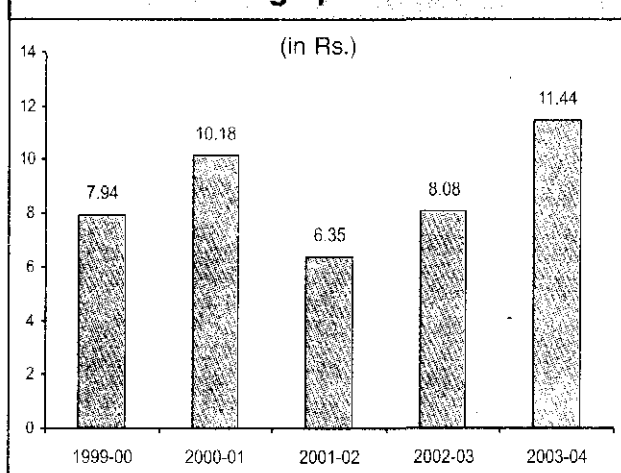
PHYSICAL

	Unit	2004-05	2003-04
Bauxite Mining	MT	48,51,726	48,16,762
Alumina Hydrate production	MT	15,75,500	15,56,100
Aluminium production	MT	3,38,483	2,98,207
Power generation (net)	MU	5,613	5,122

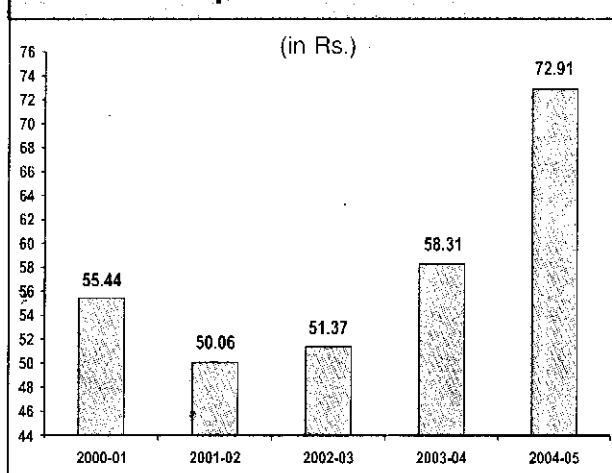
FINANCIAL

	Unit	2004-05	2003-04
Export Turnover	Rs. in crore	2,200.25	1,717.27
Gross Sales	Rs. in crore	4,439.99	3,348.57
Profit Before Tax	Rs. in crore	1,870.27	1,052.76
Profit After Tax	Rs. in crore	1,234.84	737.37
Earning Per Share	In Rs.	19.17	11.44
Book Value per Share	In Rs.	72.91	58.31
Dividend	In %	40.00	40.00

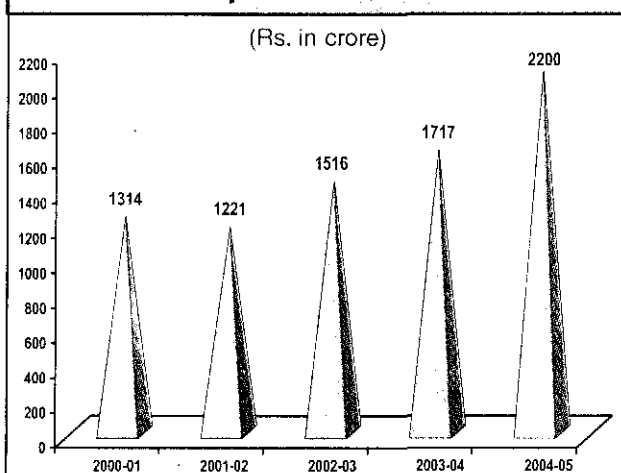
Earnings per Share



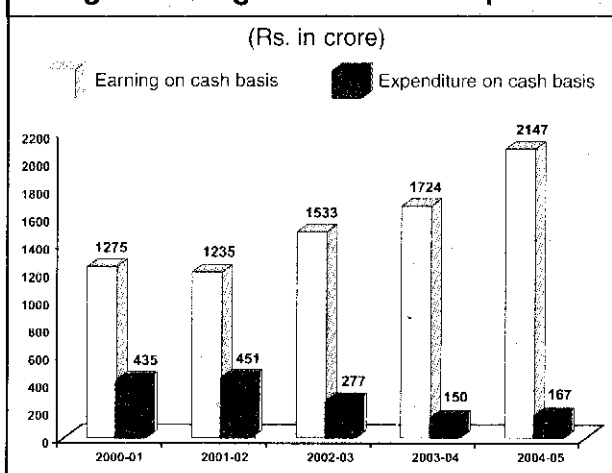
Book Value per share of Rs. 10/- each



Export Turnover



Foreign Exchange Income and Expenditure



5 years performance at a glance - Physical

Sl. No.	Particulars	Unit	2004-05	2003-04	2002-03	2001-02	2000-01
1	Production :						
	Bauxite	MT	48,51,726	48,16,762	47,77,003	35,22,059	28,34,189
	Alumina Hydrate	MT	15,75,000	15,56,100	14,80,600	11,13,000	9,39,000
	Aluminium	MT	3,38,483	2,98,207	2,44,708	2,31,674	2,30,516
	Power (net)	MU	5,613	5,122	4,291	3,970	3,833
2	Export Sales :						
	Alumina	MT	9,09,081	9,34,874	10,37,287	6,70,120	4,95,723
	Aluminium	MT	1,32,730	1,29,718	1,07,302	1,06,282	1,18,868
3	Domestic Sales :						
	Alumina/Hydrate	MT	21,177	17,784	11,190	6,297	4,124
	Aluminium	MT	2,05,797	1,66,650	1,35,193	1,23,095	1,14,082
	Power	MU	406	498	411	342	225

5 years performance at a glance - Financial

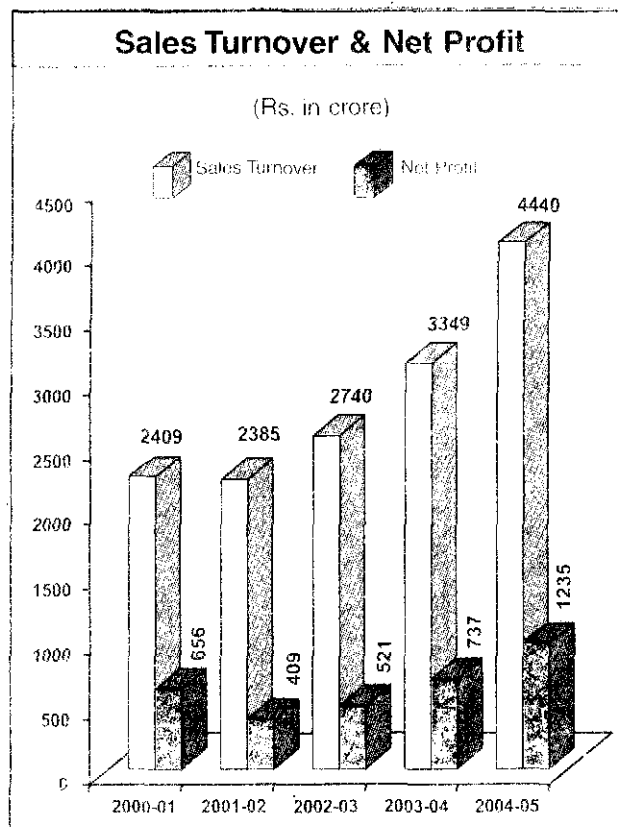
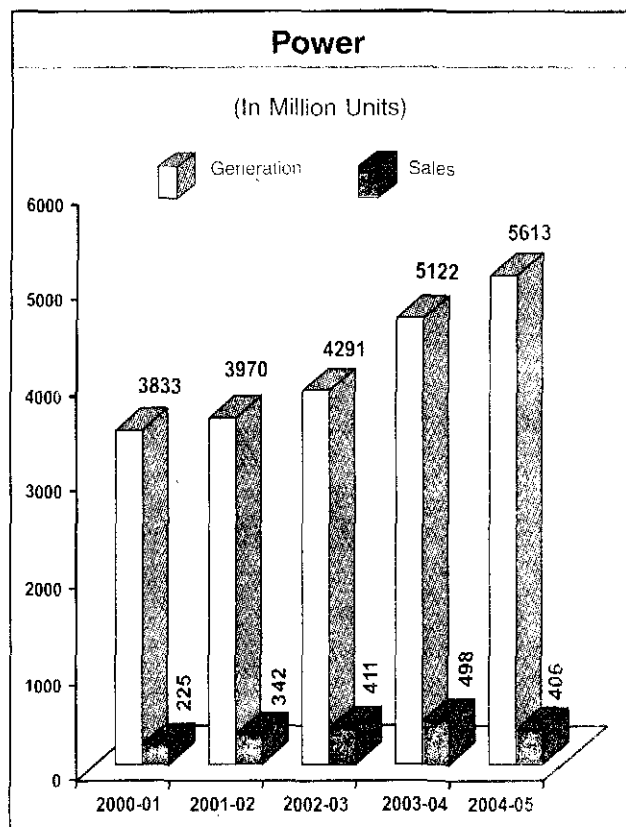
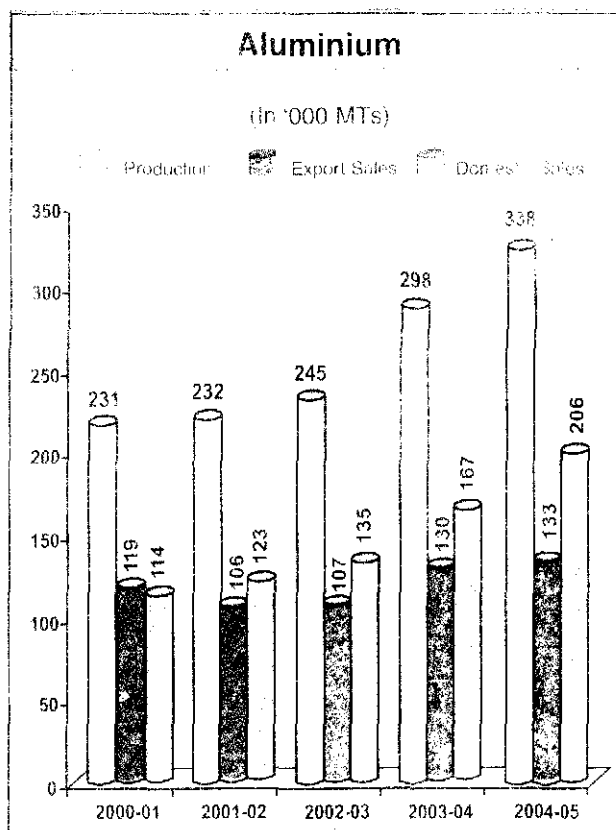
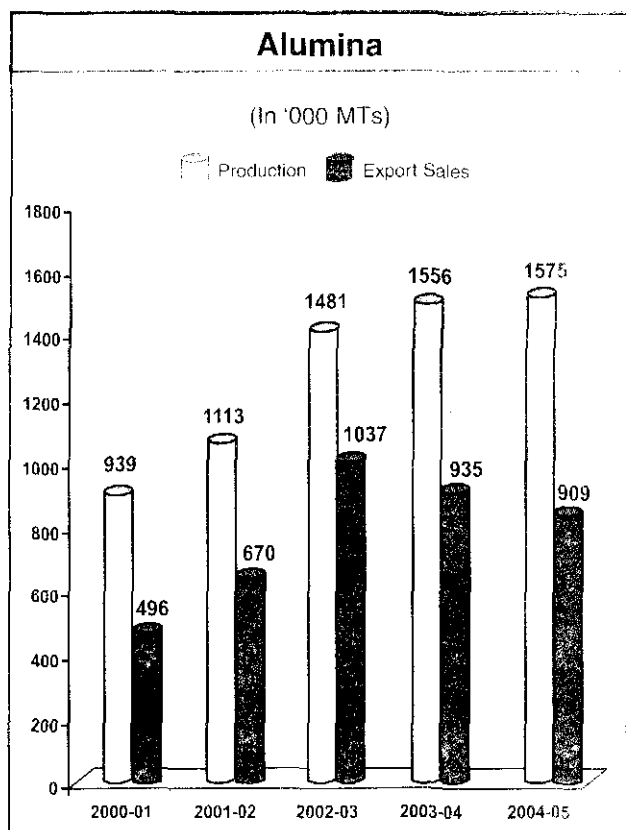
(Rs. in crore)

Sl. No.	Particulars	2004-05	2003-04	2002-03	2001-02	2000-01
A.	Income Statement :					
1.	Exports	2,200.25	1,717.27	1,500.65	1,205.32	1,314.20
2.	Domestic Sales	2,239.74	1,631.30	1,239.02	1,180.10	1,094.40
3.	Gross Sales (1+2)	4,439.99	3,348.57	2,739.67	2,385.42	2,408.60
4.	Less : Excise Duty	316.03	224.50	175.37	160.64	147.13
5.	Net Sales (3-4)	4,123.96	3,124.07	2,564.30	2,224.78	2,261.47
6.	Other Income :					
7.	Operating	174.13	131.16	186.55	129.39	130.56
8.	Non-operating	76.51	69.61	44.05	21.83	29.42
9.	Operating expenses	1,985.01	1,741.24	1,581.04	1,422.34	1,186.53
10.	Operating Profit (5+7-9)	2,313.08	1,513.99	1,169.81	931.83	1,205.50
11.	Earning before interest, dep. & taxes (EBIDT) (10+8)	2,389.59	1,583.60	1,213.86	953.66	1,234.92
12.	Interest & Financing charges	60.61	84.57	105.66	116.90	97.61
13.	Earning before dep. & taxes (EBDT) (11-12)	2,328.98	1,499.03	1,108.20	836.76	1,137.31
14.	Depreciation and Amortisation	458.71	446.27	360.15	313.07	295.02
15.	Profit Before Tax (PBT) (13-14)	1,870.27	1,052.76	748.05	523.69	842.29
16.	Provision for Tax	635.43	315.39	230.51	116.26	187.54
17.	Net Profit (PAT) (15-16)	1,234.84	737.37	517.54	407.43	654.75
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	644.31
19.	Reserves & Surplus	4,053.50	3,112.36	2,665.73	2,580.93	2,928.06
20.	Networth (18+19)	4,697.81	3,756.67	3,310.04	3,225.24	3,572.37
21.	Loans Outstanding	0.00	654.39	1,324.44	1,563.45	801.53
22.	Net Fixed Assets	4,139.00	3,903.48	3,712.95	2,889.62	2,140.06
23.	Net Current Assets	1,004.65	126.23	(5.10)	419.25	199.04
24.	Capital Employed (22+23)	5,143.65	4,029.71	3,707.85	3,308.87	2,339.10
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	56.09	48.46	45.62	41.88	53.31
26.	Net Profit Margin (%) (17/5*100)	29.94	23.60	20.18	18.31	28.95
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	24.01	18.30	13.96	12.31	27.99
28.	Return on Networth (RONW) (%) (17/20*100)	26.29	19.63	15.64	12.63	18.33
29.	Debt Equity (21/20)	0.00	17.00	40.00	48.48	22.44
D.	Others :					
30.	Book value per share of Rs.10/- each (in Rs.)	72.91	58.31	51.37	50.06	55.44
31.	Earnings per share (in Rs.)	19.17	11.44	8.03	6.32	10.16
32.	Dividend declared (%)	40.00	40.00	60.00	40.00	40.00

Reconciliation of Published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2004 - 05

(Rs. in crore)

Sl. No.	Particulars	1st Quarter (Unaudited)	2nd Quarter (Unaudited)	3rd Quarter (Unaudited)	4th Quarter (Unaudited)	Total of four quarters	Variances	Full Year (Audited)
1	2	3	4	5	6	7	8	9
1.	Gross Sales Turnover	891.35	1,062.26	1,171.95	1,312.41	4,437.97	4,439.99	2.02
	Less : Excise Duty	69.05	85.38	81.90	79.35	315.68	316.03	0.35
	Net Sales	822.30	976.88	1,090.05	1,233.06	4,122.29	4,123.96	1.67
2.	Other Income	41.67	58.88	40.78	101.89	243.22	250.64	7.42
3.	Total Expenditure	383.86	465.71	497.96	631.38	1,978.91	1,985.01	6.10
4.	Interest and Financing charges	17.25	17.30	15.06	10.88	60.49	60.61	0.12
5.	Depreciation & Provisions	113.07	113.48	117.87	119.75	464.17	458.71	(5.46)
6.	Profit Before Tax (PBT)	349.79	439.27	499.94	572.94	1,861.94	1,870.27	8.33
7.	Provision for Tax	130.76	163.77	193.87	151.11	639.51	635.43	(4.08)
8.	Net Profit (PAT)	219.03	275.50	306.07	421.83	1,222.43	1,234.84	12.41
9.	Paid-up Equity Share Capital	644.31	644.31	644.31	644.31	644.31	644.31	—
10.	Earnings per share (Rs.)	3.40	4.28	4.74	6.55	18.97	19.17	—
	(Not annualised)							
11.	Aggregate of non-promoter shareholding :							
	Number of shares	—	—	—	—	8,28,09,993	8,28,09,993	—
	Percentage of shareholding	—	—	—	—	12.85	12.85	—



NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Company will be held on Friday, the 30th September, 2005 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, 2005 and the Profit & Loss Account for the year ended 31st March, 2005 together with the reports of the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri S.C.Chhatwal, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

4. Appointment of Shri V. K. Thakral 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 V. K. Thakral 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(1)/2004-Met.I dtd.18.11.2004 of Government of India."

5. Appointment of Shri C. R. Pradhan 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 C. R. Pradhan 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(1)/2003-Met.I dtd. 21.12.2004 of Government of India."

"FURTHER RESOLVED THAT appointment of Shri C. R. Pradhan as such shall not be deemed to constitute a break in his appointment as a whole time Director."

6. Appointment of Shri K.K. Mallick 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 K.K. Mallick 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)/2003-Met.I dtd. 28.01.2005 of Government of India."

"FURTHER RESOLVED THAT appointment of Shri K.K. Mallick as such shall not be deemed to constitute a break in his appointment as a whole time Director."

7. Appointment of Shri A. R. Ray 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 A. R. Ray 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)/2004-Met.I dtd. 10.02.2005 of Government of India."

"FURTHER RESOLVED THAT appointment of Shri A. R. Ray as such shall not be deemed to constitute a break in his appointment as a whole time Director."

8. 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 2005-06 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 : 22.08.2005

Notes:

- (a) Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 4, 5, 6, 7 & 8 set out above are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 27th September, 2005 to Friday, the 30th September, 2005 (both days inclusive).
- (d) If dividend on shares as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made within 30 days of its declaration to those shareholders, whose names appear :
 - i) as Beneficial Owners as at the end of the business on 26th September, 2005 as per the beneficial owners position to be downloaded by NSDL & CDSL in respect of the shares held in the electronic form and

- ii) as members in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company on or before 26th September, 2005.
- (e) Details of Directors seeking re-appointment/appointment as new directors in this Annual General Meeting are attached separately to the Notice.
- (f) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend from the financial year 1997-1998 onwards and debenture interest from 1999-2000 onwards, 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 1997-1998 remaining at the credit of the Unpaid Dividend Account of the Company is due for transfer to the aforesaid Fund on or before 13.12.2005. The details of unpaid or unclaimed dividend and interest on 14.5% NCDs are available in the Company's website www.nalcoindia.com. Members who have not so far received their dividend/interest are requested to make a claim in writing to the Company and also those who have not encashed their dividend warrants so far are requested to make a claim by writing and sending the original Dividend Warrants to the Company. **No claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**
- (g) Members holding shares in physical form, are requested to notify immediately, change in their address in block letters with PIN CODE and/or change in their Bank particulars, if any, to the Registered Office of the Company, quoting their Folio Number. Members holding shares in electronic form are requested to notify their change of address and/or bank particulars to their respective Depository Participants (DPs) only.
- (h) As per the provisions of the Companies Act, 1956, facility for making nominations is available to shareholders in respect of the shares held by them. In case shares are held in electronic form, registration of nomination has to be done with the respective Depository Participants (DPs) only without referring the matter to the Company. Nomination Forms (Form 2B) if needed, can be obtained from the Registered Office of the Company. This form can also be downloaded from the Company's website www.nalcoindia.com.
- (i) The Company provides the facility of centralised ECS (Credit Clearing) to the shareholders, holding shares in electronic and physical forms, residing in the following 15 designated centers of Reserve Bank of India for payment of dividend as per Notification No. F.No.5/99-CL.V; General Circular No. 5/2002, dtd. 01.03.2002 of Department of Company Affairs :

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

Shareholders holding shares in physical form and residing in any of the above locations, may authorize the Company with their ECS mandate in the prescribed form for payment of dividend through ECS on or before 30th September, 2005. A blank ECS Mandate form is attached herewith for use by such shareholders. This form can also be downloaded from the Company's website www.nalcoindia.com. The mandate given by the shareholder would be used for all future payments unless amended / withdrawn / rejected by RBI for any reason. Those who have already given their ECS mandate earlier need not send their ECS mandate again unless there is any change in their bank particulars.

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

- (j) Members holding shares in electronic form may please note that their bank details as downloaded by the respective Depositories to the Company will be printed on their dividend warrants/used for making payment of dividend through ECS as per the applicable regulations of the Depositories. However, if there is any change in their Bank particulars and/or change in address after the date of download of beneficial owners position by the Depositories but before the date of despatch of dividend warrant/demand draft/ECS credit, the Company may consider such requests provided that such requests are received through their respective Depository Participants, duly certified by them. Further, instructions, if any, already given to the Company by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give fresh instructions regarding particulars of their bank accounts and address in which they wish to receive dividend, to their respective Depository Participants only.
- (k) It is observed that some of the shareholders are still holding the pre-capital restructured shares. The Company has been giving circulars / reminders to surrender such old pre-capital restructured shares for issuing corresponding new series of shares. Shareholders may please note that these old shares can neither be traded in the market nor can be dematerialized. Shareholders holding such old shares are requested to surrender the certificates to the Company so that new series of shares and cash refund, if any, as per entitlement may be issued to them.

The Company has created a dedicated e-mail Id in the name and style of investorservice@nalcoindia.co.in for exclusive shareholder/investor related correspondence/grievances for prompt and efficient investor service by the Share Registry of the Company. Shareholders/Investors are requested to send their queries/complaints through this e-mail Id for quick and prompt reply from the Company.

ANNEXURE TO NOTICE

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

Item No. 4 :

Shri V. K. Thakral was inducted to the Board as an Additional Director of the Company w.e.f. 18.11.2004. In terms of Section 260 of the Companies Act, 1956, Shri Thakral 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 Thakral as Director of the Company, whose period of office is liable to be determined by rotation.

Shri Thakral is an IAS Officer and at present is serving as Joint Secretary in the Ministry of Mines, Government of India. He is also holding Directorship in Hindustan Copper 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 his services as a director and recommend this resolution for approval of the shareholders.

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

Item No.5

Shri C.R. Pradhan was inducted to the Board as an Additional Director of the Company w.e.f. 21.12.2004. In terms of Section 260 of the Companies Act, 1956, Shri Pradhan 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 Pradhan as Director (Projects & Technical) of the Company, whose period of office is liable to be determined by rotation.

Shri Pradhan is a BE in Electrical and is presently serving as Director (Projects & Technical) in NALCO. He is also holding additional charge of Chairman-cum-Managing Director with effect from 01.02.2005. Before joining NALCO as a Director, he was working as Executive Director (Mines & Refinery) of the Company. 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 his services as a director and recommend this resolution for approval of the shareholders.

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

Item No. 6:

Shri K. K. Mallick was inducted to the Board as an Additional Director of the Company w.e.f. 28.01.2005. In terms of Section 260 of the Companies Act, 1956, Shri Mallick 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 Mallick as Director (Commercial) of the Company, whose period of office is liable to be determined by rotation.

Shri Mallick is a BE in Mechanical and is presently serving as Director (Commercial) in NALCO. Before joining NALCO as a Director, he was working as Executive Director (Marketing) of the Company. 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 his services as a director and recommend this resolution for approval of the shareholders.

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

Item No. 7 :

Shri A. R. Ray was inducted to the Board as an Additional Director of the Company w.e.f. 10.02.2005. In terms of Section 260 of the Companies Act, 1956, Shri Ray 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 Ray as Director (Personnel & Administration) of the Company, whose period of office is liable to be determined by rotation.

Shri Ray is a BE in Electrical and is presently serving as Director (Personnel & Administration) in NALCO. Before joining NALCO as a Director, he was working as Executive Director (Smelter & Power) of the Company. 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 his services as a director and recommend this resolution for approval of the shareholders.

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

Item No. 8 :

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.

Members in the 23rd Annual General Meeting held on 28.09.2004 had authorised 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. Accordingly, the Board of Directors, on the recommendation by the Audit Committee has fixed Rs.7,00,000/- plus reimbursement of out of pocket expenses as the remuneration of Statutory Auditors for the year 2004-05.

Statutory Auditors have not been appointed by C&AG for the financial year 2005-06 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 2005-06.

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 : 22.08.2005

**Details of Directors seeking re-appointment/appointment in
Annual General Meeting - 30th September, 2005
(In terms of Clause - 49 of the Listing Agreement)**

1.	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. Standing Committee Nil
2.	Shri V.K.Thakral 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	Shri K.L.Thakral 02.07.1956 18.11.2004 IAS officer with varied experience in Administration. M.A.(Pol.Science) & IAS. Hindustan Copper Limited Audit Committee* - Member Nil
3.	Shri C.R.Pradhan 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 T.N.Pradhan 19.09.1949 21.12.2004 Varied experience in technical fields in senior positions of NALCO and other different Companies. B.E (Electrical) Nil a. Share Transfer Committee b. Standing Committee Nil
4.	Shri K.K.Mallick 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	Shri K.C.Mallick 18.09.1949 28.01.2005 Varied experience in planning and procurement departments and marketing management in senior positions of NALCO. B.E (Mech.) Nil a. Share Transfer Committee b. Standing Committee Nil
5.	Shri A.R.Ray 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 S.R.Ray 20.09.1947 10.02.2005 Varied experience in electrical management in senior positions of NALCO and other different Companies. B.E (Electrical) Nil a. Audit Committee* - Member b. Share Transfer Committee c. Standing Committee Nil

* Audit Committee in NALCO has been assigned with the job of looking into the redressal of Shareholders/Investors' Grievances also.



ELECTRONIC CLEARING SERVICE MANDATE FORM

(Please fill in the information in CAPITAL LETTERS. Please TICK wherever it is applicable)

1. Regd. Folio No..... / DP ID : IN CLIENT ID/BEN.A/C.....

2. First Shareholder's Name:

3. First Shareholder's Address:

.....Pin Code

4. Particulars of Bank:

Bank Name, Branch & Address :																		
Branch Code (9 Digit MICR Code appearing on the MICR Band of the cheque. Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled)																		
Account Type & A/c Number.																		
SB		CA		CC														

5. Date from which the mandate should be effective :

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected for reasons of incomplete or incorrect information, I shall not hold National Aluminium Company Limited responsible. I also undertake to advise any change in the particulars of my account to facilitate updation of records for purpose of credit of dividend amount through ECS (Credit Clearing).

Place :

Date :

.....
Signature of Shareholder(s)

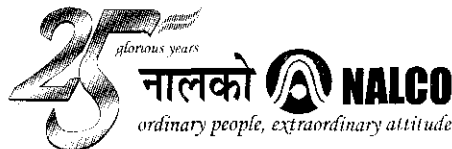
Note : In case the shareholder is not in a position to enclose a photocopy of a blank cheque, a certificate from the Bank as under may be furnished.

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp :

Date :

.....
Signature of the Authorised Official from the Bank



National Aluminium Company Limited

(A Government of India Enterprise)

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

ATTENDANCE SLIP

24th Annual General Meeting – 30th September, 2005 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 FOURTH ANNUAL GENERAL MEETING of the Company at NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar – 751 013, on Friday, the 30th September, 2005.

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 FOURTH ANNUAL GENERAL MEETING of the Company to be held on Friday, the 30th September, 2005 at 11.00 A.M. and at any adjournment thereof.

Signed this day of 2005

Signature.....

Affix a
Revenue
Stamp of
Re. 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 24th Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2005.

Performance Highlights

It is a matter of great satisfaction that as your Company enters the Silver Jubilee Year of its existence, it has posted golden performance encompassing all spectrums. For the past twenty four eventful years, your Company has single mindedly pursued excellence in almost all fields of its business and despite all odds, has succeeded in creating a blue chip Company known far and wide.

All the segments of operation i.e. Mines, Refinery, Smelter & CPP 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 Turnover, Gross Margin, Export Earning and Profit Before Tax & After Tax being the highest since inception.

Mines

Panchpatmali Bauxite Mines exceeded the rated capacity of 4.8 million tons of Bauxite production for the second time since commissioning of the expansion project. Annual Bauxite excavation of 48,95,391 MT and transportation at 48,51,726 MT have been the highest since inception.

Alumina Refinery

Production of Alumina Hydrate at 15,75,500 MT and Calcined Alumina of 15,66,720 MT have been the highest since inception. Alumina Refinery achieved the rated capacity within a short span after completion of 1st Phase Expansion. The Power Generation has been 349.851 MU at Steam Generation Plant of Alumina Refinery.

In the downstream projects, Detergent Grade Zeolite -A production increased over four fold following process stabilization, market demand and quality improvement. Similarly, special grade Hydrate production has been 5,009 MT and the same is being marketed in the country & abroad.

Smelter Plant

The year ended with all the 720 pots in operation. The Plant had the highest ever cast metal production of 3,38,483 MT.

The Metal purity & pot productivity during the year was 99.74% and 1.389 MT/pot/day respectively, in comparison to 99.74% and 1.375MT/Pot/day achieved last year.

Your Company also achieved Zero Discharge of industrial effluents during the year.

Captive Power Plant (CPP)

CPP generated 5,613 MU of Net Power, which is the highest since inception. Productivity of the plant has improved with

the plant load factor at 76.765% compared to 76.47% achieved in previous year. Further, CPP achieved the 'Zero Discharge' status with commissioning of ash pond over flow recycling system.

Port Facilities

A total quantity of 9,09,081 MT of Alumina, 80,646 MT of metal, 108 MT of Zeolite-A and 424 MT of Special Grade Hydrate were exported from Vizag Port. Caustic Soda Lye of 36,199 MT was imported during the year.

Marketing

Alumina & Chemicals

A quantity of 9,09,081 MT of Alumina and 424 MT of Special Hydrate were exported to various overseas buyers and 26,220 MT of Alumina/hydrate were sold in the domestic market.

Aluminium

Your Company achieved the highest ever total metal sale of 3.385 lakh MT comprising the highest ever domestic sale of 2.057 lakh MT and the highest ever export metal sale of 1.327 lakh MT.

A total of 91,966 MT of metal was sold from the stockyards during the year compared to the previous best of 36,622 MT in 2003-04. Faridabad stockyard was re-opened and Silvassa stockyard was opened during the year besides having regular sales activity from other stockyards at Bhiwandi, Jaipur, Kolkata, Vizag & Bangalore.

Your Company signed MOUs with more number of domestic customers for supply of metal during the year 2004-05. This policy of MOU and the demand of metal helped your Company to achieve 23.5% growth in sales in the domestic market and increasing its market share from around 25% in 2003-04 to around 27% in 2004-05. The domestic market remained strong during the year with improved demand for the primary products.

World Scenario

Alumina

During the year 2004-05, the World consumption of Alumina was 58.157 million MT against world production of 57.905 million MT showing a deficit of 0.251 million MT. The world Alumina production and consumption grew by 6.2% and 6.6% approx. during 2004-05 as compared to 2003-04.

Aluminium

During the year 2004-05, the world consumption of primary Aluminium was 30.321 million MT against world supply of 29.844 million MT, showing a deficit of 0.477 million MT. The world supply and consumption grew by 6.6% and 9.3% approximately respectively, during 2004-05 as compared to 2003-04. The Chinese consumption is estimated to have risen by 17% and production by 20% during 2004-05. Good demand from USA, Europe, Brazil, China & South Korea helped strengthen the international prices during the year.

Finance

You will be pleased to know that due to increased production and sales performance on all fronts, the net profit for the year after provision for taxes increased from Rs.737.37 crore to Rs.1,234.84 crore recording an increase of 67% over previous year. The summarized financial results as compared to previous year is furnished below

(Rs. In crore)			
	Year ending 31.03.2005	Year ending 31.03.2004	
01. Net Sales	4,123.96	3,124.07	
Other income	250.64	200.77	
Total Income	4,374.60	3,324.84	
02. Gross Margin	2,389.59	1,583.60	
03. Less: Interest & depreciation	519.32	530.84	
04. Profit Before Tax (PBT)	1,870.27	1,052.76	
05. Provision for Taxes	635.43	315.39	
06. Profit After Tax (PAT)	1,234.84	737.37	
07. Appropriation:			
General Reserve	1,150.00	550.00	
Debenture redemption reserve	(-) 217.19	(-) 106.97	
Dividend including Dividend tax	293.30	290.74	

Re-payment of loans

You will be pleased to know that your Company was able to repay the entire loan amount with prudent financial management coupled with increased production and realization.

As you are aware, outstanding loans as on 31.03.2004 were to the tune of Rs.654.39 crore. Your Company achieved 'zero debt' status on 25.03.2005 after repayment of all loans.

Dividend and appropriations

Keeping in view the funds requirement for expansion projects on hand, your Directors are pleased to recommend a dividend rate of 40% for 2004-05 amounting to Rs. 257.72 crore including 20% interim dividend paid during February, 2005. Your Directors propose to transfer Rs.217.19 crore from Debenture Redemption Reserve and Rs.0.05 crore from Capital Reserve to Profit and Loss Account. Your Directors also propose to transfer Rs.1,150 crore to General Reserve Account from the 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 alumina & aluminium price, external trade policies, global developments, competition leading to variation in market

share, availability of critical raw material etc. are some of the critical external factors which are monitored continuously by the management. Internal factors like plant preventive maintenance and security, industrial relations, liquidity etc. are also given due importance to ensure smooth operation.

Human Resources Management

The manpower strength of your Company as on 31.03.2005 stands thus:

	As on 31.03.2005	As on 31.03.2004
Executives	1,745	1,702
Supervisors	822	814
Skilled/Highly skilled	3,327	3,064
Unskilled/Semiskilled	1,191	1,122
Total	7,085	6,702

Training and Development

Keeping in view the target of 2.5 mandays training per employee per annum as signed in the MOU, training needs are sourced from multiple sources, the primary being, the competency related needs, secondly, needs arising from organizational requirements and finally departmental / sectional imperatives. Emphasis is being placed on specific position related training needs and there is an attempt to customize programmes, to the extent possible. Training effectiveness evaluation is also carried out in order to map the benefits emanating from the action.

The training statistics for the year 2004-2005 is given below:

	Persons	Mandays
Executives	3,727	9,855
Non-executives	3,414	14,168
Total	7,141	24,023

Presidential Directives

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

As on 31.03.2005, out of 7,085 employees including trainees on your Company's roll, there were 1,158 SCs, 1300 STs, 651 OBCs and 62 physically handicapped persons. The total number of lady employees in the organization stands at 291. Thus, 16.34% of employees are SC, 18.34% are ST, 9.18% are OBC and 0.88% are physically handicapped. Every third employee in your Company belongs either to SC or ST categories.

Industrial Relations

Your Company continues to maintain good relationship with its employees and their Unions for achievement of targets and enhancement of its corporate image. The performance level of the Company has been kept on high irrespective of certain constraints due to inter-union rivalry

in a multi-union scenario. The continuous interaction with the recognized Unions, Officers' Association and SC/ST Employees Welfare Association continued in a structured manner on the matters of production, productivity, discipline, work culture besides on resolution of various demands and employee related issues at Units, Corporate and also at the Chief Executive level. After verification of membership through secret ballot, the majority Union at Mines has also been recognized by the Management.

In the wake of Silver Jubilee year of your Company, the employees through their Unions/Associations have brought out various programs for celebration and actions were initiated accordingly.

There has been no man-days loss on account of industrial relations problem like strike by the employees. The demands of the labourers engaged by various contractors for higher rate of wages, development of labour colony and gift for better performance of the Company has been addressed by your Company to the extent possible.

The expectation of the Land Affected Villagers for employment benefit in the Company has continued unabated. However, the adverse impact on the performance of the Company due to their agitational action has been controlled by constant interaction with the employee groups and representatives of Land Affected Villagers with the support of District and State Administration.

Visit by Parliamentary Committees

A Parliamentary Standing Committee on Coal & Steel was on a two-day study tour to Bhubaneswar on 6th & 7th November, 2004. A Parliamentary Standing Committee on Industry also visited to Bhubaneswar on 21st & 22nd January, 2005. During their visit, the Committee Members interacted with the Management of your Company.

Social Sector Development / Peripheral Development Activities

Like past years, your Company has continued its endeavor for the Socio-economic development of the local areas by spending substantial amount on this account. During the year under report, your Company had committed an amount of Rs. 1,039.93 lakh for various peripheral development activities. Besides undertaking various constructional activities, your Company also organized Health Camps, Animal Health Camps, Science Exhibitions, Rural Sports, provision of water supply through tanker to water scarcity periphery villages, provision of furniture to different schools etc. Under non-constructional activities, your Company has also organized 'Kalinga Mahotsava' at Dhauli and 'Rajarani Music Festival' in association with the Tourism Department, Government of Orissa. Your Company has also contributed Rs. 25.00 lakh for the "Culture Fund" of Government of Orissa for the progress and development of the Orissan culture.

Awards & Recognitions

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

- The Best Exporter Award, 2003 of Orissa.

- The prestigious Indira Gandhi Paryavaran Puraskar for the year 2000, for its outstanding contributions in the field of environment management. Your Company received the trophy, along with a citation and a cash prize of Rs.1 lakh, from the Hon'ble Union Minister of State for Environment & Forests, at a function held in New Delhi on September 16, 2004.
- The prestigious CII National Award for 'Excellence in Energy Management' for the year 2004.
- The highest export award of CAPEXIL for the year 2003-04 for a record 17th year in succession.
- The prestigious Five-Star Export House status, in accordance with the provisions under the Exim Policy of Ministry of Commerce, Government of India. Your Company has been recognized as a Star Trading House for its substantial contributions to export of Aluminium metal and calcined Alumina to various overseas markets.

Expansion & Diversification

You will be happy to know that during the year your Company completed the commissioning of remaining facilities under the first phase expansion.

Status of the 2nd Phase expansion of NALCO's Integrated Aluminium Complex

Your Directors are glad to inform that the Government of India has approved the 2nd Phase expansion of your Company's Integrated Aluminium Complex at an estimated capital cost of Rs.4,091.51 crore on 26.10.2004. As per the approval the project is to be completed in 50 months from the date of approval i.e. by 25.12.2008.

The present capacity of the various project segment and the capacity after the 2nd phase expansion is given below: -

Project Segment	Present Capacity after 1st Phase Expansion	Capacity after 2nd Phase Expansion
(a) Bauxite Mine	4.8 Mln TPY	6.3 Mln. TPY
(b) Alumina Refinery	15,75,000 TPY	21,00,000 TPY
(c) Aluminium Smelter	3,45,000 TPY	4,60,000 TPY
(d) Captive Power Plant	960 MW	1200 MW

Your Directors would further like to inform that the consultants have been appointed to carry Engineering, Procurement, and Construction Management (EPCM) Services for execution of the project.

Various activities like, finalisation of vendor list construction agencies /contractors are in progress. Enquiries for major packages have also been issued.

Mining Leases

Your Directors take pleasure in informing you that your Company's long cherished demand for allocation of coal Mines for captive use has been accepted and the Government has provisionally allotted Utkal E-Coal Block at Talcher, Orissa on 27.08.2004.

Your Company has already applied for the Mining lease.

Action for study/survey for getting environmental clearance has been taken. Agencies have been fixed for Socio-economic aspects, Flora fauna, land use, alternative methods of transportation and land cover study, Biological monitoring and Green belt design.

Your Company has also engaged M/s. Central Mine Planning Design Institute Ltd. (CMPDI) for preparation of a Detailed Project Report (DPR), Environmental Impact Assessment (EIA)/Environmental Management Plan (EMP) report including hydrological tests & collection of Baseline Environmental Data and Mining Plan. The work on the above is under progress.

You will also be happy to know that the Government of Orissa has recommended for leasing Pottangi Bauxite deposit to your Company. The estimated reserves of this deposit are 69 Million tonnes.

Rolled Products Unit

The revised project cost of Rs. 398.35 crore approved by Public Investment Board (PIB) was received on 27th January, 2005 with the stipulation of completion of balance project jobs by 31st July, 2005. You will be happy to know that mechanical completion of all the balance project activities have been completed by 30th July, 2005 and commissioning activities are in progress. Caster line 1, 2 & 3 have already been commissioned and trial runs have been conducted, out of which Caster-1 is under regular production. Caster line-4 is in advanced stage of commissioning and trial run will be done shortly.

Business Development

During the year, efforts were made for exploring the possibility of setting up of backward integration projects. The proposals for these projects are being actively pursued by your Company and final view shall be taken in the coming years. During the year, your Company associated itself actively with professional bodies viz. Aluminium Association of India (AAI), Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Utkal Chamber of Commerce and Industry and Confederation of Captive Power Plants of Orissa etc. and contributed to the cause of the industry.

MOU Performance

Your Company's performance was rated "Excellent" in the evaluation of the Memorandum of Understanding (MOU) signed with Government of India for the year 2004-05. A target production of 15.75 lakh MT of Alumina and 3.48 lakh MT of Aluminium has been set in the MOU signed with Government of India for the year 2005-06.

Corporate Planning

Your Company moved with full strength on its growth roadmap as chalked out in its Corporate Plan. During the year, new action plans and strategies were introduced and reworked as deemed fit and were put into action. The activity schedules & execution programmes concerning production, expansion, marketing, HRD, Finance and other related areas were implemented with a planned approach. Continuous periodical reviews were done for better monitoring, evaluation and for corrective actions wherever necessary.

To keep pace with the rapid changes in global business environment, your Company is preparing its Corporate Plan upto the year 2012 and Vision document in tune with the varying scenario.

Computerization Activities

During the financial year, Enterprise Resource Planning (ERP), Virtual Private Network (VPN) and e-Governance initiatives have been embarked upon. Selection of IT consultant for providing End-to-End ERP implementation assistance is in progress. This will help in a planned ERP implementation approach. The Internet based Virtual Private Network will provide seamless connectivity with all regions, Port facility and Stock Yards with a Centralized Application Processing hub at Corporate Office. The e-Governance initiatives (e-Payments, e-Tenders) are aimed at ushering in an era of transparent and quick business service.

Quality Management

Quality Management Systems of Smelter Plant, Captive Power Plant and Bauxite Mines were re-certified to ISO 9001: 2000 for a further three-year period while the same at Alumina Refinery successfully underwent Surveillance Audits during the year. Enhancing customer satisfaction and use of Process-approach to management were the key focus areas. Use of Statistical Process Control methods was also introduced for better control of production processes.

Total Productive Maintenance (TPM) implementation work at Alumina Refinery continued throughout the year with thrust on Autonomous Maintenance in two Managers Model Machines, 5S activities in plant areas and focussed training. Impressive trends are already observed in Overall Equipment Effectiveness (OEE) of these model machines, reflecting improvement in Equipment Availability, Capacity Utilisation & Quality of outputs. Implementation of TPM in Captive Power Plant and Smelter, are planned to be initiated in next financial year.

Quality related training continued to receive priority focus. Besides the major thrust on Training programmes on TPM, programmes on Facilitation Skills, Quality System Auditing and related topics were also conducted during the year.

The Quality Circles of your Company have performed very well during the year. Ten 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 Mumbai. Based on their performance and presentations, two of these, "Aluminium" of Smelter Plant and "Black Diamond" of Alumina Refinery were adjudged in the "Par-Excellent" category.

In order to catalyse the Quality efforts in the State, your Company organised the All Orissa Quality Circle Convention and Competition for NALCO Trophy for the tenth consecutive year, in April 2005. 25 Quality Circles drawn from different organisations in the State participated.

Safety, Health & Environment

During the year, the performance of your Company continued to give the required attention with respect to

Pollution Control, Safety, Health & Environment Management and Forest & Plantation activities. Efforts in that direction include;

- back filling of 15 hectares of mined out area by plantation of 37,500 nos. of trees.
- implementing Occupational Health Safety Management System (OHSAS-18001) at all the units of your Company.
- increasing the height of Red Mud pond with commissioning of water sprinkler system to arrest air-borne dust utilization.
- utilization of 1,19,384 tonnes of ash of CPP and Refinery in different activities like ash pond dyke raising, low-lying land reclamation, horticulture, agriculture purpose, brick preparation and for cement making.
- plantation of 2,74,264 nos. of trees in M&R and S&P Complexes, etc.

Ancillary Development

Right from the construction stage, your Company has given thrust to development of ancillary industries in Orissa to produce the products by the SSI Units, which can be used during construction and commissioning stage of your Company. After commissioning of the plants at Damanjodi and Angul, there has been continuous effort by your Company for promotion of Ancillary Industries. Your Company has awarded ancillary status to 50 SSI units till date.

Your Company has conducted Plant Level Committee Meetings at Angul and Damanjodi, in which Director of Industries and all other senior officials of different organizations & Associations of Orissa have participated. In the interest of Development of Small Scale Industries of Orissa, your Company has taken part in the Annual Convention conducted by M/s OASME in the month of August, 2004. Your Company has also participated in "FUSION-2004" National Industrial Exhibition-cum-Vendor Development Programme organized by M/s. Orissa Small Scale Industries Association in collaboration with Small Industries Service Institute (SIS), Govt. of India & Director of Industries, Govt. of Orissa held on 14-16th Oct, 2004 at Jawaharlal Nehru Indoor Stadium, Cuttack.

Rajbhasha

Your Company continued its efforts in popularizing and increasing the use of Hindi in the Company. In that direction the following efforts were made:

- Website of your Company was made available in Bilingual form viz. Hindi and English. The Hindi matter website is originally prepared in internationally standardized Unicode Fonts, so that it can be opened by every computer browser all over the world without any problem having full compatibility.
- Like previous years this year also Hindi week and Hindi Day on 14th September, 2004 were observed at corporate office and at all the units with a number of Hindi competitions. Prizes were distributed to the

winners and participants on the concluding day. At Corporate Office, special issue of Hindi magazine 'Akshar' was released on this occasion.

- A Hindi Kavi Sammelan was organized with national level Hindi poets at Corporate Office on 6th March, 2005, which had been appreciated by many a dignitary of Bhubaneswar. A large gathering enjoyed the program.
- The hyperlink of Hindi Self-learning packages released by Department of Official Language, Government of India is added at Intranet Website of the Company and bilingual computerized forms are also hosted for employees use.
- For imparting working knowledge of Hindi, deputation of employees for Hindi Training under Hindi Teaching Scheme continued and Hindi Training has been arranged at Units through correspondence course. Hindi workshops were organized for practice of working in Hindi. Efforts were made for increasing the original correspondence in Hindi and writing notes in Hindi on the files as per the Annual Program issued by the Ministry of Home Affairs, Department of Official Language, Government of India.

Vigilance

The Vigilance Department of your Company operates at S&P Complex, M&R Complex and at Corporate Office under the Chief Vigilance Officer. While prevention and detection of corruption are the primary functions of the Vigilance Department, stress is given on preventive vigilance with a view to aiding and assisting the management in improving systems and 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 furnished to the concerned authorities. Besides, based on feedback received arising out of various investigations, surprise checks, regular inspections and CVC's instructions as well as CTE's circulars on common irregularities in PSUs, circulars in the areas such as pre-qualification criteria, procurement system, irregularities in construction work, malpractices in tender and contracts etc. have been issued as a preventive measure. A campaign for creating awareness was taken up by organizing the Vigilance Awareness Week celebration commencing from 1st November to 6th November, 2004 at all the units of your Company, in which, distinguished guests were invited to share their views on issues of prevention of corruption.

Sports

Your Company had come forward & provided financial assistance to join hands with the Government in preparing ace sportspersons like Anju Bobby George and Rajyavardhan Singh Rathore for participating in the Athens Olympics.

Like previous years this year also your Company had felicitated five upcoming sports talents of the "State" during Utkal Divas Celebration on 1st April, 2004 with cash awards and citations.

Your Company had also come forward to promote sports

in the State of Orissa by sponsoring different sports events. All sports events were named after your Company viz. All Orissa NALCO Cup State Hockey Championship, All India NALCO Cup Basketball Championship, NALCO Open All Orissa Tennis Tournament and NALCO Cup East Zone Golf Tournament.

Ms. Shradhanjali Samantray of your Company did the Company proud by representing the State in the Senior National Women football Championship at Imphal. Your Company also takes pride for her selection as Captain of National Women Football team.

Ms. Shradhanjali Samantaray bagged the Draupadi Samman as the Best Woman Footballer of Orissa-2004.

Shri S.P. Das of NALCO participated in the 1st Asian Paralympic Badminton Cup – 2004 (for disabled), held at Kuala Lumpur from July 14th to 18th, 2004. Led by Shri Das, the Indian team won 2 gold and 3 bronze medals.

Sponsored by the Company, the 6th NALCO Open All Orissa Ranking Tennis Tournament was organized at Bhubaneswar, from 10th to 12th December, 2004 in which 180 players participated.

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 the 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 are listed in the following Stock Exchanges for which listing fees for 2005-06 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.

Foreign Exchange Earnings and outgo (on Cash Basis)

The Foreign Exchange earnings during the year 2004-05 was Rs. 2,146.87 crore as against Rs.1,723.54 crore during the previous year.

The foreign exchange outgo during the year was Rs. 167.04 crore as against Rs.150.31 crore during the previous year.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereby 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 2004-05 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, 2005, 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, IDCO Tower, Janapath, Bhubaneswar-751 022 have been appointed as Statutory Auditors of the Company for the year 2004-05 by the Comptroller and Auditor General of India.

M/s. Niran & Company, Cost Accountants, 440, Saheed Nagar, Bhubaneswar-751 007 have been appointed as Cost Auditors of the Company for the year 2004-05.

M/s. Mahindra K Agarwalla & Co., Chartered Accountants, Monalica Apartments, Bhubaneswar, M/s. SCM Associates, Chartered Accountants, 40, Kharavela Nagar, Bhubaneswar and M/s. P.A Associates, 20-Govinda Vihar, Bomikhal, Bhubaneswar have been appointed as Internal Auditors for M&R Complex, Damanjodi, S&P Complex, Angul and Corporate Office & Regional offices of your Company respectively for the year 2004-05.

M/s. T K Satapathy & Co., Biswal Commercial Complex, Cuttack Road, Bhubaneswar - 751 006 and M/s. Saroj Ray & Associates, Plot No.737/19A, Jayadev Vihar,

Bhubaneswar-751 013 have been appointed as Secretarial Auditors for different areas of Secretarial Audit of the Company for 2004-05.

Directors

Changes in the composition of the Board during the year were as follows:

- Shri S K Banerjee, Director (P&T) & CMD I/C superannuated on 31.08.2004.
- Shri B N Jha, Director (Commercial) superannuated on 31.10.2004.
- Shri Prashant Mehta, Joint Secretary, Ministry of Coal & Mines ceased to be a Director w.e.f. 18.11.2004.
- Shri V K Thakral, Joint Secretary, Ministry of Mines was appointed as Director of your Company with effect from 18.11.2004.
- Shri C R Pradhan was appointed as Director (P&T) of your Company with effect from 21.12.2004 and he took over addl. charge of the post of CMD with effect from 01.02.2005.
- Shri K K Mallick was appointed as Director (Commercial) of your Company with effect from 28.01.2005.
- Shri G Upadhyaya, Director (P&A) & CMD I/C superannuated on 31.01.2005.
- Shri A R Ray was appointed as Director (P&A) of your Company with effect from 10.02.2005.

- Shri S K Misra was appointed as Director (Production) of your Company with effect from 24.03.2005 and consequent on resignation, Shri Misra ceased to be Director of your Company w.e.f. 19.07.2005.
- Shri G P Gupta ceased to be a Director w.e.f. 10.06.2005.

Your Directors would like to place on record their deep sense of appreciation for the valuable services and guidance received from S/Shri S K Banerjee, B N Jha, G Upadhyaya, Prashant Mehta, G P Gupta and S K Misra during their tenure on the Board of your Company.

Acknowledgement

Your Directors place on record their deep appreciation of the assistance and guidance provided by Government of India in general and Ministry of Mines in particular, the Government of Orissa, Indian Railways, 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 Company's employees are instrumental in scaling new heights, year after year. Your Directors place on record their appreciation of the commitment and contribution of your Company's employees.

For and on behalf of the Board of Directors



(C.R. Pradhan)
Director (P&T) & CMD I/C

Place : Bhubaneswar

Date : 22.08.2005

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

ENERGY CONSERVATION

The following energy conservation measures have been adopted for optimal utilization of energy resources in different units of National Aluminium Company Ltd during the period.

Alumina Refinery

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

- a) Reduction in specific steam consumption due to: -
 - i) Religious monitoring of steam and water leakage in total process circuit and attending to those on priority.
 - ii) Maintaining the Quality parameters of steam i.e. pressure and temperature supplied to process, thereby helping to optimize steam consumption.
 - iii) Insulating valve body flanges, man doors, hand doors in evaporators, Digesters, Desilication tanks, to minimize heat radiation loss, which contributed to reduction in steam consumption.
 - iv) Reduction in down time of Hydrate Circuit, and better availability of plant.
- b) Improvement in milling system output by regular classifier cleaning and other proactive maintenance measures like time based replacement of critical spare parts such as gearbox.
- c) Detailed inspection of PA fan impellers and replacement of inefficient impellers of PA fans during overhauling, thereby achieving adequate velocity profile of pulverized coal from Mill to furnace.
- d) Time based replacement of AH baskets, which resulted in effective heat transfer from flue gas to Air and ultimately reduction in coal consumption.
- e) Major repair/replacement of flue gas duct & repair of AH seals in Boilers, thereby arresting air infiltration into flue gas circuit and improved ID Fan loading margin.
- f) Optimal control of secondary air to achieve efficient and complete combustion inside the furnace.
- g) Optimal control of mill level and mill out let temperature also contributed for achieving efficient and complete combustion inside the furnace.

Reduction in total number of Boiler tripping in the year 2004-05 has reduced (from 126 in 2003-04 to 104 in 2004-05) by 17.46% over the previous year, which also has helped in over all energy conservation considerably.

This could be achieved due to

- 1) Improvement in various operational parameters like optimal control of mill level, mill outlet temperature etc., which contributed to the stability of furnace, and reduction in Boiler trip outs.
- 2) Optimal control of secondary air resulted in maintaining O₂ in air heater Inlet Flue gas within the specified norm, thereby achieving efficient combustion inside the furnace.
- 3) Suitable modification in Secondary Auxiliary air damper control circuit which reduced the secondary air fluctuation during a mill trip when 8 Nos. of fuel air dampers close.

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

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

CAPTIVE POWER PLANT

1. Cooling Tower- 3 Fan, fan blades replaced with energy efficient ENCON make blades.
2. U#6 Auxiliary Oil Pump-1 replaced with energy efficient KSB, Germany make pump.
3. Previously 4 Nos. of Coal Mills were required to run to achieve full load of 120 MW. Now after optimization of the process parameters, it has been possible to generate full load by running 3 Mills.
4. On line purification of Mill lubricant is carried out with the help of 10 ELC Machines. The consumption of lubricant has decreased.
5. Installation of 2 x 300 TR VAM in place of Chiller Compressor and power has been saved.
6. Regular monitoring of coal mill performance and reviewing on fortnightly basis and taking corrective actions, the coal mill reject has reduced.
7. By making the functioning of oil water separator pit effective, fuel oil is being reclaimed & reused in the boilers. This results into direct saving of fuel oil.
8. In-house turbine oil purification unit was setup to collect, purify & recycle the leakage lubricating oil from the turbine lube oil system of all the units. This has resulted into direct reduction in turbine lube oil consumption.

9. No. of running CT fans are reduced by 1 (one) per Unit (from #1 to #6) between October & February (For about 5 months in a year) when the ambient temp. comes down without affecting the Condenser vacuum.
10. No. of CW Pumps running for 2 paired Units (i.e. U#1&2, #3&4, #5&6) is reduced from 4 to 3 between October & February when the ambient temp. comes down without affecting the Condenser vacuum. The power saving is of the order of 60 KW per Unit.
11. DP across Feed Regulating Station (FRS) is maintained at 6 to 10 KSC where as in previous years, it was maintained in the range of 8 to 15 KSC. The net reduction in power consumption is about 80 to 100KW per Unit (U#1-6 6) (as experimented on 24.12.2001 by OPN & Elect.).

SMELTER

1. Variable frequency drive has been installed in Anode Handling De-dusting unit to optimize the speed. Energy saving has been achieved.
2. In Strip Casting Plant, atomizing compressed air pressure has been optimized by reducing RPM by resizing motor and changing pulley.
3. Automatic control of Cooling tower fan motors has been done through temperature controller.
4. Reduction in lighting power consumption has been done in Cast House – B by voltage control of lighting transformer.

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 2004-05	Previous year 2003-04	Current year 2004-05	Previous Year 2003-04
1. Electricity				
(a) Purchased from GRIDCO				
Unit (Million KWH)	16.188	8.868	—	—
Total amount (Rs. in lakhs)	571.50	289.78	—	—
Rate/Unit (Rs./KWH)	3.53	3.27	—	—
(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	6,245.436	5,710.465	349.851	386.157
Units per litre of fuel oil/gas	925.39	900.99	—	—
Cost/Units (Rs./KWH)	1.14	1.01	—	—
2. Coal (Specify quality & where used)				
(Quality F&G) Million KWH				
Quantity (Tonnes)	51,10,213	44,19,540	9,88,514	10,00,605
Total cost (Rs. in lakh)	28,967.72	23,257.25	10,677.05	10,182.01
Average rate (Rs./Tonne)	566.86	526.24	1,080.11	1,017.59

3. Furnace Oil

	Captive Power Plant		Alumina Refinery		Smelter Plant	
	Current Year 2004-05	Previous Year 2003-04	Current Year 2004-05	Previous Year 2003-04	Current Year 2004-05	Previous Year 2003-04
Quantity (KL)	6,749	6,338	1,22,524	1,26,344	30,313	27,502
Total Amount (Rs.in lakh)	1,042.58	865.90	14,841.19	14,217.55	3,820.02	3,243.53
Average rate (Rs./Tonne)	15,448	13,662	12,113	11,253	12,602	11,794
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 2004-05	Previous Year 2003-04
1. Alumina				
(a) Power	(Kwh/Tonne)	380	331	331
(b) Fuel oil for calcination	(Kg/Tonne)	85.30	78.20	81.43
(c) Coal for steam	(Kg/Tonne)	674	631	645
(d) Oil for steam	(Kg/Tonne)	10.00	4.41	3.27
2. Aluminium				
(a) A.C. Power	(Kwh/Tonne)	14,600	14,736	15,018
(b) Fuel Oil	(Ltr./Tonne)	95	90	92
(c) Others				
i) CP Coke	(Kg/Tonne)	408	384	385
ii) CT Pitch	(Kg/Tonne)	106.50	100	102

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 :

- Recovery of TiO₂ from Plant Sand.
- Recovery of Alumina from Partially Lateritised Khondalite (PLK).

(b) Smelter Plant

- Characterization of Baked Anode for process monitoring.
- Determination of cell factor for prediction of net carbon consumption.
- Performance monitoring of pots lined with partially damaged cathode blocks.
- Development of indigenous tri-metallic anode clads.

B. Collaborative R&D Activities

- Basic Studies on Precipitation of Boehmite (Alumina Monohydrate) 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 popularization of bulk use of Fly Ash in Collaboration with RRL, Bhopal.
- 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.
- Dispersion pattern and Behaviour of Valuable Trace and RE elements in Bauxite profile at Panchpatmali deposit and scope of their recovery from rejects of Refinery plant in collaboration with RRL, Bhubaneswar.
- Studies on Modeling of Alumina Precipitation Circuit in collaboration with EIL, New Delhi.
- Utilization of NALCO Red Mud for manufacture of Ordinary Portland Cement (OPC) in collaboration with National Council for Cement & Building Materials (NCB), Ballabgarh, Haryana.
- Production of Value Added Materials from Partially Lateritised Khondalite (PLK) of NALCO Mines in collaboration with RRL, Bhubaneswar.
- Designing Higher DC Kamps Hall-Heroult Cell through Mathematical Modeling and validating those models in ANSYS in collaboration with ANSYS Software Pvt. Ltd., Bangalore/GENISIM Inc., Canada.
- Development of Integrated Technology for

Processing East Coast Bauxite for production of Alumina in collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines, Government of India).

- Study on Impurity Build-up during Bauxite Process and its effect on Bayer liquor Chemistry in collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines, Government of India).
- Ultrasonic Treatment of Spent Pot Lining in collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines, Government of India).
- Evaluation of Grain Refining Efficiency of commercially available grain refiner alloys in collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines, Government of India).
- Development of Effective Technology for Extraction of Alumina from NALCO's Partially Lateritised Khondalites (PLK) with MISA, Moscow, Russia/ RSIL, New Delhi. Samples of PLK and Bauxite were sent to MISA, Moscow during March, 2005.
- Development of a Viable Process Flow sheet to recover Titanium and Iron from the Plant Sand of NALCO's Alumina Refinery, Damanjodi.

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

- Trimetallic Anode Clads procured from three parties are undergoing life cycle assessment by actual use in pot lines. On successful completion of the trials, it may be procured from those indigenous sources instead of importing it.
- Regular characterization of Anode quality has facilitated improvement in quality of baked anodes.
- A process for production of crystalline Boehmite (Al₂O₃.H₂O) has been developed by precipitating from super saturated sodium Aluminate liquor under atmospheric pressure conditions and at a temperature as low as 50°C. The process know-how so developed is being patented jointly in the names of NALCO and RRL, Bhubaneswar.
- A process know-how has been developed to improve the performance of the Bayer process of Alumina production through mechanical activation of Bauxite using batch type attrition mill. Based on the research findings, a paper has been published in the proceedings of TMS Annual Conference, 2004, USA.
- Dispersion pattern & behaviour of valuable trace & rare earth elements in the Bauxite profile at Panchpatmali deposit have been established in addition to scope of their recovery from the rejects of refinery plant.
- Studies on modeling of Alumina precipitation circuit have been completed satisfactorily and

validation of the model is in progress in the Alumina Refinery, Damanjodi.

- Manufacture of a novel type of cement known as Ordinary Portland Cement (OPC) from NALCO's Red Mud has been established. The process is being jointly patented in the names of NALCO and NCB, Ballabgarh, Haryana.
- A core group of engineers have been trained for undertaking Mathematical Modelling of Pots for Higher kA.
- Source for availing suitable technology for extraction of Alumina from PLK has been established.

3. Future Plan of Action:

- Development of NALCO's own technology through Process & product development, Waste utilization, Energy conservation, Indigenization of equipment, Import substitution and Diversification for production of different value added items etc. to be the focus of company's Research & Development activities.
- National & International collaborations with reputed Research Laboratories, Industrial Houses and Academic Institutions for Technology Development and Commercialization

New Projects:

- Fundamental studies on precipitation process of Alumina Hydrate with JNARDDC, Nagpur
- Development of High Strength Aluminium Alloys (New 7XXX) for Aerospace Application in collaboration with NFI DC, Hyderabad
- Use of Romelt Process for processing of NALCO's Red Mud mixed with Rich Iron

containing materials with MISA/RSIL, New Delhi.

- Use of NALCO Red Mud for the disposal of Nuclear Waste in collaboration with MISA/RSIL, New Delhi.
- Recovery of Scandium from NALCO Red Mud in collaboration with MISA/RSIL, New Delhi.
- Technology for preparation of Master Alloys in collaboration with MISA/RSIL, New Delhi.
- Electrochemical refining of Aluminium in collaboration with MISA/RSIL, New Delhi.
- 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.
- 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 High Temperature Conductors for Transmission Lines.

4. Expenditure on R&D:

	(Rs. in lakhs)	
	2004-05	2003-04
(a) Capital	7.97	0.51
(b) Recurring	427.98	198.59
Total	435.95	199.10
(c) Total R&D expenditure as % of total turnover	0.11	0.06

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

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

a) M&R Complex, Damanjodi

Details of Modifications	Benefits thereof
- Thickened tailings disposal system: Imported during phase-I expansion of Alumina plant in the year 2000 with the equipment supplier. Fully absorbed.	Improvement on soda loss, increase in red mud pond life.
- Hydrate by pass system in Calciner unit-A: A part of the hydrate was bypassed and allowed to calcine with the heat available with the hot Alumina coming out of the furnace.	Fuel oil consumption is getting reduced by 4-5%.
- Optimisation of synthetic flocculant in settler: Two point dosing was started on availability of settlers with higher rated rake under ph-I expansion.	Consumption of synthetic flocculant HX-400 reduced more than 10%. Further trial with on-line control of flocculant dosing is in progress for further optimization.
- Use of TTD thickener overflow for sand washing	Allowing proportionate amount of RMP return water to enter in TTD thickener for better mud washing & reduction in soda loss.

Details of Modifications	Benefits thereof
<p>- <u>Modification in Over speed protection system of TG-3:-</u> The speed indicator cum over-speed protection system was failing frequently resulting in spurious trips and at many occasions the protection system was forced to be kept in bypassed condition to avoid the spurious trip outs. Suitable modification was carried out to replace the conventional protection system with a new microprocessor based PC connectivity system.</p>	<p>The system reliability has increased and spurious trip outs has been eliminated thus enabling the protection system always active and in healthy condition.</p>
<p>- <u>Provision of Moisture separator* in the instrument air header of Boiler-4:-</u> Moisture separators with auto drain facility were provided in the common instrument air header in Boiler-4, which drains out the accumulated moisture trapped in the separator at a regular interval.</p>	<p>This has eliminated the mal-operation of control valves and other critical appliances, thus achieving trouble free and stability in Boiler operation.</p>
<p>-- <u>Modification in trifecta valve actuator:-</u> The conventional type of hydro motor actuator type trifecta valves are giving frequent problems like oil leakage from actuator, causing non-operation of the trifecta. Maintenance also becomes too difficult due to non-availability of loose spares. Suitable modification was carried out by replacing the hydro motor actuator with pneumatic actuator in Boiler-2 AB-1 elevation.</p>	<p>This has resulted a better performance and improved reliability of trifecta valves and maintenance also becomes easy.</p>
<p>- <u>Provision of LP oil temperature auto control system in Milling system:-</u> The wide variation in Oil temperature due to change in climatic condition and Mill loading was leading to occasional oil leakage from trunions of Mill. Suitable modification was carried out in # 3- Mill-1 by making the temperature sensor as well as the control valve functional and putting the temperature controller in auto mode.</p>	<p>This has facilitates for maintaining the lub oil temperature within the desired range and elimination of oil leakage from the trunions.</p>
<p>- <u>Avoidance of Boiler tripping in case of tripping one Mill:-</u> In case of tripping of one Mill, flame condition inside the furnace was getting disturbed and Boiler was tripping on Flame failure protection, which is not desirable. Suitable modification was carried out in primary air circuit as well as in the secondary air circuit, so that flame stability inside the furnace is ensured even after sudden tripping of one Mill.</p>	<p>This modification has avoided undesired tripping of Boiler.</p>
<p>- Introduction of orifice in seal air lines in Mills of Boiler#1&#3 for optimum utilization of Seal air:- Orifices were provided at different Seal air points in Mills of Boiler # 1& #3 i.e. at COG and Screw conveyor gland point for better distribution and utilization of seal air.</p>	<p>This has resulted in managing two-mill running with one Seal air fan instead of earlier practice of two seal air fans for two mill-running. This has helped in reduction in Electrical energy consumption in addition to other advantages like having opportunity for carrying out preventive maintenance in the standby seal air fan, while the main is in service.</p>
<p>Conversion of Disc Filter 16,18,19,& 21 DC drive to AC VFD</p>	<ul style="list-style-type: none"> - Reduction of downtime - Increased equipment availability - Elimination of failure of Tacho-generators - Reduction in failure of Mechanical parts like Segment breakage, bending of filter segments, overflows etc.

b) Smelter Plant, Angul

Details of Modifications	Benefits thereof
- 3rd 11 KV incoming source to S/S-10 has been provided by interconnecting with 11 KV Cellular Switchgear-2.	This will improve un-interrupted auxiliary power supply to potline-2 in case of 11 KV source failure.
- Indigenization of vibrating screen in Fume Treatment Plant was done.	Imports substitution and cost reduction.
- The spool valves which controls crust baking pneumatic cylinders mounted in pot twin hoppers has been replaced by energy saver valves.	Compressed Air consumption has decreased.
- Crushed bath feeding system in pot line, which has become obsolete, has been replaced by a completely new indigenous system in one feeding station.	Import substitution and modernization resulting in considerable reduction in breakdown tank.
- The transfer hopper in GAP-I which had 1 cylinder and 2 nos of segment gear has been modified with a pair of hydraulic cylinder.	This ensures better closing of hopper and uniform paste distribution.
- PTM cabin Air Conditioner cooling coil has been indigenised.	Imports substitution resulting in saving of cost.

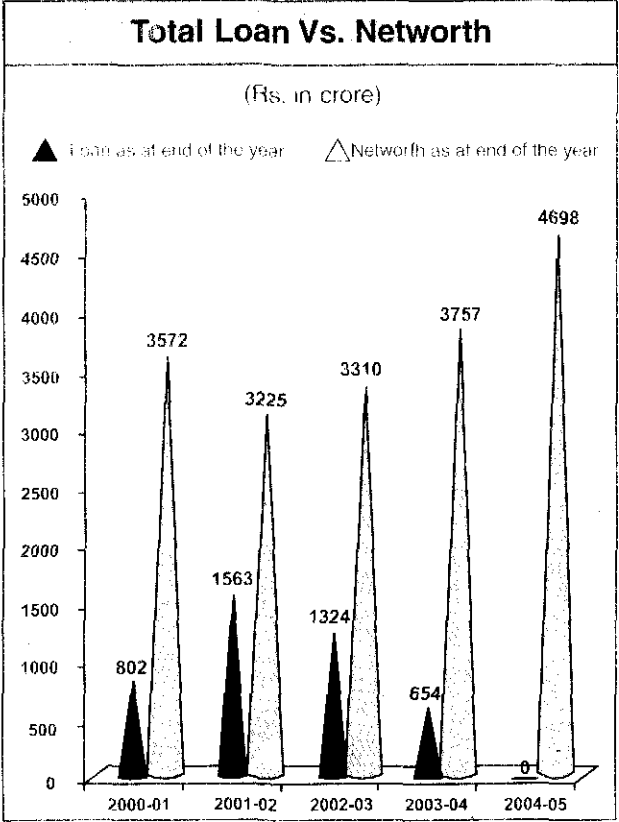
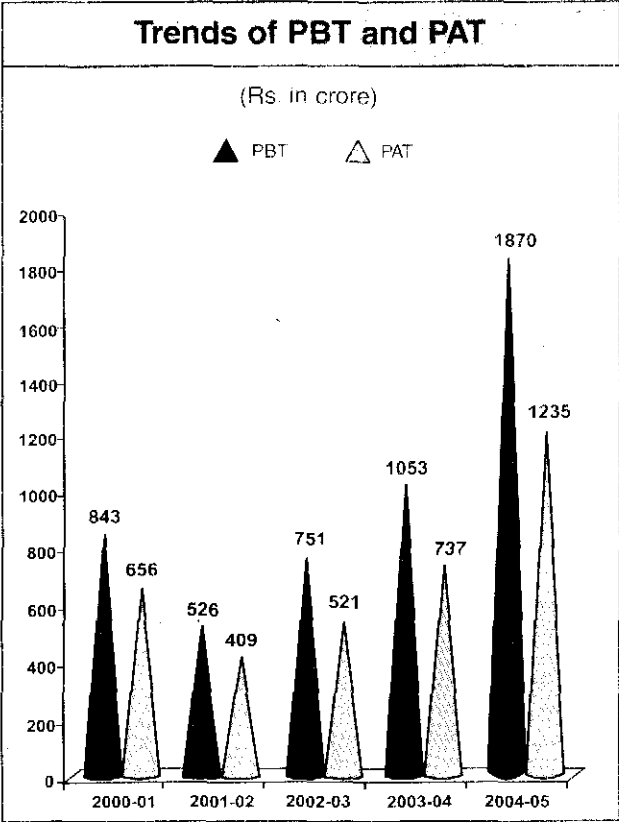
c) Captive Power Plant, Angul

Details of Modifications	Benefits thereof
- Replacement of Chiller Compressor-B with Vapor Absorption Machine (VAM).	Reduction in auxiliary consumption & better availability of system. It is an environment friendly system.
- Replacement of all 6 sets of existing GRP fan blades with energy efficient hollow FRP blades in Cooling Tower – 2 during March' 2005.	The expected savings in energy will be about 75 KW.
- One more set of energy efficient hollow fan blade has also been developed from an alternate source. The same has been installed in cell 5 of CT-3 during September' 2005.	There was a saving in energy of about 16.5 KW.
- TAFE protective coating was applied by metal spraying technique for the first time in all corner burner panel tubes and bends which are prone to erosion and difficult to be replaced during running breakdowns.	It prevents erosion of tubes of burner panel and bends, thereby reducing chances of premature tube failure in Boiler.
- Installation of MPSP system in 4 nos. of coal Mills of Unit-5.	The life of the ordinary grinding elements of coal mill is 2,000 hrs. whereas the grinding elements of MPSP system is about 6,000 hrs. Full load operation of the unit i.e.-120 MW is achievable with 3 Mills on continuous basis whereas the same is not possible in other 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.
– Import of developments made by AP for use in expansion of Smelter (2,30,000 tpy to 3,45,000 tpy).	2002-03	Being commis-sioned in stages.	In the process of commis-sioning.
– 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).	2001-02	Commissioned. Under observa-tion.	In the process of stabiliza-tion and absorption.
– Innovatherm prebake heat regulation system for Bake Oven.	2001-02	Fully absorbed	—
– ALPSYS pot regulation system in Potline-III under expansion from AP.	2001-02	Fully absorbed	—



Report on Corporate Governance

Philosophy

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, customers, Government, bankers, society at large etc.

Board of Directors

The Board of Directors of the Company comprised of nine directors viz. Chairman-cum-Managing Director (Executive Chairman), five executive directors and three non-executive directors as on 31.03.2005. 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, one is independent director 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 required number of 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, 2005, ten Board Meetings were held on 29.04.2004, 06.05.2004, 09.06.2004, 30.06.2004, 28.07.2004, 27.09.2004, 27.10.2004, 06.12.2004, 21.01.2005 and 02 & 03.03.2005. The maximum time gap between any two Board meetings was not more than two 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 28.09.2004	No. of other directorships	Membership in the committees of other companies	
	Held during the tenure	Attended			Member-ship	Chairman-ship
Shri C. Ventakaramana, Chairman-cum-Managing Director *	10	Nil	---	Nil	Nil	Nil
Shri C. R. Pradhan, Director (Projects & Technical) & Chairman-cum-Managing Director I/C *	02	02	---	Nil	Nil	Nil
Shri S. K. Banerjee, Director (Projects & Technical) & Chairman-cum-Managing Director I/C **	05	05	---	Nil	Nil	Nil
Shri G. Upadhyaya, Director (Pers. & Admn.) & Chairman-cum-Managing Director I/C ***	09	09	Yes	Nil	Nil	Nil
Shri Pyarimohan Mohapatra, Director ****	02	02	---	01	Nil	Nil
Shri G P Gupta, Director	10	09	Yes	08	04	01
Shri B N Jha, Director (Commercial) *****	07	07	Yes	Nil	Nil	Nil
Shri Prashant Mehta, Director *****	07	07	Yes	01	Nil	01
Shri S C Chhatwal, Director (Finance)	10	10	Yes	Nil	Nil	Nil
Shri Harbhajan Singh, Director	05	05	Yes	Nil	Nil	Nil
Shri V. K. Thakral, Director	03	03	---	01	Nil	Nil
Shri K. K. Mallick, Director (Commercial)	01	01	---	Nil	Nil	Nil
Shri A Ray, Director (Pers. & Admn.)	01	01	---	Nil	Nil	Nil
Shri S. K. Misra, Director (Production) *****	---	---	---	Nil	Nil	Nil

* Since Shri C. Venkataramana, Chairman-cum-Managing Director is on leave, Shri C. R. Pradhan, Director (Projects & Technical) is presently holding additional charge of Chairman-cum-Managing Director w.e.f. 01.02.2005.

** Superannuated on 31.08.2004

*** Superannuated on 31.01.2005

**** Resigned from the Board on 09.06.2004

***** Superannuated on 31.10.2004

***** Ceased to be director on 18.11.2004

***** No Board Meeting was held till 31.03.2005, after Shri Misra joined as Director (Production) on 24.03.2005. Shri Misra has ceased to be Director of NALCO w.e.f. 19.07.2005 (Forenoon).

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 31.03.2005)

(a) Whole time Directors

Name	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid during 2004-05			
			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	1,23,593	4,61,708	Note 'A'	Nil*
Shri C. R. Pradhan **	Nil	Director (P&T) & CMD I/C	1,65,830	28,708	Note 'A'	Nil
Shri S.C. Chhatwal	Nil	Director (F)	5,79,315	66,442	Note 'A'	Nil
Shri K. K. Mallick ***	Nil	Director (C)	1,23,250	47,291	Note 'A'	Nil
Shri A Ray ****	Nil	Director (P&A)	93,122	3,792	Note 'A'	Nil
Shri S. K. Misra *****	Nil	Director (P)	20,761	327	Note 'A'	Nil

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

** Joined as Director (P&T) on 21.12.2004 and holding additional charge of CMD w.e.f. 01.02.2005.

*** Joined as Director (C) on 28.01.2005.

**** Joined as Director (P&A) on 10.02.2005.

***** Joined as Director (P) on 24.03.2005.

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 benefits of monthly incentive schemes which are based on the performance parameters are 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	45,000	30,000	75,000
Shri P.Mohapatra*	10,000	5,000	15,000

* Resigned from the Board on 09.06.2004.

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 remuneration 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 constituted with specific responsibilities assigned to each of these Committees.

Audit Committee

The composition of the Audit Committee as on 31.03.2005 was as follows:

Shri G. P. Gupta	-	Chairman
Shri Harbhajan Singh	-	Member
Shri V.K.Thakral	-	Member

The above composition consists of all non-executive directors of which one is independent director.

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, six 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.

Technology Committee

The composition of the Technology Committee as on 31.03.2005 was as follows:

Shri C. R. Pradhān	-	Director (Projects & Technical) & CMD I/C
Shri K. K. Mallick	-	Director (Commercial)
Shri A. Ray	-	Director (Pers. & Admin.)

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.

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 was earlier 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 dealt 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.

The Board of Directors in their meeting held on 03.03.2005 have enhanced the powers of the Standing Committee. With effect from 03.03.2005, the Standing Committee shall have the powers to decide all short term contracts i.e. the contracts for a period of one year or less irrespective of the value of the contract (in cases where it exceeds powers of CMD) both for alumina and aluminium.

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

Share Transfer Committee & Debenture Transfer Committee

The Board had constituted two separate committees namely Share Transfer Committee and Debenture Transfer Committee to consider and approve all share and debenture transfers and other related issues in physical mode besides taking note of beneficial owners position under demat mode. During the year 2004-05, the Share Transfer Committee met 35 times and the Debenture Transfer Committee met 12 times (till 22.02.2005, the Record Date for full redemption of debentures which was due on 25.03.2005).

Consequent upon full redemption of debentures on 25.03.2005, only Share Transfer Committee is in operation at present.

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

During the year 2004-05, the Company received 198 complaints / grievances from the shareholders/investors of the Company and has redressed all of them besides attending to various queries / correspondence within a weeks time from the date of receipt of the same. The status of these complaints/grievances is 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 01.04.2004 to 31.03.2005.	194	02	02
No. of cases attended and redressed to the satisfaction of the shareholders/investors.	194	02	02
No. of pending cases remained unresolved / unredressed.	Nil	Nil	Nil

The status of complaints/grievances were regularly placed before each Audit Committee 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 2004-05 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 in the 23rd Annual General Meeting held on 28.09.2004 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 2004-05. Accordingly, the Board on the recommendation by the Audit Committee has fixed Rs. 7,00,000/- plus reimbursement of out of pocket expenses as the remuneration of Statutory Auditors for the year 2004-05.

General Body Meetings

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

Year	Date	Time	Location
2001-2002	30.10.2002	10.00 A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar
2002-2003	29.09.2003	11.00 A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar
2003-2004	28.09.2004	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 during 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 interests of 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 as stated above 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 some leading English newspapers and local Oriya daily 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.sebidifar.nic.in and www.sebi.gov.in. Further, NALCO has set up the connectivity of Electronic Issuer Interface (EII) with National Stock Exchange of India Limited (NSE). The required information is being uploaded electronically to facilitate NSE to disseminate the information country wide through their website.

Management's Discussion and Analysis Report 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.

Corporate Ethics

a) Code of Conduct for Prevention of Insider Trading

In terms of Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002 the Company has formulated a comprehensive code of conduct for its management, staff and directors for prevention of insider trading. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautioning them on the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to 'Code for Prevention of Insider Trading'.

b) Code of Conduct for Directors and Senior Executives

In terms of amended Clause 49 of the Listing Agreement, the Company has formulated 'Code of Conduct for Directors and Senior Executives'. This code is adopted as a tool to exceed and excel through better Corporate Governance and fair and transparent practices. A copy of the same has been posted at Company's website www.nalcoindia.com.

General Shareholder information

The Annual General Meeting of the Company is scheduled to be held on Friday, the 30th September, 2005 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, 2005	30 th September, 2005
Unaudited Financial results for the first quarter ending 30 th June, 2005	22 nd July, 2005
Unaudited Financial results for the second quarter ending 30 th September, 2005	October, 2005
Unaudited Financial results for the year ending 31 st March, 2006	January, 2006
Unaudited Financial results for the year ending 31 st March, 2006	April, 2006

Book Closure Dates

Tuesday, the 27th September, 2005 to Friday, the 30th September, 2005 (both days inclusive) for determining the entitlements of dividend for the financial year 2004-05.

Dividend payment date

Before 29th October, 2005 as per the provisions of the Companies Act, 1956.

The Company has transferred the unclaimed and unpaid dividend for the financial year 1996-97 amounting to Rs.1.57,732/- to the Investor Education and Protection Fund on 10.03.2005 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 are listed in The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE) and debentures (till full redemption) were listed in The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE). 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 and 2005-06 nor sending any returns/reports/documents etc. w.e.f. 01.04.2004. The Calcutta Stock Exchange Association Limited has granted in-principle permission for delisting of listed securities of the Company. However, the securities of the Company continues to remain listed in both The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE) which have nationwide trading terminals.

Stock Code

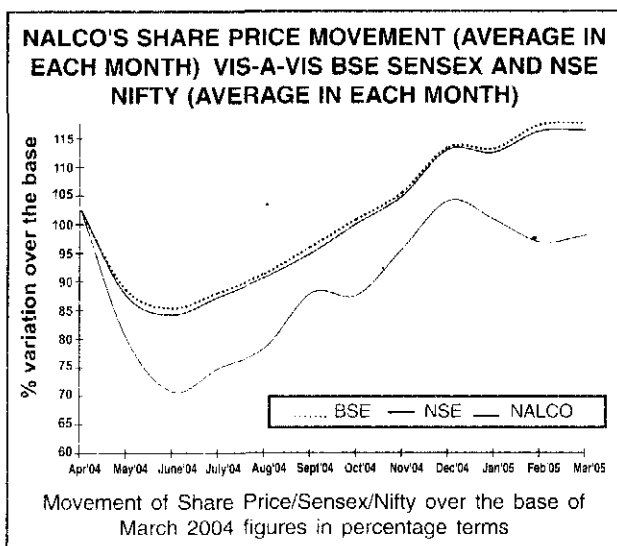
Stock Exchange Code	Reuters Code
BSE : 532234	NALU.BO(Mumbai Stock Exchange)
NSE : NATIONALUM	NALU.NS(National Stock Exchange)

Market Price Data in last Financial Year, 2004-05

The Company's shares are regularly traded in BSE and NSE. The monthly Highest (H) and Lowest (L) market price data for the period under review is given below :

Month	SHARE PRICE BSE		SHARE PRICE NSE	
	H	L	H	L
April'04	209.00	166.50	208.90	166.35
May'04	178.00	103.00	198.00	95.00
June'04	141.65	119.00	141.75	118.30
July'04	152.00	125.00	151.90	123.00
August'04	150.60	140.40	151.00	136.80
September'04	174.00	148.50	173.90	148.50
October'04	183.00	159.10	183.10	138.00
November'04	186.50	164.75	186.50	164.75
December'04	203.50	177.50	204.45	177.00
January'05	208.80	160.00	208.90	160.60
February'05	185.45	170.00	185.20	169.20
March'05	194.00	165.15	194.00	165.70

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 are effected in time and all debenture transfers were also effected in time till 22.02.2005, the Record Date for full redemption, due on 25.03.2005. Now all physical share certificates are despatched to the transferees immediately after effecting transfer.

Distribution of share holding

The Company had 41,458 shareholders as on 31.03.2005. The shareholding pattern of the Company as on 31.03.2005 was as under :

	Category	No. of shares held			Percentage of shareholding		
		As on 31.03.05	As on 31.03.04	Difference	As on 31.03.05	As on 31.03.04	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	1,34,13,691	1,44,11,518	(9,97,827)	2.08	2.23	(0.15)
b.	Banks, Financial Institutions,						
	Insurance Companies (Central /						
	State Government Institutions /						
	Non-Government Institutions)	2,53,59,454	2,19,59,725	33,99,729	3.93	3.41	0.52
c.	FIs	1,35,25,599	1,57,70,193	(22,44,594)	2.10	2.45	(0.35)
	Sub -Total	5,22,98,744	5,21,41,436	1,57,308	8.11	8.09	0.02
4.	Others						
a.	Private Corporate Bodies	2,00,21,284	2,08,48,040	(8,26,756)	3.11	3.24	(0.13)
b.	Indian Public	98,49,156	89,41,099	9,08,057	1.53	1.39	0.14
c.	NRIs/OCBs	5,58,551	4,57,910	1,00,641	0.09	0.07	0.02
d.	Others	82,258	4,21,508	(3,39,250)	0.01	0.06	(0.05)
	Sub -Total	3,05,11,249	3,06,68,557	(1,57,308)	4.74	4.76	(0.02)
	GRAND TOTAL	64,43,09,628	64,43,09,628	—	100.00	100.00	—

* held by Government of India in physical form and not listed.

Dematerialisation of shares, debentures and liquidity

The Company's shares are admitted for dematerialisation through National Securities Depository Limited and Central Depository Services (India) Limited under ISIN INE 139A01026. The debentures of the Company were also admitted for dematerialisation through National Securities Depository Limited and Central Depository Services (India) Limited under ISIN 139A07015 which have been fully redeemed on 25.03.2005.

All demat requests received by the Company are confirmed to the respective Depositories (NSDL/CDSL) within one week of receipt of Demat Request Forms (DRFs).

Total number of shares dematerialised during the year 2004-05 are 1,33,385 and total number of debentures dematerialised during the year 2004-05 are 187.

Status of dematerialisation of shares and Debentures is as follows :

Year	Shares dematerialised (Cumulative)	Debentures dematerialised (Cumulative)
	% to Listed Capital	% to total debentures
2000-01	97.76	40.30*
2001-02	98.02	93.40
2002-03	98.31	98.71
2003-04	98.64	98.79
2004-05	98.80	98.79**

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

** As on 22.02.2005 (Record Date for full redemption of debentures). The debentures have been fully redeemed on 25.03.2005 and there were 'NIL' debentures as on 31.03.2005.

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 850 shares and 1 debenture and despatched the physical share/debenture certificates in time to the respective 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 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 (12 Lines)

(EPABX)-(Extn. 2585-87)

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/Investors are requested to send their queries/complaints through this E-mail Id for quick and prompt reply from the Company.

Shareholders holding shares 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 LIMITED
Bhubaneswar

We have examined the compliance of conditions of Corporate Governance by **NATIONAL ALUMINIUM COMPANY LTD.**, Bhubaneswar for the year ended on 31st March, 2005 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 procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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, subject to the following :

1. The Composition of Board of Directors was not in conformity with the provisions of sub-paragraph A of Paragraph-I of Clause 49, since against six Executive Directors, there are only three Non-Executive

Directors and out of which one director is independent.

2. The composition of Audit Committee was not in conformity with the provision of Sub-paragraph A of Paragraph - II of Clause 49, as majority of members are not Independent Directors.

We certify that the Company has complied with the other conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement .

We state that in respect of investor grievances received during the year ended 31st March, 2005, no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and the details of which are the presented to Audit Committee Meetings.

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 SRB & Associates
Chartered Accountants

S.C. Bhadra
Partner
Membership No.17054

Bhubaneswar
22nd August, 2005

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 Aluminum Co. Ltd. (the company) are listed, for the year ended 31st March, 2005 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 there under 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. Composition of the Board :

The Board of Directors of the company comprised of nine directors; consisting of the Chairman-cum-Managing Director (Executive Chairman), five executive directors and three non-executive directors as on 31.03.2005. In terms of Clause 49 of Listing Agreement, at least half of the Board should comprise of independent directors. Out of three non-executive directors, there was only one independent director. The matter has been taken up by the company with the Government of India for re-constitution of the Board by appointing required number of independent directors to bring the composition of the Board in line with the requirements of Clause 49 of the Listing Agreement.

4. Board Meetings :

During the year, the Board of Directors of the company met ten times on 29.04.2004, 06.05.2004, 09.06.2004, 30.06.2004, 28.07.2004, 27.09.2004, 27.10.2004, 06.12.2004, 21.01.2005 and 02 & 03.03.2005 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.

5. 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.

6. 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. During the year ended 31st March, 2005, the Share Transfer Committee met 35 times and the Debenture Transfer Committee met 12 times (till 22.02.2005, the Record Date for full redemption of debentures which was due on 25.03.2005).

7. Redressal of Investors Grievances :

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 were promptly attended to by the company and they were resolved within a weeks time of their receipt. Details of share and debenture transfers, complaints, electronic holding of shares and debentures (both NSDL and CDSL) etc. were put up at every Audit Committee Meeting (Audit Committee is also entrusted with the job of looking into redressal of investors grievances).

8. Daily Reconciliation of Listed and Paid up Capital :

The company has set up 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.

9. Dematerialisation/Rematerialisation :

The dematerialisation/rematerialisation requests were confirmed to the respective Depositories (NSDL/CDSL) within one week of receipt of physical documents from the DPs as per the SEBI guidelines.

10. Redemption of Debentures :

As per the terms and conditions of the issue, all the debentures of the Company have been fully redeemed on the due date i.e 25.03.2005 after complying with different statutory provisions.

11. Payment of Corporate Cash Benefits to the Investors :

The Company has paid half yearly interest on

debentures on due date i.e., 25.09.2004. The Company has also paid the half yearly interest on debentures up to 25.03.2005 together with redemption amount i.e. one-third of face value. 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. Transfer to Investor Education and Protection Fund :

The company has transferred an amount of Rs.1,57,732/- (Rupees One Lakh Fifty Seven Thousand Seven Hundred Thirty Two Only) relating to the unclaimed and unpaid dividend for the financial year 1996-97 to the Investor Education and Protection Fund on 10.03.2005 in terms of Section 205A of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

13. No Legal Notice :

The company has not received any show cause notice for any alleged offence/violation under the Companies Act, 1956 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.

14. 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.

T.K. Satapathy & Co.
(Practicing Company Secretaries)

Place : Bhubaneswar
Date : 14.07.2005

T.K. Satapathy
(C.P.No.2682)

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure & Development

During the year 2004-05, both Indian economy and global economy performed well and Indian economy outperformed its peers with remarkable achievements in all sectors. Alumina and Aluminium prices remained buoyant during the year and scaled new highs during the year. An atmosphere of optimism and confidence prevailed in almost all sectors of economy.

The consistent demand for Alumina has prompted promoters to commence project work for new green field Alumina projects and these projects may become operational in the coming years. It is expected that there might be a massive investment for undertaking greenfield and brown field expansions.

During the year, the prices for Alumina and Aluminium in the international market remained steady and showed strength due to rising demands across the globe. The Tsunami that hit coastal areas of south east Asia including India during December 2004 had a short and light impact on economic activities in those part of the continent and effect was temporary. In India, a normal monsoon, improvements in bilateral relations with neighboring countries, political stability with continuation of reforms and an overall feel good factor in all sectors of economy created a healthy domestic market for Aluminium. This scenario is expected to continue for the coming days.

During the year, production from your Company's expanded capacities of the Mines, Refinery and Smelter was fully available. Apart from this, ambitious second phase expansion programme of your Company's production

facilities has received the Central Government's nod and the project activities have already commenced.

Your Company's other value added products such as Special Grade Alumina, Zeolite and other products have made a good presence in the market and are being well received.

Opportunities and Threats

Your Company has already commenced its project activities for the second phase expansion and shall proceed with its own resources to a considerable extent. The availability of surplus Alumina with your Company and the sustaining demand for Alumina in the global market has put it in a demanding stage and offers attractive opportunities for entering into lucrative business deals and for participating in the JVs of overseas smelters. The continuation of reforms process, focus on second generation liberalization process and the ongoing globalization trend may bring ample opportunities for the company in playing a key role in metal trading, hedging, tolling, capacity addition, 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 continuous rising of crude oil prices in the global market, developments of fragmented geopolitical scenario, slowdown in the economic activities across the globe, possible halt to the peace initiatives with neighboring countries, terrorism, reversal in global economic scenario, hardening of interest rates, natural calamities, erratic monsoon, poaching of its manpower by competitors for their green field projects and levy of antidumping duties on its raw material import.

Segment-wise performance

Your Company achieved the highest ever net profit of Rs.1234.84 crore on a record breaking turnover of Rs.4439.99 crore. The Chemicals (Alumina) segment accounted for 40% of the total revenue and 61% of Earnings before Interest & Tax, while the Aluminium segment accounted for 60% of the total revenue and 40% of Earnings before Interest & Tax. The detailed segment-wise information are furnished below :

	Chemicals (Alumina)		Aluminium		Unallocable		Total
	Rs. in crs.	Share	Rs. in crs.	Share	Rs. in crs.	Share	Rs. in crs.
Net Sales & operating revenue	1,957.15	40%	2,968.96	60%	—	—	4,926.11
PBIT	1,169.50	61%	796.85	40%	(-) 8.47	(-) 1%	1,930.88
Capital Employed	1,606.21	30%	3,130.43	59%	613.62	11%	5,350.26
ROCE (%)	73%		25%				
RBIT Margins (%)	60%		26%				

Outlook for the Industry

Domestic Market Outlook

The domestic Aluminium supply is going to witness more metal flowing in from the expanded capacity of Vedanta group. The domestic demand of Aluminium is expected to remain strong during 2005-06 and is anticipated to grow @ 8% over the previous year.

With the commencement of production of special grade Alumina/Hydrate & Zeolite-A, your Company is going to make its presence as a regular supplier of speciality products.

International Outlook

Aluminium

The IMF has predicted the global economy to grow by 4.3% in 2005, down from the 5.1% growth rate seen in 2004. IMF sees U.S. economy expanding at 3.6% in 2005. The euro-area is expected to grow at 1.6% in 2005. In 2005, IMF has projected the economic growth for Japan, China and India to be 0.8%, 8.5% and 6.7% respectively.

In 2005, the world production is expected to grow by 6% and the consumption is expected to grow by 5%. In 2005, the Chinese Aluminium production and consumption is expected to be 7.5 million MT & 6.8 million MT respectively.

Alumina

In 2005, the Alumina supply is expected to grow by 6.5% and consumption by 6.7%. There is volatility in Alumina spot prices because of the uncertainty in the Chinese market due to restrictions on importing Alumina, withdrawal of tax incentives, cash flow problems, power shortages and the likely restriction of tolling by Chinese Government.

Outlook for the Company

Your Company expects that present up-healthy trend in the economy shall continue in the coming days with prevalence of optimism in the economy. After consolidating its position firmly in the field of Alumina and Aluminium, your Company is strengthening its position in newly entered areas like Special Grade Alumina, Zeolite and Rolled Products etc. Apart from maintaining its consistent track record in capacity utilization, quality management

and gaining customers confidence, now, it is molding with new management and quality concepts.

In your Company's future strategic growth plans, the core areas include further expansion of the capacities in Mines, Refinery, Smelter and Captive Power Plants. Its strategic plans are also directed towards meaningful utilization & redeployment of resources depending on the situations and full capacity utilization of existing operations with proactive financial management and with qualitative focus on human resource development.

Your Company has its own plans & strategies to enter the market in a big way in the coming year to market its value added products like Rolled Products, Special Grade Alumina and Zeolites both in the domestic and international markets.

Risks & Concerns

The upward trend of crude oil prices in the global market and shortage of coal leading to imports may impact the operational cost of the company. Any probable depreciation of US\$ against rupee shall have bearing on the net export realization of your Company, as export constitutes nearly 50% of the turnover. Risk lies in possible international disturbances caused by terrorist strikes, polarization of trade blocks and sudden appearance of unhealthy trends in the international scenario arising out of political uncertainty in global context. Probability of imposition of antidumping duties & other allied taxes on its imported raw material and its cost fluctuations may add to the existing concern. However, your Company with its professional approach and technological advantage has enough confidence to manage the risk perceptions effectively.

Internal Control Systems and their adequacy

Your Company has well established internal control systems commensurate with the size of the Company. Your Company has entrusted the jobs of internal audit to well experienced outside professional Chartered Accountant firms. The internal audit reports are discussed thoroughly by an independent Audit Committee constituted by the Board. Besides, Accounts Manual has also been updated.

Material developments in Human Resource

Details of material developments in Human Resource/ Industrial Relations front and the number of people employed, categorywise are given in the Directors' Report.

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, 2005.

I have to state that the Comptroller & 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 2005.

Sd/-

(A. Roychoudhury)

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

KOLKATA

Dated, Kolkata
The 22 August 2005.

REVIEW OF ACCOUNTS OF NATIONAL ALUMINIUM COMPANY LIMITED FOR THE YEAR ENDED 31st MARCH 2005 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)

	2002-03	2003-04	2004-05
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	2340.40	2894.05	4052.83
(ii) Capital Reserves	1.17	1.12	0.67
(iii) Debenture Redemption Reserve	324.16	217.19	—
(c) Borrowings from			
(i) Non-convertible Redeemable Debentures	428.33	214.39	—
(ii) Bonds	440.00	440.00	—
(iii) Foreign Currency Loan	—	—	—
(iv) Commercial paper	—	—	—
(v) Export Packing Credit	256.34	—	—
(vi) Other Loan	199.77	—	—
(d) Current Liabilities & Provision	1011.60	864.28	806.39
(e) Deferred Tax Liability	573.17	609.99	652.45
TOTAL	6219.25	5885.33	6156.65
Assets			
(f) Gross Block	7459.96	8092.87	8784.55
(g) Less : Cumulative Depreciation	3747.01	4189.39	4645.55
(h) Net Block	3712.95	3903.48	4139.00
(i) Capital Work-in-Progress	1298.66	791.34	206.61
(j) Investments	200.00	200.00	—
(k) Current Assets, Loans and Advances	1006.50	990.51	1811.04
(l) Miscellaneous Expenditure not written off	1.14	—	—
TOTAL	6219.25	5885.33	6156.65
(m) Working Capital [k-d]	(-) 5.10	126.23	1004.65
(n) Capital Employed (h+m)	3707.85	4029.71	5143.65
(o) Net Worth [a+b(i)+b(iii)-l]	3307.73	3755.55	4697.14
(p) Net Worth per rupee of paid up capital (in Rupees)	5.13	5.83	7.29

2. Working Results :-

(Rs. in crore)

	2002-03	2003-04	2004-05
(i) Sales	2773.61	3344.84	4455.42
(ii) Less Excise Duty	175.37	224.50	316.03
(iii) Net sales	2598.24	3120.34	4139.39
(iv) Other Misc. Income	196.66	194.78	235.22
(v) Profit before tax and Prior period adjustment	733.84	1039.08	1869.84
(vi) Prior period adjustment	17.59	13.68	0.43
(vii) Profit before tax	751.43	1052.76	1870.27
(viii) Tax provision	230.51	315.39	635.43
(ix) Profit after tax	520.92	737.37	1234.84
(x) Proposed Dividend including dividend tax	436.12	290.74	293.30

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)

	2002-03	2003-04	2004-05
A. Liquidity Ratio			
Current Ratio	99	114.61	224.59
B. Debt Equity Ratio			
Long term Debt to Equity	26	17.42	No debt
C. Profitability Ratio			
a) Profit before tax to :			
(i) Capital Employed	20.26	26.12	36.36
(ii) Net Worth	22.72	28.03	39.82
(iii) Sales	25.66	30.21	40.37
b) Profit after tax to Equity Capital	80.85	114.44	191.65
c) Earning per Share (Rupees)	8.08	11.44	19.17

4. Sources and Utilisation of Funds

Funds amounting to Rs.1933.46 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	1234.84
Add : Deferred tax	42.46
Add : Depreciation	456.16
Add : Miscellaneous Expenditure written off	—
Decrease in Investment	200.00
Total Funds inflow during the year	1933.46

Utilisation of Funds

Decrease in Gross Fixed Assets and Capital Work-in-Progress	106.95
Decrease in Capital Reserve	0.45
Less : Transfer to Profit & Loss A/c.	0.05
Refund to Government India	0.40
Dividend paid (including tax thereon)	290.74
Decrease in borrowing	654.39
Increase in working capital	880.98
Total funds outflow during the year	1933.46

5. Inventory Levels

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

(Rs. in crore)

	2002-03	2003-04	2004-05
(i) Raw Materials	71.61	48.08	56.17
(ii) Stores, Spares and others	280.74	283.55	297.48
(iii) Finished Goods and work-in-progress	137.60	148.85	175.41

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)
	Considered Good	Considered Doubtful	Total		% of total sundry debts to sale
31.03.2003	101.83	42.66	144.49	2928.03	5%
31.03.2004	102.24	42.83	145.07	3484.63	4.16%
31.03.2005	92.81	40.62	133.43	4632.40	2.88%

Sd/-

(A. Roychoudhury)

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

KOLKATA

Dated, Kolkata,
The 22 August 2005.

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, 2005, 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 (4 A) 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 (3 C) of Section 211 of the Companies Act, 1956.
- e. In terms of Government of India, Ministry of Finance, Department of Company Affairs Notification No.GSR 829(E) dated 21st October, 2003, Government companies are exempt from the applicability of provisions of Section 274 (1)(g) of the Companies Act, 1956.
- f. 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, 2005;
 - 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

S.C. Bhadra
Partner

Membership No.17054

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) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (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 any loans secured or unsecured to 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.
- (b) The company has not taken any loans secured or un-secured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clause (f) & (g) 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 for the sale of goods and services.
- v. The Company has not entered into any contracts or arrangements 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, Service 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, 2005 for a period of more than six months from the date on which they become payable.
- 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
	High Court	Commissionerate	Tribunal		
Sales Tax and Entry Tax	6.99	62.66	13.76	83.43	24.12
Central Excise	—	37.80	6.60	44.40	0.83
Custom Duty	—	8.51	2.73	11.24	0.06
Income Tax	—	52.60	50.58	103.18	85.80
Total	6.99	161.57	73.69	242.25	110.81

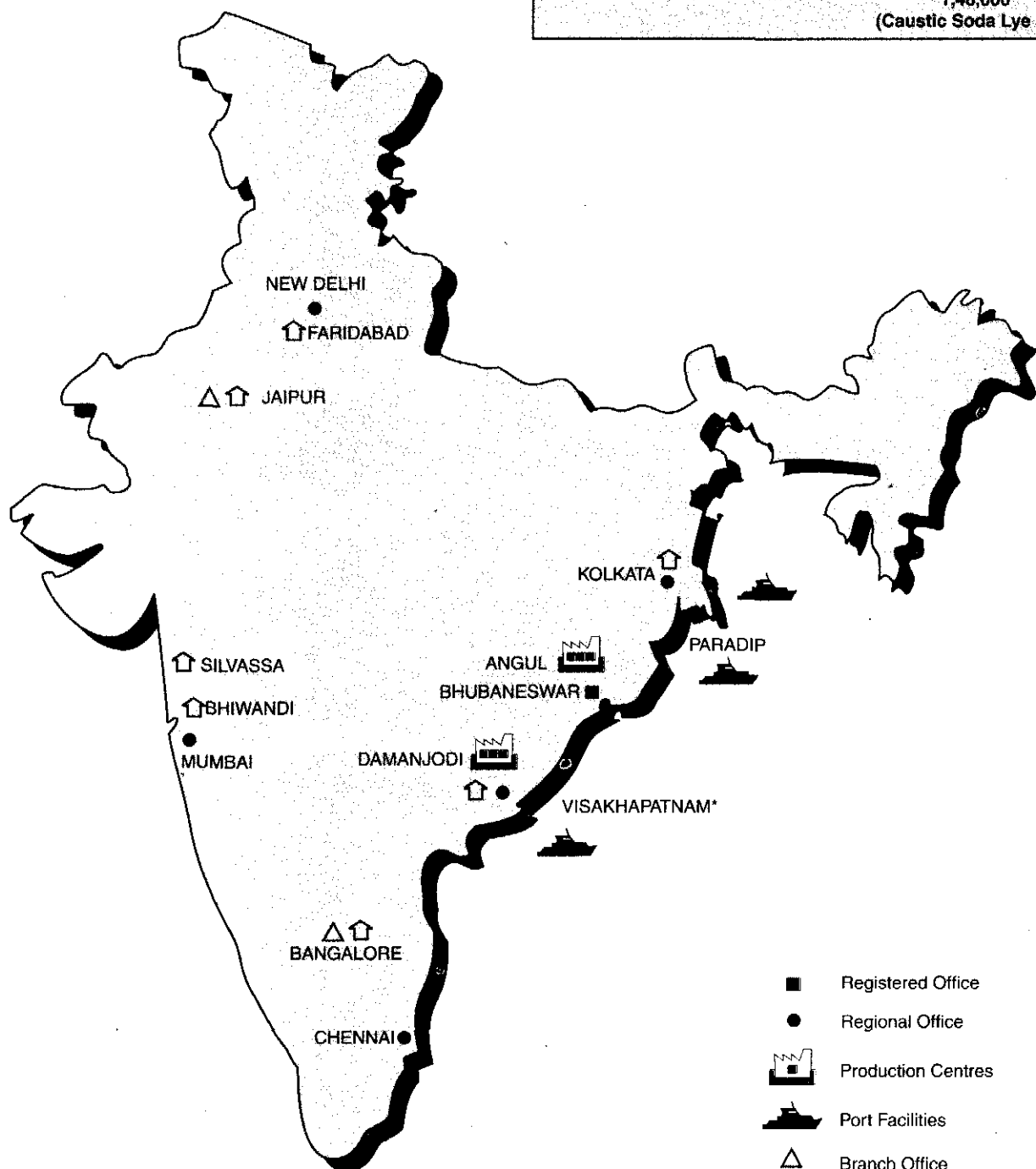
- x. The company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company 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.
- iv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- v. 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.
- vi. 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 on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- 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 by the Company has been noticed or reported during the course of our audit. As regards fraud on the Company, in one case, one transport contractor has forged the signature of officers of the Company and has claimed false bills, the amount of which is being worked out. The business with the contractor has been suspended and the amount will be recovered from his pending bills.

**For SRB & Associates
Chartered Accountants**

**S.C. Bhadra
Partner
Membership No.17054**

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

Balance Sheet as at March 31, 2005

(Rupees in crores)

	Schedule	As at March 31, 2005	As at March 31, 2004
SOURCES OF FUNDS			
Shareholders' Funds :			
Share capital	A	644.31	644.31
Reserves and Surplus	B	4,053.50	3,112.36
Loan Funds :			
Secured loans	C	—	654.39
Deferred Tax Liability (Net)		<u>652.45</u>	609.99
TOTAL		<u>5,350.26</u>	<u>5,021.05</u>
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	D	8,784.55	8,092.87
Less: Depreciation		<u>4,645.55</u>	<u>4,189.39</u>
Net Block		4,139.00	3,903.48
Capital Work-in-Progress	E	<u>206.61</u>	<u>791.34</u>
		4,345.61	4,694.82
Investments	F	—	200.00
Current Assets, Loans and Advances:			
Inventories	G	529.06	480.48
Sundry Debtors		92.81	102.24
Cash and Bank Balances		755.21	98.36
Other Current Assets		82.01	86.51
Loans and Advances		<u>351.95</u>	<u>222.92</u>
		1,811.04	990.51
Less: Current Liabilities & Provisions:			
Liabilities	H	616.25	547.88
Provisions	I	<u>190.14</u>	<u>316.40</u>
		806.39	864.28
Net current Assets		<u>1,004.65</u>	<u>126.23</u>
TOTAL		<u>5,350.26</u>	<u>5,021.05</u>
Significant Accounting Policies	X		
Notes on Accounts	Y		
Additional information	Z		
<i>(Schedules A to Z 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

S.C. Bhadra **New Delhi**
Partner 10th June, 2005

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

C.R. Pradhan
Chairman-cum-Managing
Director (In charge)

Profit and Loss Account for the year ended March 31, 2005

(Rupees in crores)

	Schedule	Year ended March 31, 2005	Year ended March 31, 2004
INCOME:			
Gross Sales	J	4,439.99	3,348.57
Less: Excise Duty		<u>316.03</u>	<u>224.50</u>
Net sales		4,123.96	3,124.07
Finished goods internally consumed/capitalised		15.43	5.97
Accretion / (Decretion) to stock of finished / intermediary products / work-in-process	K	25.91	9.65
Other income	L	<u>235.22</u>	<u>194.78</u>
		4,400.52	3,334.47
EXPENDITURE:			
Raw materials consumed	M	444.24	409.04
Power & Fuel	N	758.34	648.29
Repairs & Maintenance	O	164.37	165.73
Other Manufacturing Expenses	P	112.45	95.09
Employees' Remuneration & Benefits	Q	289.99	258.42
Administrative Expenses	R	79.10	67.50
Other Expenses	S	57.37	32.80
Selling and Distribution Expenses	T	100.94	80.84
Interest & Financing Charges	U	60.61	99.28
Provisions	V	2.19	(1.95)
Depreciation		461.08	439.21
Deferred Revenue Expenditure		<u>—</u>	<u>1.14</u>
		2,530.69	2,295.39
PROFIT FOR THE YEAR		1,869.84	1,039.08
Add : Prior Period Adjustments (Net)	W	<u>0.43</u>	<u>13.68</u>
PROFIT BEFORE TAX		1,870.27	1,052.76
Less : Provision for taxation - Current		607.55	280.72
Less : Provision for taxation - Deferred		42.46	36.82
Less : Provision for taxation for earlier years written back (Net)		<u>(14.58)</u>	<u>(2.15)</u>
PROFIT AFTER TAX		1,234.84	737.37
Balance of profit brought forward from previous year		6.80	3.15
Transfer from Capital Reserve		0.05	0.05
Transfer from Debenture Redemption reserve		<u>217.19</u>	<u>106.97</u>
Amount available for appropriation		1,458.88	847.54
APPROPRIATIONS:			
Interim dividend		128.86	—
Proposed final dividend		128.86	257.72
Tax on dividend		35.58	33.02
Transfer to General Reserve		<u>1,150.00</u>	<u>550.00</u>
		1,443.30	840.74
Balance of profit carried to Balance Sheet		<u>15.58</u>	<u>6.80</u>
Earning per share		19.17	11.44
Significant Accounting Policies	X		
Notes on Accounts	Y		
Additional information	Z		

(Schedules A to Z 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

S.C. Bhadra New Delhi
Partner 10th June, 2005

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

C.R. Pradhan
Chairman-cum-Managing
Director (In charge)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2005	As at March 31, 2004
Schedule A		
SHARE CAPITAL		
Authorised:		
130,00,00,000 Equity Shares of Rs.10/- each	<u>1,300.00</u>	<u>1,300.00</u>
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).	<u>644.31</u>	<u>644.31</u>
Schedule B		
RESERVES & SURPLUS		
Capital Reserve:		
Grants-in-aid received from Government of India :		
As per last Balance Sheet	1.12	1.17
Less: Refund	0.40	—
Less: Transfer to Profit & Loss Account	<u>0.05</u>	<u>0.05</u>
	0.67	1.12
General Reserve:		
As per last Balance Sheet	2,887.25	2,337.25
Add : Transfer from Profit & Loss Account	<u>1,150.00</u>	<u>550.00</u>
	4,037.25	2,887.25
Debenture Redemption Reserve :		
As per last Balance Sheet	217.19	324.16
Add/(Less): Transfer from (to) Profit & Loss Account	<u>(217.19)</u>	<u>(106.97)</u>
	0.00	217.19
Balance in Profit & Loss Account	15.58	6.80
Total	<u>4,053.50</u>	<u>3,112.36</u>
Schedule C		
LOAN FUNDS		
Secured Loans:		
14.5 % Non-convertible Redeemable Debentures	—	214.39
(Previous year 64,18,733 Nos of Rs.334/- each) 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
Secured by hypothecation of part of plant & machinery of Smelter plant at Angul.		
8.60 % Non-convertible Secured Redeemable Taxable Bonds	—	140.00
Secured by hypothecation of part of plant & machinery of Alumina Refinery plant at Damanjodi.		
Total	<u>0.00</u>	<u>654.39</u>

Schedules forming part of the Balance Sheet

Schedule D FIXED ASSETS

(Rupees in crores)

Particulars of Assets	Gross Block				Depreciation				Net Block	
	As on 1.4.2004	Additions	Sales / Adjust- ments	As on 31.3.2005	As on 1.4.2004	For the Year	On sales / adjust- ments	Upto 31.3.2005	As on 31.3.2005	As on 31.3.2004
A. PLANT, MINES AND OTHERS :										
Freehold land including development costs	44.06	0.15	—	44.21	—	—	—	—	44.21	44.06
Leasehold land including development costs	5.20	—	—	5.20	2.05	(0.63)	—	1.42	3.78	3.15
Buildings	385.61	11.49	—	397.10	130.20	17.48	—	147.68	249.42	255.41
Roads, bridges and culverts	49.67	3.57	—	53.24	10.26	0.87	—	11.13	42.11	39.41
Railway sidings	69.28	0.21	—	69.49	49.23	2.57	—	51.80	17.69	20.05
Water supply, drainage and sewerage	66.58	6.02	—	72.60	37.20	2.41	—	39.61	32.99	29.38
Power supply, distribution and lighting	403.88	12.78	—	416.66	162.07	22.21	—	184.28	232.38	241.81
Plant and machinery	6,690.17	649.28	(2.44)	7,337.01	3,677.61	400.75	(1.93)	4,076.43	3,260.58	3,012.56
Office equipments	22.28	2.35	(0.37)	24.26	14.04	2.16	(0.32)	15.88	8.38	8.24
Furniture and fittings	14.64	0.75	(0.01)	15.38	10.47	0.72	(0.01)	11.18	4.20	4.17
Vehicles	28.47	1.06	(0.24)	29.29	18.75	1.57	(0.19)	20.13	9.16	9.72
Miscellaneous equipments	49.12	2.63	(0.30)	51.45	19.92	2.31	(0.09)	22.14	29.31	29.20
Total	7,828.96	690.29	(3.36)	8,515.89	4,131.80	452.42	(2.54)	4,581.68	3,934.21	3,697.16
B. SOCIAL FACILITIES :										
Freehold land including development costs	2.92	0.07	—	2.99	—	—	—	—	2.99	2.92
Leasehold land including development costs	0.35	—	—	0.35	0.14	0.01	—	0.15	0.20	0.21
Buildings	187.49	2.20	—	189.69	29.40	3.20	—	32.60	157.09	158.09
Roads, bridges and culverts	21.13	0.76	—	21.89	3.88	0.40	—	4.28	17.61	17.25
Water supply, drainage and sewerage	23.35	0.61	—	23.96	8.76	0.82	—	9.58	14.38	14.59
Power supply, distribution and lighting	17.47	0.03	—	17.50	8.30	1.31	—	9.61	7.89	9.17
Office equipments	0.09	—	—	0.09	0.08	0.01	—	0.09	0.00	0.01
Furniture and fittings	2.12	0.07	—	2.19	1.79	0.09	—	1.88	0.31	0.33
Vehicles	0.85	0.12	—	0.97	0.58	0.05	—	0.63	0.34	0.27
Miscellaneous equipments	6.27	0.64	(0.03)	6.88	2.86	0.33	(0.02)	3.17	3.71	3.41
Total	262.04	4.50	(0.03)	266.51	55.79	6.22	(0.02)	61.99	204.52	206.25
C. INTANGIBLE ASSET :	1.87	0.28	—	2.15	1.80	0.08	—	1.88	0.27	0.07
Total for current year	8,092.87	695.07	(3.39)	8,784.55	4,189.39	458.72	(2.56)	4,645.55	4,139.00	3,903.48
Total for previous 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

Notes:

- Plant and machinery includes capitalisation of Rs.1791.67 (Previous year Rs.1785.66) 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.0.01) and (-) Rs.2.37 charged to prior period adjustment (Previous year Rs.5.92).
- Included in Gross Block above are the following assets laid on land not belonging to the Company :
 - Buildings - Rs.1.60 (Previous year Rs.1.58)
 - Roads, bridges and culverts - Rs. 3.66 (Previous year Rs.3.71)
 - Water supply, drainage and sewerage - Rs.1.07 (Previous year Rs.1.07)
 - Power supply, distribution and lighting - Rs.14.13 (Previous year Rs.7.98)
 - Railway sidings - Rs.6.53 (Previous year Rs.6.53)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2005	As at March 31, 2004
Schedule E		
CAPITAL WORK - IN - PROGRESS		
Construction and other work - in - progress at cost (Includes borrowing cost of Rolled Products Unit of Rs.14.84, previous year Rs. 26.92)	145.27	641.67
Advances to contractors and suppliers for capital goods (Unsecured, considered good)	13.05	16.29
Stock of construction materials (at cost)(Including materials with contractors Rs. 0.82, Previous year Rs.24.83)	19.62	46.68
Construction materials and Plant & Machinery - in - Transit (at cost)	6.62	1.57
Exchange variation pending capitalisation	7.38	13.39
Expenditure during construction pending allocation (Schedule E.1)	14.67	71.74
Total	206.61	791.34

Schedule E.1

EXPENDITURE DURING CONSTRUCTION

(Pending allocation)

Opening Balance

Expenditure/Adjustments during the year :

Technical Knowhow	—	0.12
Technical Consultancy	2.58	8.25
Other expenses	5.88	5.08
Interest & financing charges	—	21.66
Startup and commissioning expenses	21.15	15.44
Excise Duty	2.72	0.22
Selling & Distribution expenses	0.54	0.05
Depreciation	0.01	0.01
	<u>32.88</u>	<u>50.83</u>

Less: Income/Adjustments during the year :

Sale out of trial production	25.97	1.65
Export incentives on sale out of trial production	0.19	—
Finished goods transferred to commercial production	5.81	15.28
Other Income	2.06	0.06
	<u>34.03</u>	<u>16.99</u>

Net Expenditure during the year	(1.15)	33.84
Total Expenditure	70.59	134.35
Less: Transfer to other heads	0.03	2.15
Less: Amount allocated to Fixed assets	55.89	60.46
Balance carried forward	<u>14.67</u>	<u>71.74</u>

Schedule F

INVESTMENTS :

	Face value per unit (Rs.)	March 31, 2005 Number Book Value	March 31, 2004 Number Book Value
Non-Trade :(Investments at Cost)			
10 year 15% GRIDCO Bonds, 1999	1,000	— —	500,000 50.00
10 year 10.95% GRIDCO Bonds, 2002	1,000	— —	1,500,000 150.00
Total		0.00	200.00

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2005		As at March 31, 2004	
Schedule G				
CURRENT ASSETS, LOANS & ADVANCES				
Current Assets:				
Inventories:				
(As Certified by the Management)				
Raw materials (Including in transit Rs.11.38, Previous year Rs.11.84)	56.17		48.08	
Stock of Finished/Intermediary Products / Work-In-Process	175.41		148.85	
Coal and fuel oil (Including in Transit Rs.3.29, Previous year Rs.4.56)	27.01		31.23	
Stores, spares and others (Including in transit Rs.27.06, Previous year Rs.17.66)	260.12		251.42	
Fixed Assets retired from active use scrap and unserviceable materials awaiting disposal	12.63		1.34	
Less: Provision for unserviceable material	2.28		0.44	
	10.35		0.90	
	529.06			480.48
Sundry Debtors :				
(Unsecured)				
Debts over six months				
Considered good	14.69		54.74	
Considered doubtful	40.62		42.83	
	55.31		97.57	
Less: Provision for doubtful debts	40.62		42.83	
	14.69		54.74	
Other debts, Considered good	78.12		47.50	
	92.81			102.24
Cash and Bank Balances :				
Cash on hand including imprest & stamps	0.13		0.15	
Cheques on hand	—		6.58	
Balances with Scheduled Banks:				
In Current Accounts	22.26		0.43	
In Exchange Earner's Foreign Currency Account	0.12		0.02	
In Unpaid dividend Accounts	0.67		0.51	
In Unpaid Debenture Interest Accounts	0.39		2.24	
In Term Deposits *	731.64		88.43	
	755.21			98.36
* Includes Rs.106.64 crores (Previous year 88.43 crores) as per direction of Orissa High Court against demand of Electricity Duty				
Other Current Assets :				
Interest accrued :				
Investments	—		9.31	
Bank deposits and others	6.77		2.12	
Loans to Employees	27.22	33.99	23.39	34.82
Accrued Export Incentives	51.37		55.97	
Less: Provision for shortfall in realisation	3.35	48.02	4.28	51.69
	82.01			86.51
Sub-total	1,459.09			767.59

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2005	As at March 31, 2004
Loans and Advances :		
(Unsecured, considered good unless otherwise stated)		
Loans to employees (Secured Rs.67.67, Previous Year Rs.65.97)	70.70	72.49
Stores on loan basis		
Considered good	0.01	0.18
Considered doubtful	<u>0.06</u>	<u>0.06</u>
	0.07	0.24
Less: Provision for doubtful recovery	<u>0.06</u>	<u>0.06</u>
	0.01	0.18
Advances to Employees	5.69	5.93
Income Tax receivable	85.80	28.40
Payments made towards disputed Sales Tax, Customs and Excise demands	27.51	22.02
Advances to Suppliers and others:		
Considered good	4.36	6.06
Considered doubtful	<u>3.26</u>	<u>3.42</u>
	7.62	9.48
Less: Provision for doubtful recovery	<u>3.26</u>	<u>3.42</u>
	4.36	6.06
Prepaid Expenses	1.00	0.95
Claims Recoverable (Considered good) :		
CENVAT credit claims	31.06	42.51
DEPB claims	100.27	14.49
Other claims	<u>11.70</u>	<u>20.97</u>
	143.03	77.97
Claims Considered doubtful	<u>8.22</u>	<u>6.05</u>
	151.25	84.02
Less: Provision for doubtful recovery	<u>8.22</u>	<u>6.05</u>
	143.03	77.97
Deposits with Govt and other agencies :		
Considered good	13.85	8.92
Considered doubtful	<u>1.48</u>	—
	15.33	8.92
Less : Provision for doubtful recovery	<u>1.48</u>	—
	13.85	8.92
Sub-total	<u>351.95</u>	<u>222.92</u>
Total	<u>1,811.04</u>	<u>990.51</u>

Note : Loans due from Directors as on 31.3.2005 - Rs.4.56 lakhs, Maximum amount due during the year Rs.8.22 lakhs)
(Previous year - Rs.0.50 lakhs, Maximum amount due Rs.2.96 lakhs)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2005	As at March 31, 2004
Schedule H		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities:		
Sundry creditors :		
On capital account	64.72	82.64
Others	169.38	143.65
Other liabilities *	326.96	243.15
Security deposits	55.19	61.75
Book Bank Overdraft	—	8.09
 Interest accrued but not due on :		
Redeemable debentures	—	0.51
Redeemable bonds	—	8.09
Total	616.25	547.88

* Includes advance from customers Rs.83.72 (Previous Year Rs.64.61) and Liability for unclaimed dividend Rs.0.67 (Previous Year Rs.0.51). No amount is over due for credit to Investor Education and Protection Fund as on 31.03.2005.

Schedule I Provisions

Particulars	As on 31.3.2004	Additional Provision	Amounts Used	Amounts Reversed	As on 31.3.2005
For taxation (net of advance payment of tax)	1.96	16.10	—	1.96	16.10
For proposed dividend	257.72	128.86	257.72	—	128.86
For tax on dividend	33.02	18.08	33.02	—	18.08
For leave encashment and post - retirement medical benefits	23.70	3.40	—	—	27.10
Total	316.40	166.44	290.74	1.96	190.14

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2005	Year ended March 31, 2004
Schedule J		
SALES		
Export :		
Zeolite	0.13	—
Sp.Grade Hydrate	0.60	0.14
Calcined Alumina	1,120.90	822.63
Aluminium Standard and Sow Ingots	1,078.62	894.50
	<u>2,200.25</u>	<u>1,717.27</u>
Domestic :		
Zeolite	7.46	0.64
Alumina Hydrate	14.44	10.55
Sp. Grade Hydrate	9.45	1.17
Calcined Alumina	28.67	11.39
Special Grade Alumina	1.02	—
Aluminium Standard and Sow Ingots	1,422.40	973.32
Aluminium Wire Rods	524.12	403.10
Aluminium Billets	152.17	114.89
Aluminium Strips	28.59	37.95
Rolled Products	9.41	27.94
Electricity	42.01	50.35
	<u>2,239.74</u>	<u>1,631.30</u>
Total	4,439.99	3,348.57

Schedule K

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	3.98 (5.40)	— (—)	3.98 (5.40)	7.68 (3.98)	3.70 (-1.42)
Zeolite	0.60 (—)	— (0.28)	0.60 (0.28)	0.67 (0.60)	0.07 (0.32)
Alumina Hydrate	0.38 (1.35)	— (—)	0.38 (1.35)	0.42 (0.38)	0.04 (-0.97)
Special Grade Hydrate	0.03 (—)	— (—)	0.03 (—)	0.01 (0.03)	-0.02 (0.03)
Calcined Alumina	37.24 (22.45)	— (—)	37.24 (22.45)	32.81 (37.24)	-4.43 (14.79)
Special Grade Alumina	(—) (—)	0.02 (—)	0.02 (—)	0.03 (—)	0.01 (—)
Aluminium Standard and Sow Ingots	11.47 (2.58)	— (—)	11.47 (2.58)	8.42 (11.47)	-3.05 (8.89)
Aluminium Wire Rods	0.56 (5.43)	— (—)	0.56 (5.43)	1.11 (0.56)	0.55 (-4.87)
Aluminium Billets	0.42 (0.97)	— (—)	0.42 (0.97)	1.89 (0.42)	1.47 (-0.55)
Aluminium Strips	1.52 (4.54)	0.82 (—)	2.34 (4.54)	4.06 (1.52)	1.72 (-3.02)
Rolled Products	0.02 (—)	0.01 (1.47)	0.03 (1.47)	0.04 (0.02)	0.01 (-1.45)
Intermediary products:					
Anodes	34.40 (16.81)	— (-1.60)	34.40 (15.21)	53.00 (34.40)	18.60 (19.19)
Anode butts	0.47 (23.46)	0.01 (-0.06)	0.46 (23.40)	0.59 (0.47)	0.13 (-22.93)
Aluminium scraps	4.54 (2.27)	0.21 (0.94)	4.33 (3.21)	4.58 (4.54)	0.25 (1.33)
Work-in-process	53.22 (52.34)	0.02 (0.57)	53.24 (52.91)	60.10 (53.22)	6.86 (0.31)
Total	148.85 (137.60)	0.65 (1.60)	149.50 (139.20)	175.41 (148.85)	25.91 (9.65)

Note : Figures in brackets represent those of previous year

Schedules forming part of the Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2005	Year ended March 31, 2004
Schedule L		
OTHER INCOME		
Operating :		
Export incentives	151.71	112.52
Exchange variation gain	<u>6.99</u>	<u>12.67</u>
	158.70	125.19
Non-Operating :		
Interest on/from : *		
Investments	11.77	23.96
Bank Deposits and others	34.13	4.80
Loans to Employees	4.98	4.95
Premium on forward contracts	—	0.90
Profit on sale of fixed assets	0.79	0.15
Sale of general scrap bath etc. (net of excise duty) and its accretion	18.28	27.27
Receipt for rent, electricity & water charges	2.14	2.10
Miscellaneous Income	<u>4.43</u>	<u>5.46</u>
	<u>76.52</u>	<u>69.59</u>
Total	<u>235.22</u>	<u>194.78</u>

* Tax deducted at source from interest income from debtors, investments, deposits with banks and financial institutions Rs.10.45 (previous year Rs.6.76).

Schedule M

RAW MATERIALS CONSUMED

	Year ended March 31, 2005		Year ended March 31, 2004	
	Quantity(MT)	Value	Quantity(MT)	Value
Caustic soda	116,867	147.07	119,390	145.83
C.P.Coke	143,112	168.25	116,395	108.85
C.T.Pitch	35,431	63.21	29,825	53.10
Aluminium fluoride	7,194	31.98	7,012	30.94
Lime	43,754	11.67	36,203	9.72
Crystal growth modifier	341	4.97	395	5.75
Purchased anodes	—	—	6,381 Nos	27.41
Others	—	<u>17.09</u>	—	<u>27.44</u>
Total	—	<u>444.24</u>	—	<u>409.04</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2005	Year ended March 31, 2004
Schedule N		
POWER & FUEL		
Coal	396.53	334.39
Fuel oil	219.25	192.88
Duty on self generation	123.28	111.80
Power transmission charges	5.81	4.95
Purchased power	11.39	2.90
Power from Trial operation	2.08	1.37
Total	<u>758.34</u>	<u>648.29</u>
Schedule O		
REPAIRS & MAINTENANCE		
Buildings	11.15	9.54
Machinery	143.83	148.61
Others	9.39	7.58
Total	<u>164.37</u>	<u>165.73</u>
Schedule P		
OTHER MANUFACTURING EXPENSES		
Royalty & Cess	31.25	24.16
Freight inwards	34.51	31.03
Consumption of stores	36.30	29.72
Water charges	1.70	1.55
Technical assistance fee & expenses	2.30	6.61
Entry Tax	4.59	3.87
Excise Duty on closing stock of finished goods	1.80	(1.85)
Total	<u>112.45</u>	<u>95.09</u>
Schedule Q		
EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, bonus & exgratia	235.51	211.83
Contribution to Provident & Pension funds	19.89	17.90
Provision for leave encashment and post-retirement medical benefits	3.40	2.78
Staff welfare expenses	26.81	22.61
Gratuity	4.38	3.30
Total	<u>289.99</u>	<u>258.42</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2005	Year ended March 31, 2004
Schedule R		
ADMINISTRATIVE EXPENSES		
Rent	2.41	2.49
Rates and taxes	0.82	0.75
Insurance	6.15	4.70
Repairs and Maintenance :		
Buildings	3.71	2.22
Others	2.53	2.58
Vehicle operating expenses	0.78	0.74
Consumption of stores	0.67	0.31
Recruitment expenses	0.74	0.41
Bank charges	0.95	0.89
Legal expenses	4.20	0.61
Printing and Stationery	1.92	1.51
Electronic data processing expenses	1.31	1.38
Communication expenses	3.54	3.23
Advertisement & publicity	2.53	3.19
Electricity and water charges	3.05	2.99
Travelling expenses	8.43	7.74
Director's sitting fees	0.01	0.02
Hire charges for machinery and vehicles	4.20	3.92
Management development & training	4.19	2.51
Consultancy charges	0.84	1.44
CISF and other security expenses	18.14	16.40
Fire fighting services	2.86	2.69
Miscellaneous expenses	5.12	4.78
	79.10	67.50
Schedule S		
OTHER EXPENSES		
Research and development expenses	4.28	1.47
Plantation and horticulture	1.73	2.46
Environment and pollution control	0.53	0.36
Peripheral development expenses and provisions	10.15	3.90
Interest on disputed Govt. dues and others	25.04	18.84
Auditors' remuneration :		
Statutory audit fee	0.08	0.05
Statutory audit expenses	0.09	0.03
Tax audit, other certification fee and expenses	0.06	0.06
Cost audit fee and expenses	0.03	0.02
Donations	2.25	0.95
Demurrage	0.33	0.17
Loss on sale of assets	0.08	0.44
Shortages and losses	1.12	0.75
Stores and spares written off	10.11	3.28
Claims, receivables and debts etc. written off	1.49	0.02
	57.37	32.80

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2005	Year ended March 31, 2004
Schedule T		
SELLING AND DISTRIBUTION EXPENSES		
Packing and forwarding	2.67	2.06
Freight outwards and handling	69.50	53.05
Cash discount	19.85	17.03
Commission to selling agents	0.06	0.11
Wharfage	1.86	0.96
Bank charges	0.95	0.85
Others	6.05	6.78
Total	<u>100.94</u>	<u>80.84</u>
Schedule U		
INTEREST AND FINANCING CHARGES		
Interest on :		
Redeemable debentures	30.57	61.58
Redeemable bonds	29.77	37.84
Short term loans	0.03	6.36
Issue and other expenses	0.24	0.45
	<u>60.61</u>	<u>106.23</u>
Less: Transferred to Capital Work-in-progress	—	6.95
Total	<u>60.61</u>	<u>99.28</u>
Schedule V		
PROVISIONS		
Unserviceable materials	1.84	(0.26)
Doubtful Debts	(2.21)	0.17
Doubtful Other current assets	(0.93)	0.40
Doubtful advances	(0.16)	0.13
Doubtful deposits	1.48	—
Doubtful claims	2.17	(2.39)
Total	<u>2.19</u>	<u>(1.95)</u>
Schedule W		
PRIOR PERIOD ADJUSTMENTS (NET)		
Other Income	0.01	(0.02)
Raw materials consumed	—	(0.12)
Power and fuel	2.12	(5.66)
Repairs and maintenance	(0.03)	0.74
Other manufacturing expenses	0.55	0.03
Employees' remuneration & benefits	(0.57)	—
Administrative & Other Expenses	(0.05)	0.14
Selling & distribution expenses	(0.09)	—
Interest & financing charges transferred to CWIP	—	(14.71)
Depreciation	(2.37)	5.92
Total	<u>(0.43)</u>	<u>(13.68)</u>

Note : Figures in brackets represent credits.

Schedules forming part of the Accounts

Schedule - X

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 and 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 valued at lower of technical estimation and net realizable value.

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 40.71%

- 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. IMPAIRMENT OF ASSETS:

The Company reviews the carrying amount of its fixed assets, whenever circumstances indicate that the carrying amount of the asset may not be recoverable. The Company assesses recoverability of the carrying value of the assets by grouping assets of entire one plant as Cash Generating Unit (CGU). Since Bauxite Mines and Captive Power Plant are setup for captive consumption, these plants are included under respective main plant. The Company then estimates the discounted future cash flows expected to result from CGU. If the estimated discounted future cash flow expected to result from the use of the asset are less than its carrying amount, the asset is deemed to be impaired. The amount of impairment is measured as the difference between the carrying value and fair market value.

11. 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.

E. CONTINGENT LIABILITIES & ASSETS:

Contingent Liabilities not recognized in the accounts are disclosed in the Notes forming part of the accounts. Contingent assets are neither recognized nor disclosed in the accounts.

Schedule -Y

Notes Forming Part of the Accounts :

1. Balance Sheet:

1.1 Fixed Assets:

Land:

- a) Cost of freehold land includes land acquired through Government of Orissa, for which relevant title deeds have been executed except a few.
- b) 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.

1.2 Contingent Liabilities :

(Rupees in crores)

	As at 31st March 2005	As at 31st March 2004
a) Estimated amount of contracts to be executed on capital account (net of advances and LCs opened)	193.59	104.46
b) Outstanding letters of credit, guarantees and counter guarantees	22.11	23.32
c) Claims against the Company not acknowledged as debts :		
i) Sales Tax	60.12	56.48
ii) Excise Duty	78.97	70.16
iii) Customs Duty	11.33	11.51
iv) Claims of contractors, suppliers & others	43.75	48.40
v) Land acquisition and interest thereon	32.90	31.75
vi) Unrealised bank guarantees due to court injunctions	0.57	0.57
vii) Income Tax & Wealth Tax	103.18	90.93
viii) Entry Tax and Road Tax	22.20	7.91
ix) Employee State Insurance	0.32	—
x) Water charges	1.19	—
TOTAL	354.53	317.71

- 1.3 Dues to various Small Scale Industrial Units amounting to Rs.1.63 crores (Previous year Rs.1.69 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:

- 2.1 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.

- 2.2 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, was considered as sales income last year and the balance of Rs.38.88 crores was kept under advance from customers pending finalisation of amount. The advance will be adjusted on final acceptance of arbitration order by both the parties.

- 2.3 Income and expenditure from Special Grade Alumina and Hydrate pilot plant, earlier accounted under R&D head, are now accounted under respective heads of account after considering its use for commercial purposes.

- 2.4 Export incentive in the form of DEPB certificate under Target Plus scheme amounting to Rs.44.44 crores has been accounted for as income on accrual basis.

- 2.5 Government of Orissa has imposed Rural Infrastructure and Socio Economic Development tax from 1st February 2005 on mineral bearing land @ 20% of its annual value. In the absence of notification on rates of annual value of mineral bearing land and any demand from Government, no provision has been made.

- 2.6 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.

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

	Up to 31.3.2005	Up to 31.3.2004
(Rs. in crores)		
Deferred tax liabilities:		
Depreciation on Fixed Assets	703.24	670.88
Less: Deferred tax assets:		
Taxes duties, etc.	27.64	38.32
Provision for doubtful debts, claims, etc.	21.51	20.32
Employee separation/retirement and others	1.64	2.25
	50.79	60.89
Net deferred tax liability	652.45	609.99

3.2 Provisions:

- a) Provisions for Income and Wealth tax are computed as per statute and will be paid before its scheduled date.
 - b) Provisions for proposed dividend and dividend tax will be paid after being approved by shareholders in the Annual General Meeting.
 - c) Provisions for leave encashment and post retirement medical benefits are computed based on actuarial valuation as per AS-15 and will be paid as per rules of the Company.
4. 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 scraps and bath tapped from potshells (Policy No.B.3.4), inventory has increased by Rs.9.67 crores, other income is increased by Rs.9.22 crores and Incidental Expenditure during Construction is decreased by Rs.0.45 crores.
 - b) Consequent to introduction of Accounting Standard on Impairment of Assets (AS-28) from 1.4.2004 (Policy No.C.10), carrying amount of fixed assets of Rolled Products Unit was compared with future cash flow expected to result from its use. Since the future cash flow was more, no impairment of asset was considered.
 - c) Consequent to change in rate of depreciation on Ash Ponds at Captive Power Plant (Policy No.C.1.1), Depreciation charged for the year is increased by Rs.0.34 crores with corresponding decrease in Net Block.
5. Previous year's figures have been regrouped / rearranged wherever necessary to make them more comparable.

Schedule - Z

Additional information forming part of accounts for the year ended March 31, 2005

	Current Year (Rs. in crores)		Previous Year (Rs. in crores)	
1. a) Whole-time Directors' Remuneration:				
Salaries	0.44		0.20	
Company's contribution to Provident Funds & Gratuity scheme	0.03		0.02	
Leave travel concession	—		—	
Medical benefits	0.05		0.03	
Other benefits	0.06		0.06	
Total	0.58		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 as per their terms of appointment).				
b) Part-time Directors' Remuneration:				
Sitting Fees	0.01		0.01	
2. Expenditure incurred in Foreign Currency on cash basis:				
Technical assistance	1.33		5.21	
Payments to consultants / supervision charges	8.92		16.46	
Travelling expenses	0.38		0.66	
Agency commission on export sales	0.06		0.11	
other expenses	2.67		0.24	
Total	13.36		22.68	
3. Earnings in Foreign Currency on cash basis:				
Export of goods	2,145.87		1,722.27	
Other Income	1.00		1.27	
Total	2,146.87		1,723.54	
4. Value of Imports calculated on CIF basis:				
Raw materials	93.67		77.33	
Components, spare parts and construction materials	33.36		27.20	
Capital goods	26.65		23.10	
Total	153.68		127.63	
5. Value of Raw materials, stores, spares & components consumed during the year:				
	Current Year		Previous Year	
	Value	%	Value	%
a) Raw materials:				
Imported	44.21	9.95	60.95	14.90
Indigenous	400.03	90.05	348.09	85.10
Total	444.24	100.00	409.04	100.00
b) Stores, spares and components:				
Imported	48.62	27.17	68.32	38.13
Indigenous	130.32	72.83	110.86	61.87
Total	178.94	100.00	179.18	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	48,51,726	48,16,762
ii) Detergent Grade Zeolite	Not Applicable	10,000	10,000	4,046	928
iii) Aluminium Hydrate	Not Applicable	15,75,000	15,75,000	15,75,500	15,56,100
a) Special Grade Hydrate	Not Applicable	7,150	7,000	5,009	1,745
iv) Calcined Alumina	Not Applicable	15,75,000	15,75,000	15,66,720	15,50,100
a) Special Grade Alumina	Not Applicable	450	—	413	—
v) Aluminium Metal	Not Applicable	3,45,000	2,87,500	3,38,483	2,98,207
a) Aluminium Standard Ingots	Not Applicable	2,15,000	2,15,000	1,46,322	1,08,286
b) Aluminium Sow Ingots	Not Applicable	—	—	1,24,467	1,29,754
c) Aluminium Wire rods	Not Applicable	1,00,000	1,00,000	49,228	40,939
d) Aluminium Billets	Not Applicable	30,000	30,000	14,466	11,872
e) Aluminium Strips	Not Applicable	26,000	26,000	3,846	3,493
f) Rolled Products	Not Applicable	45,000	45,000	858	2,660
vi) Electricity	Not Applicable	960 MW	840 MW	5,613MU	5,122 MU

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

2. Current year's production includes Aluminium metal and Electricity of 2590 MT and 37 MU respectively out of trial operation. Previous year's production includes Zeolite, Special Grade Hydrate and Electricity of 423 MT, 684 MT and 13 MU respectively out of trial operation.

3. Bauxite of 46,83,596 MT (previous year 49,43,999 MT), Alumina Hydrate of 15,71,729 MT (previous year 15,52,288 MT), Calcined Alumina of 6,54,381 MT (previous year 5,77,208 MT) and Electricity of 5,223 MU (previous year 4,624 MU) have been consumed internally during the year.

5. The Aluminium production at column v) includes production of 121 MT (previous year 2 MT) of bus bar, 33 MT (previous year 820 MT) of Anode stem and wedges and 1,063 MT of strip coil (previous year 3,041 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	269,004 (396,942)	3.98 (5.40)	— —	— —	438,929 (269,004)	7.68 (3.98)
Zeolite	389 (—)	0.60 (—)	4,056 (316)	7.59 (0.64)	379 (389)	0.67 (0.60)
Alumina Hydrate	803 (2,929)	0.38 (1.35)	7,415 (9,040)	14.44 (10.55)	906 (803)	0.42 (0.38)
Special Grade Hydrate	37 (—)	0.03 (—)	5,032 (1,024)	10.05 (1.31)	20 (37)	0.01 (0.03)
Calcined Alumina	73,828 (43,423)	37.24 (22.45)	922,843 (943,618)	1,149.57 (834.02)	63,274 (73,828)	32.81 (37.24)
Special Grade Alumina	— (—)	— (—)	435 (—)	1.02 (—)	30 (—)	0.03 (—)
Aluminium St.& Sow ingots	2,515 (512)	11.47 (2.58)	269,860 (235,979)	2,501.02 (1,864.65)	1,483 (2,515)	8.42 (11.47)
Aluminium Wire rods	94 (923)	0.56 (5.43)	48,552 (41,753)	524.12 (397.38)	181 (94)	1.11 (0.56)
Aluminium Billets	68 (156)	0.42 (0.97)	14,206 (11,958)	152.17 (114.08)	296 (68)	1.89 (0.42)
Aluminium Strips	232 (678)	1.52 (4.54)	2,542 (3,940)	28.59 (37.95)	423 (232)	4.06 (1.52)
Rolled products	3 (—)	0.02 (—)	777 (2,738)	9.41 (27.94)	3 (3)	0.04 (0.02)
Electricity (in MU net)	— (—)	— (—)	399 (498)	42.01 (50.35)	— (—)	— (—)

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

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

3. Current year's sales excludes sale of Aluminium metal Rs.25.23 crores (2590 MT) and electricity Rs.0.74 crores (7 MU) out of trial operation. Previous year's sales excludes sale of Zeolite Rs.0.73 crores (397 MT) and Special Grade Hydrate of Rs.0.92 crores (684 MT) out of trial operation.

4. Figures of closing stock are after adjustment of excess of Bauxite 1795 MT (Previous year shortage 701 MT), Alumina hydrate excess of 3,747 MT (previous year excess of 3,102 MT) Calcined alumina shortage of 50 MT (previous year excess of 1,131MT), Aluminium metal shortage of 42 MT (previous year shortage of 74 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	8.43	0.02	9.96	—	1.29	19.70
Welfare expenses	—	8.15	7.51	0.81	2.92	19.39
Materials consumed	0.13	—	1.80	—	—	1.93
Repairs & maintenance	5.40	0.04	0.05	—	0.01	5.50
Power, fuel & water charges	4.76	—	—	—	—	4.76
Depreciation	4.03	0.15	0.14	0.17	0.05	4.54
Total	22.75	8.36	19.46	0.98	4.27	55.82
Less: Recoveries	2.00	—	0.11	—	—	2.11
Net Expenditure	20.75	8.36	19.35	0.98	4.27	53.71
For previous year	18.49	7.25	17.27	1.06	2.07	46.14

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

Registration No.	1500920
State Code	15
Balance Sheet Date	31st March, 2005

	Current Year	Previous Year
ii) Capital raised during the year:	(Rupees in crores)	
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	5,350.26	5,021.05
Total Assets	5,350.26	5,021.05
Sources of Funds:		
Paid-up Capital	644.31	644.31
Reserves & Surplus	4,053.50	3,112.36
Secured Loans	Nil	654.39
Unsecured Loans	Nil	Nil
Deferred tax liabilities	652.45	609.99
Application of Funds:		
Net Fixed Assets	4,345.61	4,694.82
Investments	Nil	200.00
Net Current Assets	1,004.65	126.23
Misc. Expenditure	Nil	Nil
Accumulated losses	Nil	Nil

iv) Performance of the Company:

Gross Turnover	4,439.99	3,348.57
Total Expenditure	2,530.25	2,281.71
Profit/Loss before Tax	1,870.27	1,052.76
Profit/Loss after Tax	1,234.84	737.37
Earning per Share (In Rupees)	19.17	11.44
Dividend rate (%)	40.00	40.00

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

Item Code No.	335000000 and 76.06
Product	Aluminium Ingots and cold rolled aluminim 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	1,174.13	843.17	2,949.83	2,280.90	—	—	4,123.96	3,124.07
Inter-segment transfers	783.02	502.54	19.13	15.67	—	—	802.15	518.21
Total Revenue	1,957.15	1,345.71	2,968.96	2,296.57	—	—	4,926.11	3,642.28
Less: Elimination							(802.15)	(518.21)
Net Revenue							4,123.96	3,124.07
B. Result								
Segment result	1,169.50	586.87	769.85	575.21	(59.35)	(43.75)	1,880.00	1,118.33
Interest expense							60.61	99.28
Interest income							50.88	33.71
Income taxes							635.43	315.39
Profit from ordinary activities							1,234.84	737.37
Extraordinary items							—	—
Net Profit							1,234.84	737.37
C. Other Information								
Segment assets	1,774.41	1,830.55	3,588.58	3,958.25	793.66	96.53	6,156.65	5,885.33
Segment liabilities	168.20	144.53	458.15	388.36	180.04	331.39	806.39	864.28
Capital expenditure	43.84	24.96	82.57	156.58	1.84	3.17	128.25	184.71
Depreciation	160.86	170.21	296.46	273.50	1.39	1.42	458.71	445.13
Non-cash expenses (other than depreciation)	10.43	(2.45)	12.03	6.39	1.64	0.19	24.10	4.13

GEOGRAPHIC SEGMENTS

	India		Outside India		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A. Revenue						
External sales	1,923.71	1,406.80	2,200.25	1,717.27	4,123.96	3,124.07
B. Other Information						
Segment assets	6,088.61	5,857.69	68.04	27.64	6,156.65	5,885.33
Capital expenditure	128.25	184.71	—	—	128.25	184.71

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

S. C. Bhadra
Partner
New Delhi
10th June, 2005

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

C. R. Pradhan
Chairman-cum-Managing
Director (In charge)

11. Cash Flow Statement :

(Rupees in crores)

	Year ended March 31, 2005	Year ended March 31, 2004
A. Cash flow from Operating Activities :		
Net Profit before tax and Extraordinary Income	1,870.27	1,052.76
Adjustments for :		
Depreciation	458.71	445.13
Interest & Financing charges	60.61	84.57
Provisions (Net)	12.49	0.83
Claims/Recoverables written off	1.49	0.02
Stores and spares written off	10.11	3.28
Interest income	(11.77)	(23.96)
Income from forward contract	—	(0.90)
Exchange variation gain	—	(7.78)
DRE charged to expenditure	—	1.14
Loss/(Profit) on sale of assets (net)	(0.71)	0.29
	530.93	502.62
Operating Profit before working capital changes	2,401.20	1,555.38
Adjustments for :		
Inventories	(60.54)	5.75
Trade & other receivables	(68.84)	56.95
Trade payables	87.99	53.96
	(41.39)	116.66
Cash generated from Operations	2,359.81	1,672.04
Direct taxes paid	(636.23)	(283.10)
Cash flow before Extraordinary Items	1,723.58	1,388.94
Extraordinary Items	—	—
Net cash from operating activities	1,723.58	1,388.94
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(126.72)	(187.82)
Sale/write off of Fixed Assets	0.04	0.06
Investment matured	200.00	—
Interest received	21.08	30.22
Net cash used in investing activities	94.40	(157.54)
C. Cash Flow from Financing Activities:		
Redemption of Debentures	(214.39)	(213.94)
Short term borrowings	(440.00)	(456.11)
Income from forward contract	—	0.90
Interest & financing charges paid	(69.21)	(85.11)
Refund of grants-in-aid	(0.40)	—
Exchange Variation Gain	—	7.76
Dividends including dividend taxpaid	(437.11)	(436.12)
Net cash used in Financing activities	(1,161.11)	(1,182.62)

(Rupees in crores)

	Year ended March 31st, 2005	Year ended March 31st, 2004
D. Net changes in Cash & Cash equivalents (A+B+C)	656.87	48.78
E. Cash & Cash equivalents - Opening balance	98.34	49.56
F. Cash & Cash equivalents - Closing balance	755.21	98.34

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

Cash on hand and balances with banks	755.21	98.36
Effect of exchange rate changes	—	(0.02)
Cash & Cash equivalents as restated	755.21	98.34

b) Balances with bank includes Rs.106.64 (Previous year Rs.88.43) not available for use by the Company.

c) Against working capital borrowing facility of Rs. 600 (Previous year Rs.600), sanctioned by SBI, the Company has availed borrowings depending upon actual requirement. At the end of the year, the balance is Nil.

e) Figures in brackets are cash outflow/income, 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

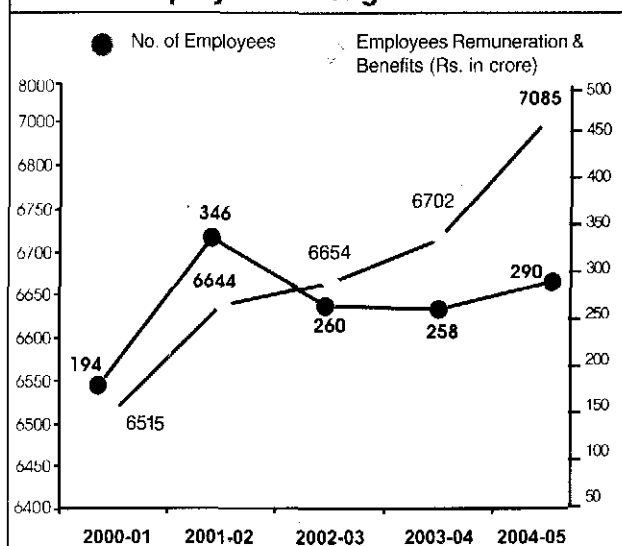
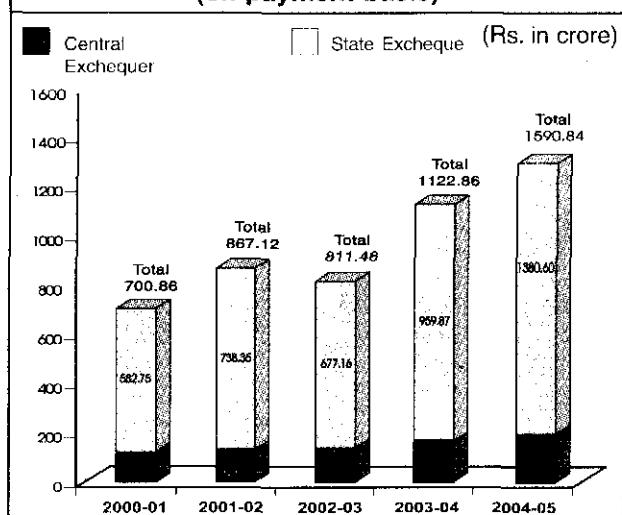
S. C. Bhadra
Partner

New Delhi
10th June, 2005

K. N. Ravindra
Company Secretary

S.C.Chhatwal
Director (Finance)

C. R. Pradhan
Chairman-cum-Managing
Director (In charge)

Employees Strength & Cost**Contribution to Public Exchequer
(on payment basis)**

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 Ltd.
C/o Central Warehousing Corporation
"Central Warehouse"
SP - 1296, Sitapura Industrial Area
Jaipur - 302 022
Phone : 0141-2770226/2770817

STOCK YARDS

1. Bhiwandi (w.e.f. 01.09.2005)

National Aluminium Company Limited
C/o. Central Warehousing Corpn.
Gala No. 5,6,7, Shed No. H-11
Shree Arihant Compound
Kalhar
Bhiwandi-421 302

2. Kolkata

National Aluminium Company Limited
C/o Balmer Lawrie & Company Limited
WH, 1-Sonapur Road
Kolkata - 700 088
Phone : 033-24495298/5356
(Ext.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-396 230
(U.T. of Dadra Nagar Haveli)
Phone : 0260-2632883/2641436

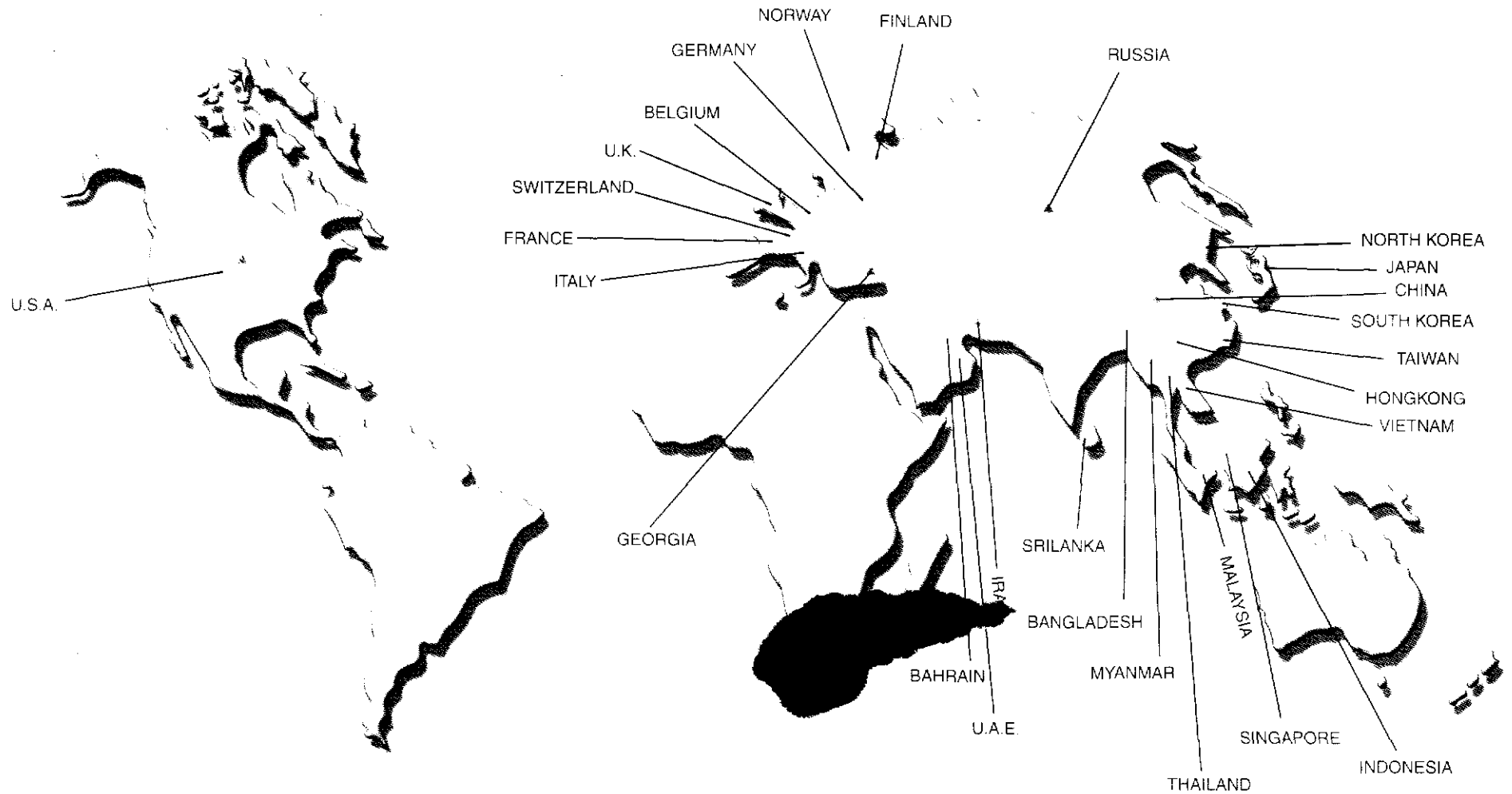
6. Faridabad

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

GLOBAL PRESENCE

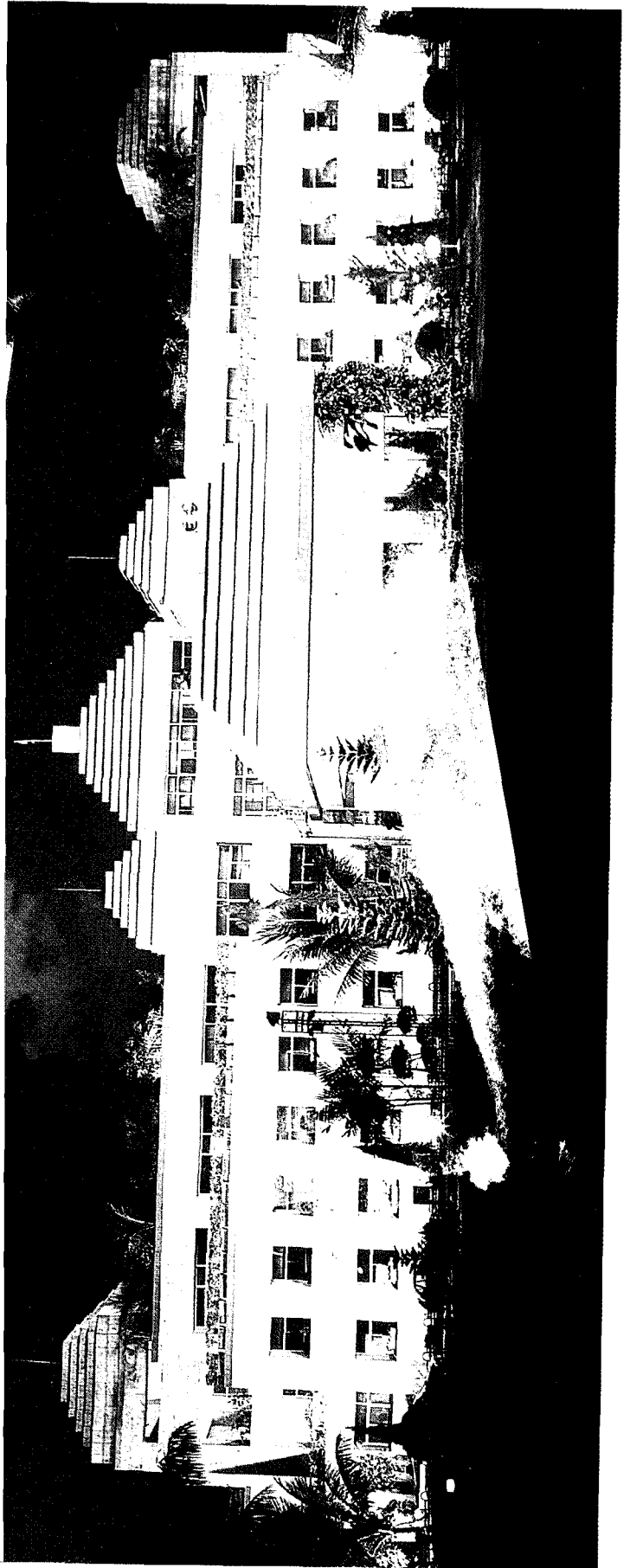


Technology associates

Aluminium export

Alumina export

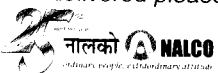
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