

25th Annual Report 2005 - 2006



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

Dr. Pradeep Kumar

Shri V. K. Thakral

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 U. B. Patnaik

Shri P. K. Parida

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

737/10, Jaydev Vihar

Bhubaneswar - 751 013

COST AUDITORS

Niran & Company

Cost Accountants

440, Sahid Nagar

Bhubaneswar - 751 007

CONTENTS

The year at a glance	2
Notice	6
Directors' Report	15
Report on Corporate Governance	29
Management Discussion & Analysis Report	39
C&AG Comments	41
Auditors' Report	42
Annual Accounts	47
Cash Flow Statement	70
Offices and Customer Contact Centres	72

The Year at a glance

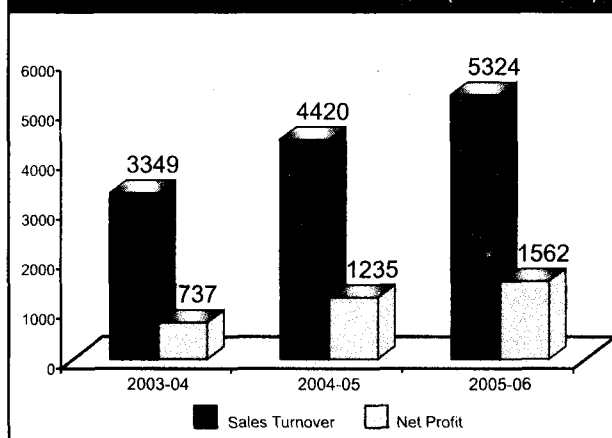
PHYSICAL

	Unit	2005-06	2004-05
Bauxite Mining	MT	48,54,253	48,51,726
Alumina Hydrate production	MT	15,90,000	15,75,500
Aluminium production	MT	3,58,954	3,38,483
Power generation (net)	MU	5,679	5,613

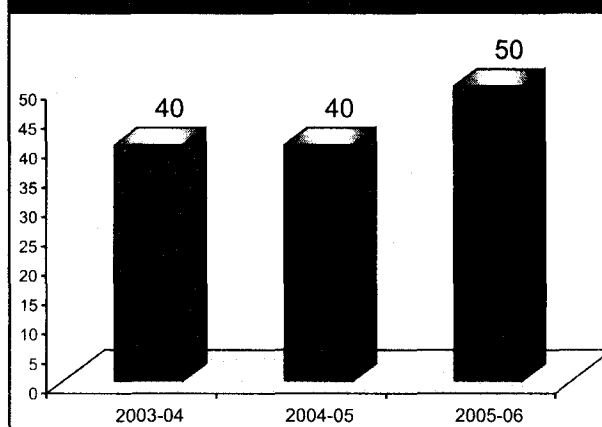
FINANCIAL

	Unit	2005-06	2004-05
Export Turnover	Rs. in crore	2,306.20	2,200.25
Gross Sales	Rs. in crore	5,324.16	4,420.14
Profit Before Tax	Rs. in crore	2,429.64	1,870.27
Profit After Tax	Rs. in crore	1,562.20	1,234.84
Earnings Per Share	In Rs.	24.25	19.17
Book Value per Share	In Rs.	91.46	72.91
Dividend	In %	50.00	40.00

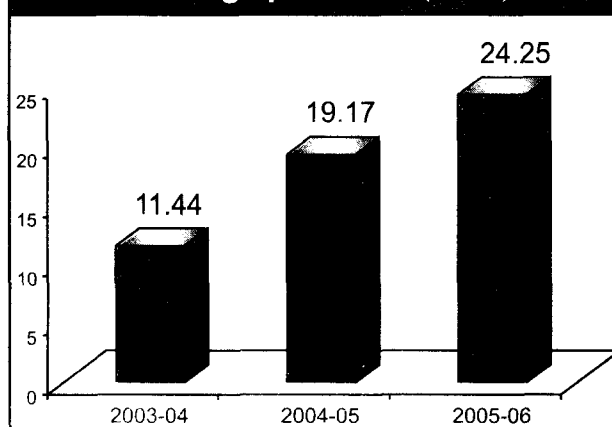
Sales Turnover & Net Profit (Rs. in crore)



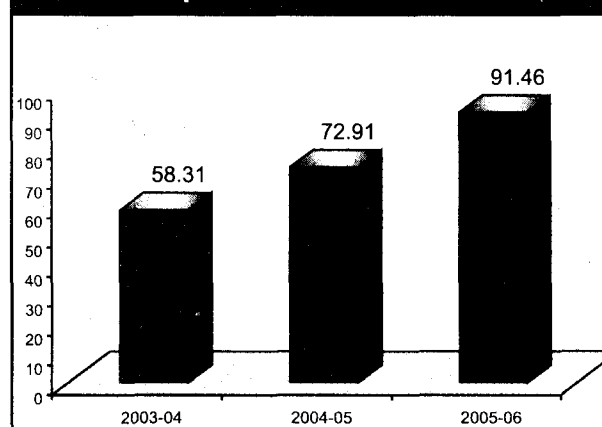
Dividend Declared (In %)



Earnings per share (In Rs.)



Book Value per share of Rs. 10/- each (In Rs.)



5 years performance at a glance - Physical

Sl. No.	Particulars	Unit	2005-06	2004-05	2003-04	2002-03	2001-02
1.	Production :						
	Bauxite	MT	48,54,253	48,51,726	48,16,762	47,77,003	35,22,059
	Alumina Hydrate	MT	15,90,000	15,75,500	15,56,100	14,96,600	11,14,000
	Aluminium	MT	3,58,954	3,38,483	2,98,207	2,44,708	2,31,674
	Power (net)	MU	5,679	5,613	5,122	4,291	3,970
2.	Export Sales :						
	Alumina	MT	8,62,616	9,09,081	9,34,874	10,37,287	6,70,120
	Aluminium	MT	95,747	1,32,730	1,29,718	1,07,302	1,06,282
3.	Domestic Sales :						
	Alumina/Hydrate	MT	12,994	21,177	17,784	11,190	6,297
	Aluminium	MT	2,58,094	2,05,797	1,66,650	1,35,193	1,23,095
	Power	MU	322	406	498	411	342

5 years performance at a glance - Financial

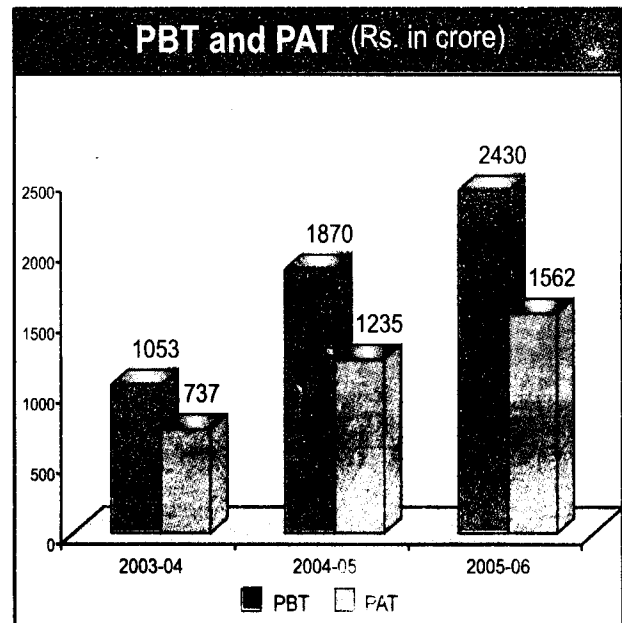
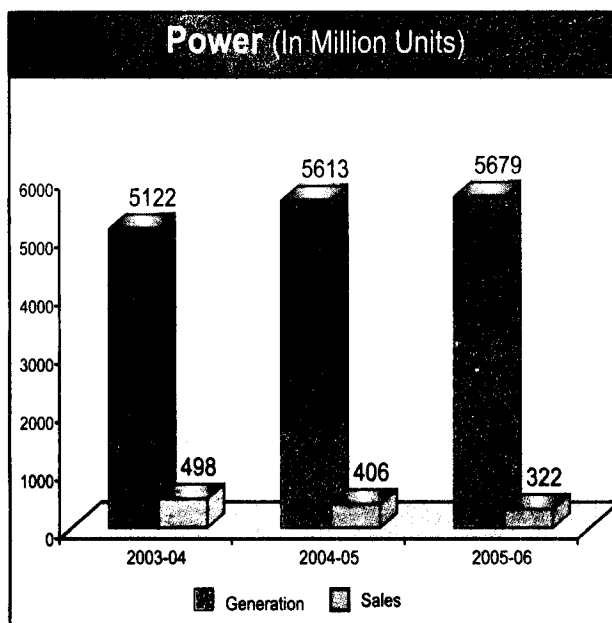
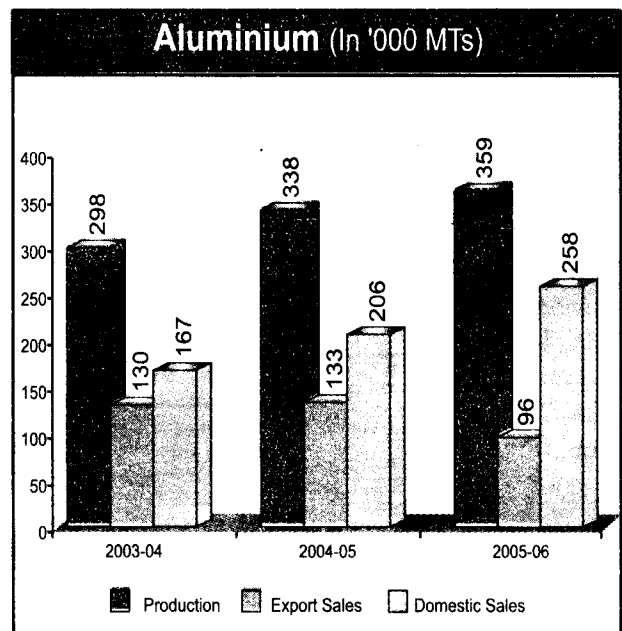
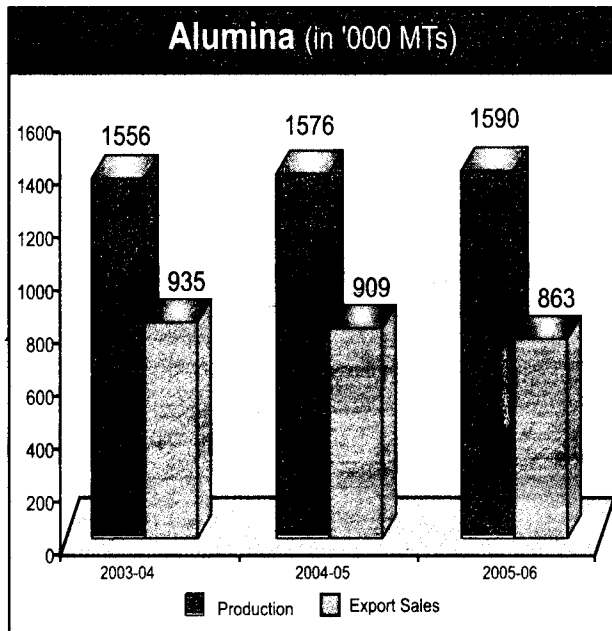
(Rs. in crore)

Sl. No.	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
A.	Income Statement :					
1.	Exports	2,306.20	2,200.25	1,717.27	1,500.65	1,205.32
2.	Domestic Sales	3,017.96	2,219.89	1,631.30	1,239.02	1,180.10
3.	Gross Sales (1+2)	5,324.16	4,420.14	3,348.57	2,739.67	2,385.42
4.	Less : Excise Duty	435.46	316.03	224.50	175.37	160.64
5.	Net Sales (3-4)	4,888.70	4,104.11	3,124.07	2,564.30	2,224.78
6.	Other Income :					
7.	Operating	101.80	174.13	131.16	186.55	129.39
8.	Non-operating	131.89	76.51	69.61	44.05	21.83
9.	Operating expenses	2,311.15	1,965.16	1,741.24	1,577.66	1,420.42
10.	Operating Profit (5+7-9)	2,679.35	2,313.08	1,513.99	1,173.19	933.75
11.	Earning before interest, dep. & taxes (EBIDT) (10+8)	2,811.24	2,389.59	1,583.60	1,217.24	955.58
12.	Interest & Financing charges	0.00	60.61	84.57	105.66	116.90
13.	Earning before dep. & taxes (EBDT) (11-12)	2,811.24	2,328.98	1,499.03	1,111.58	838.68
14.	Depreciation and Amortisation	381.60	458.71	446.27	360.15	313.07
15.	Profit Before Tax (PBT) (13-14)	2,429.64	1,870.27	1,052.76	751.43	525.61
16.	Provision for Tax	867.44	635.43	315.39	230.51	116.26
17.	Net Profit (PAT) (15-16)	1,562.20	1,234.84	737.37	520.92	409.35
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	644.31
19.	Reserves & Surplus	5,248.36	4,053.50	3,112.36	2,665.73	2,580.93
20.	Networth (18+19)	5,892.67	4,697.81	3,756.67	3,310.04	3,225.24
21.	Loans Outstanding	0.00	0.00	654.39	1,324.44	1,563.45
22.	Net Fixed Assets	3,944.51	4,139.00	3,903.48	3,712.95	2,889.62
23.	Net Current Assets	2,357.73	1,004.65	126.23	(5.10)	419.25
24.	Capital Employed (22+23)	6,302.24	5,143.65	4,029.71	3,707.85	3,308.87
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	54.81	56.36	48.46	45.75	41.97
26.	Net Profit Margin (%) (17/5*100)	31.96	30.09	23.60	20.31	18.40
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	24.79	24.01	18.30	14.05	12.37
28.	Return on Networth (RONW) (%) (17/20*100)	26.51	26.29	19.63	15.74	12.69
29.	Debt Equity (21/20)	0.00	0.00	17.00	40.00	48.48
D.	Others :					
30.	Book Value per share of Rs.10/- each (in Rs.)	91.46	72.91	58.31	51.37	50.06
31.	Earnings per share (in Rs.)	24.25	19.17	11.44	8.08	6.35
32.	Dividend declared (%)	50.00	40.00	40.00	60.00	40.00

Reconciliation of published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2005 - 06

(Rs. in crore)

Sl. No.	Particulars	1st Quarter (Unaudited)	2nd Quarter (Unaudited)	3rd Quarter (Unaudited)	4th Quarter (Unaudited)	Total of four quarters	Full Year (Audited)	Variances
1	2	3	4	5	6	7	8	9
1.	Gross Sales Turnover	1,071.70	1,149.98	1,442.59	1,659.93	5,324.20	5,324.16	(0.04)
	Less : Excise Duty	92.97	102.99	117.68	121.89	435.53	435.46	(0.07)
	Net Sales	978.73	1,046.99	1,324.91	1,538.04	4,888.67	4,888.70	0.03
2.	Other Income	40.64	47.35	54.45	85.14	227.58	233.69	6.11
3.	Total Expenditure	489.18	588.12	660.41	567.54	2,305.25	2,311.15	5.90
4.	Interest and Financing charges	—	—	—	—	—	—	—
5.	Depreciation & Provisions	98.26	99.21	91.86	89.38	378.71	381.60	2.89
6.	Profit Before Tax (PBT)	431.93	407.01	627.09	966.26	2,432.29	2,429.64	(2.65)
7.	Provision for Tax	151.37	123.97	234.06	358.24	867.64	867.44	(0.20)
8.	Net Profit (PAT)	280.56	283.04	393.03	608.02	1,564.65	1,562.20	(2.45)
9.	Paid-up Equity Share Capital	644.31	644.31	644.31	644.31	644.31	644.31	—
10.	Earnings per share (Rs.)	4.35	4.39	6.09	9.44	24.28	24.25	—
	(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 25th Annual General Meeting of the Company will be held on Thursday, the 28th September, 2006 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 audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.
- 2 To declare dividend.
- 3 To appoint a Director in place of Shri V.K.Thakral, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

- 4 Appointment of Dr. Pradeep Kumar as Director, whose period of office is liable to be determined by rotation.

To consider and if thought fit, to pass with or without

modification(s), the following resolution as an ordinary resolution :

"RESOLVED THAT Dr. Pradeep Kumar be and is hereby appointed as a Director of the Company in terms of Order No.2(1)/2004-Met.I dtd.05.06.2006 of Government of India, whose period of office is liable to be determined by rotation."

5. 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 2006-07 as may be mutually agreed upon between the Board of Directors and the Statutory Auditors of the Company, appointed by the Comptroller and Auditor General of India (C&AG)."

By order of the Board



(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 24.08.2006

Notes:

- (a) Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 4 & 5 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 shall remain closed from Tuesday, the 26th September, 2006 to Thursday, the 28th September, 2006 (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 25th September, 2006 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 25th September, 2006.
- (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 and debenture interest, 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 details of unpaid or unclaimed dividend and interest on 14.5% NCDs are available in the Company's website **www.nalcoindia.com**. Members/Debentureholders, who have not so far encashed their Dividend Warrants/ Debenture Interest Warrants are requested to make a claim by writing and sending the original Dividend Warrants/Debenture Interest 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.**

Unpaid or unclaimed dividend and debenture interest as on 16.08.2006 is given below:

UNPAID/UNCLAIMED DIVIDEND				
Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid/unclaimed dividend	Unpaid / Unclaimed amount (Rs.)	Due date for transfer to IEPF
1998-1999	30.09.1999	29.09.2006	4,24,624	28.10.2006
1999-2000 (Interim)	02.05.2000	01.05.2007	3,66,054	30.05.2007
1999-2000 (Final)	30.09.2000	29.09.2007	3,41,690	28.10.2007
2000-2001	05.11.2001	04.11.2008	7,34,076	03.12.2008
2001-2002	30.10.2002	29.10.2009	10,79,787	27.11.2009
2002-2003	29.09.2003	28.09.2010	11,47,992	27.10.2010
2003-2004	28.09.2004	27.09.2011	8,03,700	26.10.2011
2004-2005 (Interim)	21.01.2005	20.01.2012	4,93,320	18.02.2012
2004-2005 (Final)	30.09.2005	29.09.2012	4,19,455	28.10.2012
2005-2006 (Interim)	12.01.2006	11.01.2013	5,57,022	09.02.2013
UNPAID/UNCLAIMED DEBENTURE INTEREST				
Period	Due date of payment	Last date for claiming unpaid/unclaimed interest	Unpaid / Unclaimed amount (Rs.)	Due date for transfer to IEPF
1st Half-Year (26.03.99 to 25.09.99)	25.09.1999	24.09.2006	77,755	23.10.2006
2nd Half-Year (26.09.99 to 25.03.2000)	25.03.2000	24.03.2007	97,372	22.04.2007
3rd Half-Year (26.03.2000 to 25.09.2000)	25.09.2000	24.09.2007	1,14,728	23.10.2007
4th Half-Year (26.09.2000 to 25.03.2001)	25.03.2001	24.03.2008	1,30,706	22.04.2008
5th Half-Year (26.03.01 to 25.09.01)	25.09.2001	24.09.2008	1,42,112	23.10.2008
6th Half-Year (26.09.01 to 25.03.02)	25.03.2002	24.03.2009	1,92,675	22.04.2009
7th Half-Year (26.03.02 to 25.09.02)	25.09.2002	24.09.2009	1,96,441	23.10.2009
8th Half-Year (26.09.02 to 25.03.03) (as well as 1/3rd redemption amount)	25.03.2003	24.03.2010	10,92,299	22.04.2010
9th Half-Year (26.03.03 to 25.09.03)	25.09.2003	24.09.2010	1,76,185	23.10.2010
10th Half-Year (26.09.03 to 25.03.04) (as well as 1/3rd redemption amount)	25.03.2004	24.03.2011	10,53,202	22.04.2011
11th Half-Year (26.03.04 to 25.09.04)	25.09.2004	24.09.2011	97,154	23.10.2011
12th Half-Year (26.09.04 to 25.03.05) (as well as balance 1/3rd redemption amount)	25.03.2005	24.03.2012	11,07,704	22.04.2012

(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 or from the DPs. 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.5/9/99-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 28th September, 2006. 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 also unless amended / withdrawn.

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 and the Company will not entertain any direct request from such members for change/deletion of such bank details. However, if there is any change in their Bank particulars and/or change in address after the date of download of beneficial owners position by the Depositories but before the date of despatch of dividend warrant/demand draft/ 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 as per entitlement may be issued to them.

(l) Recently SEBI has issued a circular to make PAN mandatory for all Demat Accounts. All existing Demat Account holders are required to submit their PAN to their respective DPs by end of September, 2006, failing which their Demat Accounts shall be suspended for any transactions thereafter.

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 :

Dr. Pradeep Kumar was inducted to the Board as an Additional Director of the Company w.e.f. 05.06.2006. In terms of Section 260 of the Companies Act, 1956, Dr. Pradeep Kumar 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 Dr. Pradeep Kumar as Director of the Company, whose period of office is liable to be determined by rotation.

Dr. Pradeep Kumar is an IAS Officer and at present is serving as Additional Secretary in the Ministry of Mines, Government of India. 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 Dr. Pradeep Kumar, whose appointment is proposed herein, is interested in the proposed resolution.

Item No. 5 :

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 24th Annual General Meeting held on 30.09.2005 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 2005-06. Accordingly, the Board of Directors, on the recommendation by the Audit Committee has fixed Rs.7,00,000/- plus reimbursement of service tax at applicable rates and traveling and out of pocket expenses for outstation works as the remuneration for M/s. SRB & Associates, Statutory Auditors of the Company for the year 2005-06.

In addition, the Statutory Auditors were also paid a remuneration of Rs.1,75,000/- plus reimbursement of service tax at applicable rates and traveling and out of pocket expenses for outstation works for conducting Limited Review for each of 1st, 2nd and 3rd Quarters of the financial year 2005-06 as required under Clause 41 of the Listing Agreement. The Statutory Auditors were also paid an amount of Rs.1,75,000/- plus reimbursement of service tax at applicable rates and traveling and out of pocket expenses for outstation works as Tax Audit fees for the financial year 2005-06.

M/s. SRB & Associates, Chartered Accountants have been appointed as Statutory Auditors of the Company by C&AG for the financial year 2006-07. 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.

Your Directors, therefore, recommend this Ordinary Resolution authorizing the Board of Directors for fixation of the remuneration of the Statutory Auditors of the Company for the year 2006-07.

None of your Directors is interested in the proposal.

By order of the Board


(K. N. RAVINDRA)
COMPANY SECRETARY

Place : Bhubaneswar

Date : 24.08.2006

Details of Directors seeking re-appointment/appointment in 25th Annual General Meeting - 28th September, 2006 (In terms of Clause - 49 of the Listing Agreement)

1.	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 Shares held in NALCO	Shri K.L.Thakral 02.07.1956 18.11.2004 IAS officer with varied experience in Administration IAS Nil Audit Committee* - Member Nil 100 (as Nominee of President of India)
2.	Dr. Pradeep Kumar 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 Shares held in NALCO	Shri P.Sharan 21.10.1949 05.06.2006 IAS officer with varied experience in Administration IAS Nil Audit Committee* - Chairman Nil 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 whichever is applicable)

1. Regd. Folio No...../DP Id Client Id/Ben. A/c No. of shares held

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

25th Annual General Meeting – 28th September, 2006 at 11.00 A.M.

Regd. Folio No...../DP Id Client Id/Ben. A/c 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 FIFTH ANNUAL GENERAL MEETING of the Company at NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar – 751 013, on Thursday, the 28th September, 2006.

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)

PROXY FORM

Regd. Folio No...../DP Id Client Id/Ben. A/c No. of shares held

I/We.....

ofin 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 FIFTH ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 28th September, 2006 at 11.00 A.M. and at any adjournment thereof.

Signed this day of 2006

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 25th Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2006.

PERFORMANCE HIGHLIGHTS

Your Directors are pleased to inform that your Company has completed yet another successful year in 2005-06 by achieving rare distinction of highest ever performance since inception in all segments of operation viz. in Bauxite transportation, production of Alumina Hydrate, production of Calcined Alumina, Steam Generation in co-generation Plant at Refinery, Cast Metal production, Power generation at Captive Power Plant etc. as can be seen from the following:

		Year ending Unit 31.03.2006	Year ending 31.03.2005
--	--	--------------------------------	---------------------------

Production:

Bauxite	MT	48,54,253	48,51,726
Alumina Hydrate	MT	15,90,000	15,75,500
Aluminium	MT	3,58,954	3,38,483

Electricity :

a) CPP, Angul (Net)	MU	5,679	5,613
b) Co-generation Plant at Refinery, Damanjodi	MU	358.39	349.85

- For the 6th consecutive year, Smelter Plant exceeded the rated capacity during the year, all the 720 pots were in operation.
- CPP achieved the 'Zero Discharge' status of ash pond over flow recycling system.
- In down stream projects, Detergent Grade Zeolite-A, production has been 7,740 MT following process stabilization and quality improvement. Similarly, Special Grade Hydrate production has been 5,473 MT.

Marketing

- As a marketing strategy, your Company signed MOU with more number of domestic customers for supply of metal during 2005-06.

- A total quantity of 1,03,193 MT of metal was sold from the stockyards during the year exceeding the previous year best of 91,966 MT in 2004-05. Baddi stockyard was opened during the year besides having regular sales activity from other stockyards at Jaipur, Faridabad, Kolkata, Vizag, Bangalore, Bhiwandi and Silvassa.
- The policy of entering into MOU & the Aluminium metal sale through plant and various stockyards helped your Company to achieve growth of approximately 25.4% in sales in the domestic market and increasing its market share from around 27% in 2004-05 to about 30% in 2005-06.
- You will be happy to know that your Company achieved the highest ever total Aluminium metal sale of 3,53,841 MT comprising highest ever domestic sale of 2,58,094 MT with export sale of 95,747 MT during the financial year 2005-06. The sales are indicated below:

		Year ending Unit 31.03.2006	Year ending 31.03.2005
--	--	--------------------------------	---------------------------

Export

Alumina	MT	8,62,616	9,09,081
Aluminium	MT	95,747	1,32,730

Domestic

Alumina & Hydrate	MT	12,994	21,177
Special Hydrate	MT	8,191	7,058
Special Alumina	MT	1,126	435
Zeolite-A	MT	7,892	3,948
Aluminium	MT	2,58,094	2,05,797
Total Metal Sale		3,53,841	3,38,527

Electricity	MU	322	406
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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.1,234.84 crore to Rs.1,562.20 crore recording an increase of 27% over previous year. The summarized financial

results as compared to previous year is furnished below:

(Rs. in crore)

Sl. No.	Particulars	Year ending 31.03.2006	Year ending 31.03.2005
01.	Net Sales	4,888.70	4,104.11
	Other income	233.69	250.64
	Total Income	5,122.39	4,354.75
02.	Gross Margin	2,811.24	2,389.59
03.	Less: Interest & depreciation	381.60	519.32
04.	Profit Before Tax (PBT)	2,429.64	1,870.27
05.	Provision for Taxes	867.44	635.43
06.	Profit After Tax (PAT)	1,562.20	1,234.84
07.	Appropriation:		
	General Reserve	1,200.00	1,150.00
	Dividend including Dividend tax	367.34	293.30

Your Company continued to remain as a 'Zero Debt' Company throughout the year. Also, your Company utilized its internal cash generation to meet its working capital requirement and didn't utilize any working capital borrowing facility. The Company had a surplus cash balance of Rs.2,134 crore as on 31.03.2006 which is kept in short term deposit and will be utilized to finance the 2nd phase expansion.

Dividend and appropriation

Keeping in view the funds requirement for expansion projects on hand, your Directors are pleased to recommend a dividend of 50% for 2005-06 amounting to Rs.322.16 crore including 20% interim dividend paid during February, 2006. Your Directors propose to transfer Rs.1,200 crore to General Reserve Account from the Profit & 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 RESOURCE DEVELOPMENT

Manpower

The manpower strength of your Company increased from 7,085 as on 31.03.2005 to 7,406 as on 31.03.2006.

The detailed break up is given below :

	As on 31.03.2006	As on 31.03.2005
Executives	1,770	1,745
Supervisory	893	822
Skilled/Highly skilled	3,571	3,327
Unskilled/Semiskilled	1,172	1,191
Total	7,406	7,085

The increase in strength is primarily for catering to new expansions.

Training and Development

Human Resources Development is the key for the success of any organization. Keeping this in mind and the targets set, functional and developmental training needs are identified from multiple sources, 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 line with the requirement of quality management systems, to measure the benefits emanating from the action.

The training statistics for the year 2005-2006 is given below:

	Persons	Man-days
Executives	3,322	8,458
Non-executives	4,261	11,357
Total	7,583	19,815

Presidential Directives

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

As on 31.03.2006, out of 7,406 employees on the Company's roll including trainees, there were 1,196 SCs, 1,330 STs, 682 OBCs and 63 physically handicapped persons. The total number of lady employees in the organization stands at 317. Thus, 16.15% of employees are SC, 17.96% are ST, 9.21% are OBC and 0.85% are physically handicapped. Every third employee in the Company belongs either to SC or ST categories.

Industrial Relations

The Company continued its efforts on collaborative approach in industrial relations front to keep high performance level of the Company. All the Units of the Company have a recognised Union each as per verification of membership through secret ballot. There has been structured and continuous interaction with the recognised Unions upto the level of Chief Executive on the matters of production, productivity, discipline, work culture besides on resolution of various demands and employee related issues.

Employee involvement through encouragement of more suggestions on production related issues, formation of quality circles, fostering of communication channels and training etc. are adopted continuously to build up the environment of mutual cooperation and trust and to encourage employee participation in production, productivity missions and overall Governance.

There have been no man-days loss on account of industrial relations problem and strike.

However, the agitational action by the Land Affected Villagers from time to time on their claim for employment in the Company is still persisting and controlled by constant interaction with the employee groups and representatives of Land Affected Villagers with the support of State Administration. Further, the proactive steps taken by the management have also reduced the adverse impact of such stray agitations on the performance of the Company.

VISIT BY PARLIAMENTARY COMMITTEES

During the year, the following Parliamentary Committees visited and had elaborate discussions with the NALCO Management:

- The Third Sub Committee of the Committee of the Parliament on Official Language visited NALCO Chennai office from 21.10.2005 to 22.10.2005.
- The Parliamentary Standing Committee on Coal & Steel visited Bhubaneswar from 12.11.2005 to 13.11.2005.
- The Third Sub Committee of the Committee of the Parliament on Official Language visited Bhubaneswar from 10.01.2006 to 11.01.2006.
- The Parliamentary Committee on Welfare of Scheduled Caste and Scheduled Tribes visited Bhubaneswar from 06.02.2006 to 07.02.2006.
- Department Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice visited Bhubaneswar from 07.02.2006 to 09.02.2006.

SOCIAL SECTOR DEVELOPMENT / PERIPHERAL DEVELOPMENT ACTIVITIES

As a responsible Corporate Citizen, your Company has always given due importance towards its social and environmental responsibilities.

Year after year, your Company is continuing its efforts towards social obligation by spending substantial amount for the socio-economic development in the local areas surrounding the project sites in specific and Orissa in general. Besides undertaking various constructional activities, the Peripheral Development Cells of NALCO are also organizing Animal Health Camps, Science Exhibitions, Rural Health Camps, Rural Sports, provision of water supply through water tankers to the water scarcity peripheral villages, provision of furniture and educational kits to different village schools under the non-constructional activities. The Company has also approved and made provision of an amount of Rs. 2 crore for renovation of the Ananda Bazaar of Shri Jagannath Temple at Puri. The medical team of Corporate Office and site hospitals

organized periodic free Health Camps at different places where the local villagers availed the medical services of the Company.

As a responsible leading Public Sector of the country, your Company contributed Rs. 4.5 crore during the year to Prime Minister's National Relief Fund, Rs.2 crore for Tsunami Relief Work and of Rs.2.50 crore for rehabilitation of the victims of earthquake at Jammu and Kashmir State.

AWARDS & RECOGNITIONS

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

- For excellence in export, your Company bagged the prestigious Niryat Shree award, instituted by the Federation of Indian Export Organizations (FIEO).
- Your Company as well as CMD I/c of the Company were selected for the prestigious 'Excellence Award' and 'Udyog Rattan' Award respectively by Institute of Economic Studies, New Delhi.
- Instituted by Engineering Export Promotion Council (EEPC), your Company bagged the Top Exporters' Awards in the Eastern Region for the year 2001-02 and 2002-03.
- Your Company received the All India Export Excellence Award from Engineering Export Promotion Council (EEPC) for the year 2003-04.
- Your Company bagged the Top Export Award of CAPEXIL for 2004-05 for the 18th year in succession.
- Your Company adjudged as the Best Mother Plant in Orissa for the growth of ancillary and downstream industries.
- The Refinery Complex has received 'Best State Safety Award' from Director of Factories & Boilers, Orissa.

EXPANSION & DIVERSIFICATION

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

Status of 2nd Phase expansion

Project activities of 2nd phase expansion project are in progress. Orders have already been placed for many of the packages and total financial commitment upto July'06 is Rs.1,740.57 crore out of the total project cost of Rs.4,091.51 crore schedule to be completed in 2008.

The present capacity of the various project segments and the capacity after 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	1,200 MW



M/s. Engineers India Limited has been appointed as EPCM consultant for Mines, Refinery, Aluminium Smelter while MECON has been appointed as EPCM consultant for CPP and steam Generation Plant.

M/s. M N Dastur & Co. has been awarded the assignment of Cost and Time Monitoring.

Till 31.07.2006 orders have been placed for 22 packages of M&R Complex, 21 packages for Smelter and 7 packages for CPP. The total order value placed upto 31.07.2006 is Rs.1,740.57 crore.

Efforts made for additional Mining Lease

Stage-II Forest Clearance for 300 ha. of forest land of Panchpatmali Bauxite Mines was obtained from the Ministry of Environment & Forests, Government of India and the State Government is processing the case to issue surface right.

You will be pleased to know that your Company is pursuing with the State Government to allot Mining Lease of Gandhamardhan Bauxite Deposit and unconditional allotment of Pottangi deposit.

Your Company has also applied for Mining Lease of Utkal-E Coal Block and different Environmental studies are in progress for preparation of EIA in order to apply for Environmental Clearance.

MOU PERFORMANCE

Your Company's performance was 'Excellent' in terms of the Memorandum of Understanding (MOU) signed with the Government of India for the year 2005-06. A target production of 15.75 lakh MT of Alumina and 3.45 lakh MT of Aluminium has been set in the MOU signed with the Government of India for the year 2006-07.

CORPORATE PLANNING

To keep pace with the rapid changes in global business environment, your Company has recast its Corporate Plan and Vision Document in tune with the varying scenario. In line with the revised plan documents; further actions are being initiated for capacity enhancement of Alumina Refinery, Smelting operations and for backward integration.

COMPUTERIZATION ACTIVITIES

The thrust of your Company during the financial year has been for implementation of Enterprise Resource Planning, implementation of e-Governance initiatives and ensuring higher transparency in Company's activities.

RAMCO Maintenance Mgt. Packages have been successfully implemented at Captive Power Plant, Angul, Panchpatmali Bauxite Mines, Damanjodi and Port Facilities, Vizag in addition to earlier installation at Refinery & Smelter. The package has become operational. Quality improvement and standardization is under progress for effective use and benefit.

Leased lines Bandwidth for Inter-units communication between Corporate Office and Smelter, Captive power Plant and Refinery have been enhanced from 64 KBPS to 1

MBPS. Mines and Refinery have been linked through dedicated optical fiber connectivity both for voice and data communication. Internet bandwidth has been increased to 2 MBPS by availing additional 1 MBPS lease line.

During the year under report your Company has taken various e-governance initiatives like e-payment to employees, vendors & service providers has been enhanced. With the Right to Information Act coming into force from 12th Oct, 2005 your Company's website functionalities have been enhanced covering Right to Information Act, publishing details of executed tenders and the related information. Filing of Income Tax returns through TINS (Tax Information Network) both yearly and quarterly has been established.

Truck Dispatch System for optimizing utilization of loading and hauling equipments of mining using computerized optimization technique has been installed at Mines.

TOTAL QUALITY MANAGEMENT

Quality Management Systems of Smelter Plant, Captive Power Plant, Bauxite Mines and 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.

TPM implementation at Alumina Refinery and CPP, continued throughout the year with thrust on Autonomous Maintenance in two Managers Model Machines. Implementation of TPM in Smelter is 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 Quality Circles were also conducted during the year.

Quality Circles of your Company have performed very well during the year. Eighteen 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 Ernakulam. Based on their Quality Circle projects, two QCs, 'Aluminium' of Smelter Plant and 'Black Diamond' of Alumina Refinery participated in the International Convention at Korea held during November'05.

In order to encourage the Quality efforts in the State, your Company organised the All Orissa Quality Circle Convention and Competition for the tenth consecutive year, in April, 2005. 25 Quality Circles drawn from different organisations in the State participated. This event is widely recognised as the biggest effort in the quality movement in the State, using the employee involvement route.

SAFETY, HEALTH & ENVIRONMENT

During the year, your Company continued to give required attention with respect to Pollution Control, Safety, Health & Environment Management and Forest & Plantation activities. You will be pleased to know that Alumina Refinery Complex received State Government Best Performance

award for Safety & Environment Management. Your Company has completed EMS as per upgrading ISO-14001: 2004 version at all units and all the 5 units have been certified for the first time to OHSAS-18001 System. All the units have valid consent to operate under Air & Water Act.

Efforts in that direction include rehabilitation of 15 ha. mined out area by plantation in this financial year, De-fluoridation Plant of Smelter was modified with new resins to improve its performance, to monitor fugitive emission in Pot rooms one laser beam instrument has been procured & commissioned, 3,99,300 nos. of trees have been planted in M&R and S&P Complexes, raising of height of Red mud pond with new garland drains have been completed.

In the direction of disposal of Ash, raising of height of Ash Pond of CPP & Refinery are continuing. 1,05,436 Tonnes of ash from CPP and Refinery has been utilized in different activities like ash pond dyke raising, low-lying land reclamation, brick preparation and cement making. Action was initiated for dry collection of fly ash from old units and high concentration slurry disposal to existing ash pond.

In view of the criticality in Management and handling of hazardous waste after the direction of Supreme Court of India, your Company has taken all steps for safe storage of cathode residue/Spent Pot Line (SPL) for disposal to the authorized reprocessor. Efforts are being made for controlled burning of the carbon portion of the SPL in our Captive Power Plant. Other major hazardous wastes like waste oil, used lubricants and rejected batteries are handled within the plant premises as per authorization of State Pollution Control Boards and sold to registered reprocessors. Your company's Smelter Unit is making efforts to develop secured engineering land fill within the factory's boundary for disposal of other misc. hazardous wastes.

ANCILLARY DEVELOPMENT

You will be pleased to know that your Company has been giving utmost importance in development of Ancillary Industries. Year after year the purchase by your Company from the SSI & Ancillary units is increasing. For the efforts made, your Company has been selected as Best Mother Plant Award for the year 2005.

In the direction of further development of ancillary industries, your Company organized a Plant Level Advisory Committee meeting during June, 2005, took part in the Orissa Assembly of Small and Medium Enterprises (OASME) Annual Convention held on 12.08.05, participated and exhibited the items which could be produced and supplied by the Small Scale Industries in the State of Orissa to your Company on regular basis. Your Company also participated in the EXPO-2006 - a National Level Vendor Development Programme & Industrial Exhibition organized by SISI in collaboration with other Associations and Directorate of Industries, Government of Orissa at Industrial Estate, Balasore from 9th to 11th March, 2006. M/s A.F.Ferguson, New Delhi have been selected as consultant by your Company for preparation of report for development of Ancillary and Downstream Industries for Alumina and Aluminium including secondary products

along with industrial park(s) for housing the ancillary and downstream industries in the State of Orissa.

RAJBHASHA

Your Company has intensified its efforts to propagate Hindi in day-to-day activities and to lay emphasis on Hindi implementation in accordance with the Official Languages Act, 1963 and the Official Languages Rule, 1976. In that direction the following efforts were made:

- A Hindi Kavi Sammelan was organized with national level Hindi poets at Corporate Office on 1st October, 2005 and at Damanjodi on 2nd October, 2005 in which large number of employees with their family members and many public dignitaries were present.
- Like previous years this year also Hindi week and Hindi fortnight were observed at Corporate Office and at the units with a number of Hindi competitions. Prizes were distributed to the winners and participants on the concluding day. At Corporate Office, a special issue of Hindi magazine 'Akshar' was released on the occasion.
- 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.
- Bilingual computerization of different forms used in the office were uploaded at Intranet of your Company for use of all.
- For imparting working knowledge of Hindi, deputation of employees for Hindi training under Hindi Teaching Scheme continued and Hindi Training has been arranged through correspondence course.

VIGILANCE

Though primary thrust of vigilance is prevention and detection of corruption, yet emphasis is being given on systems improvement. Major stress is being given to improve systems/procedures for procurement of major Raw Materials of the organization. To make the processes efficient and transparent, constant effort is being made to introduce e-payment, e-procurement, e-tendering, e-auctioning etc. from time to time.

Irregularities/lacunae surfaced during surprise checks, regular inspections, joint-surprise checks, sample tests etc. are being brought to the notice of Competent Authority for corrective action.

In the direction of prevention of corruption, a book containing 12 circulars has been distributed among the departments highlighting common irregularities as a measure of system improvement. For creating awareness among employees of the organization, Vigilance Awareness Week was organized from 7th November to 11th November'05 at all the units of the Company in which distinguished guests were invited to share their views on prevention of corruption.

Regular training programmes on vigilance related topics are held at respective units to sensitize the rank and file about evil effects of corruption as well as for prevention of the same.

SPORTS

Your Company has always come forward to promote sports in the State as well as at National level.

Like previous years, your Company has felicitated five upcoming sports talents of Orissa during Utkal Divas celebration on 1st April '05 with citations and cash awards.

Your Company has also joined hands with different sports authorities of the state in sponsoring sports events named after your Company like All Orissa NALCO CUP State Hockey Championship, All Orissa NALCO CUP State Basketball Championship, All Orissa NALCO Open Ranking Tennis Tournament and NALCO CUP East Zone Golf Tournament.

Ms. Anuradha Biswal and Ms. Sraddhanjali Samantray had represented the state at National level championships in Athletics and Women football respectively. While Ms. Anuradha had been selected for National coaching camp, Ms. Sraddhanjali had been selected as Captain of the National Women football team. Ms. Sraddhanjali had bagged the award of the best sports person of the state of the year for her outstanding achievements. Sri Debasish Mohanty of your Company had been selected as the captain of Orissa cricket team in the Ranji Trophy Tournament of this season.

PARTICULARS OF EMPLOYEES

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

REPORT ON CONSERVATION OF ENERGY, R&D AND TECHNOLOGY ABSORPTION

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

STATUS OF LISTING IN STOCK EXCHANGES

Your Company's shares are listed in the following Stock Exchanges for which listing fees for 2006-07 has been paid:

1. Bombay Stock Exchange Limited, 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 2005-06 was Rs.2,318.20 crore as against Rs. 2,146.87 crore during the previous year.

The foreign exchange outgo during the year was Rs.170.38 crore as against Rs.167.04 crore during the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to 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 2005-06 as a part of good Corporate Governance practice and the report of M/s. T.K. Satapathy, Company Secretaries 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

Comments of the Comptroller and Auditor General of India on Accounts for the year ended 31st March, 2006, 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 2005-06 by the Comptroller and Auditor General of India.

M/s. Saroj Ray & Associates, Plot No.737/10, Jayadev Vihar, Bhubaneswar-751 013 and M/s. T K Satapathy & Co., Biswal Commercial Complex, Cuttack Road, Bhubaneswar - 751 006 have been appointed as Secretarial Auditors of the Company for the year 2005-06.

M/s. Niran & Company, Cost Accountants, 440, Saheed Nagar, Bhubaneswar-751 007 have been appointed as Cost Auditors of the Company for the year 2005-06.

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 and Regional offices of your Company respectively for the year 2005-06.

DIRECTORS

The following changes took place in the constitution of the Board of Directors of the Company since last report:

Appointment

- Shri Sujit Gulati, Joint Secretary, Ministry of Mines, Government of India was appointed as Director of your Company with effect from 17.02.2006.
- Dr. Pradeep Kumar, Additional Secretary, Ministry of Mines, Government of India was appointed as Director of your Company w.e.f. 05.06.2006.

Cessation

- Shri Harbhajan Singh ceased to be Director w.e.f. 31.01.2006.

- Shri Sujit Gulati ceased to be Director w.e.f. 27.03.2006.
- Shri S C Chhatwal ceased to be Director w.e.f. 01.05.2006.

Your Directors would like to place on record their deep sense of appreciation for the valuable services and guidance received from S/Shri Harbhajan Singh, Sujit Gulati and S C Chhatwal during their tenure on the Board of your Company.

ACKNOWLEDGEMENT

Your Directors gratefully acknowledge the support and guidance received from various ministries of the Government of India, particularly the Ministry of Mines. Your Directors also express their grateful thanks to 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 Directors also wish to express their appreciation of dedicated efforts in pursuit of excellence put in by the employees at all levels.

For and on behalf of the Board of Directors

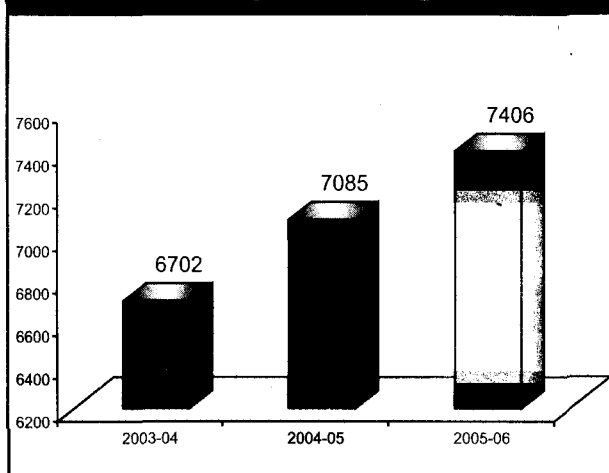


(C.R. Pradhan)
Director (P&T) & CMD I/c

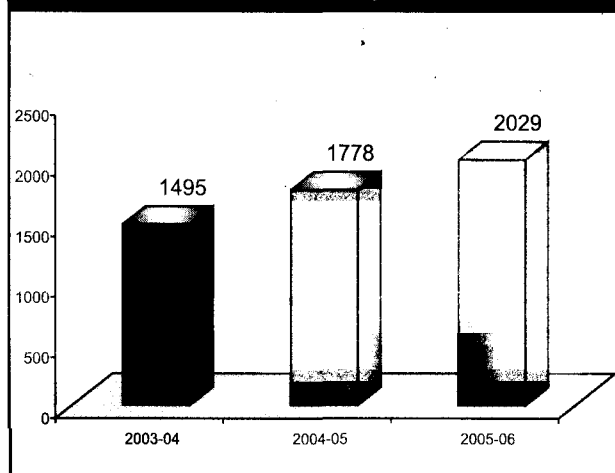
Place : Bhubaneswar

Date : 24.08.2006

Employees Strength



LME Aluminium rates per MT (In US \$)



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

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 from a level of 2.87 T/T (total) to 2.79 T/T (total) even with increase in consumption in Zeolite & SGH plant with increase in production volume. Steam consumption reduced with reduction in evaporation load from a level of 4.13 T/T to 3.83 T/T. This is mainly due to;
 - i) Increase in liquor productivity from a level of 73.29 kg/m³ to 74.83 kg/m³.
 - ii) Reduction in unauthorized water addition in process circuit.
 - iii) Regular monitoring of steam and water loss in total process circuit and attending on priority basis.
 - iv) Continuing to maintain the Quality parameters of steam i.e. pressure and temperature supplied to process, thereby achieving optimal steam consumption.
- b) Optimal control of excess air to achieve efficient and complete combustion inside the furnace resulting improvement in Boiler performance.
- c) Improvement in Milling system output by proactive maintenance and time based replacement of critical spare parts like gearbox.
- d) Replacement of inefficient impellers of PA fans in each overhauling, thereby achieving adequate velocity profile of pulverized coal from Mill to furnace.
- e) Major repair/replacement of flue gas duct & repair of AH seals in Boilers, thereby arresting air infiltration into flue gas circuit thus achieving effective combustion.
- f) Rigorous monitoring of coal leakages and repairs.

Specific Fuel oil Consumption

The specific fuel oil consumption in Calciners was reduced during the year with following measures:

- a) Modification in old Calciners through Quality improvement projects. A hydrate by pass system

was installed & commissioned in unit-A. The required materials are being procured for implementation in unit-B.

- b) Better capacity utilization of Calciners with higher production of hydrate beyond target.
- c) Maintaining the PTS of unit-A & B for operation of fine hydrate by-pass most of the time.

Specific oil consumption in Calciners reduced to a level of 77.40 lit/T from 78.20 lit/T achieved in 2004-05.

Specific Fuel oil consumption in SPP

Specific oil consumption in SPP could be reduced to a level of 3.272 lit/T from a level of 4.243 lit/T achieved in 2004-05. This could be achieved due to the following measures:

- a) Changing the grinding Media quality from conventional manganese steel to better quality Hi-chrome steel in most of the Mills, Close monitoring of Mill fineness and periodical cleaning of coal Mill classifier ensures proper fineness of pulverized coal, thereby achieving efficient combustion and better furnace stability, thus restricting the requirement of taking oil support for furnace stability.
- b) Optimal control of secondary air to achieve efficient and complete combustion inside furnace, thereby eliminating the requirement of taking oil guns in case of furnace disturbance.
- c) Adhering to the improved maintenance philosophy of time based/ condition based replacement of critical spare parts like Mill gear box, thereby increasing Mill availability and ensuring the running of two Mills in each boiler, thus no requirement of oil support.
- d) Improved stabilization period after Boiler overhaul/ cold light up.

Specific Electrical Energy consumption

Specific electrical consumption for the alumina refinery dropped from a level of 339.32 kwh/T to 333.52 kwh/T with increase in consumption in Zeolite & SG main plant with increase in volume of production. This could be achieved due to:

- a) Replacement of additional four cooling tower fans of SPP by FRP fans, thus achieving an average power saving of 25%.
- b) Running of two Cooling tower fans during cold weather lasting about five months in CT-3 of SPP in stead of three fans.
- c) Running of one Seal air fan instead of two fans in Boilers after attending the seal leakage and

introduction of orifices in the seal airline, thus optimizing the seal airflow.

- d) Closing the manual recirculation valve of running MW pumps and BFPs, thereby reducing the burden on the pump and reducing power consumption.
- e) Conversion of mechanical variable speed drive to frequency controlled drive in alumina plant (4 nos.).
- f) Reduction in idle running of seed filters and coal mills by introducing interlocks in logic circuit.

SMELTER

1. The following actions have been taken to reduce Specific DC energy consumption from a level of 13,720 KWHR/T to 13,700 KWHR/T of hot metal production.
 - a) Optimisation of cell amperage and reduction of cell voltage without affecting other process parameters to get higher production.
 - b) Increasing the DC current in Potline-1 from 184 KA to 185 KA.
 - c) Decreasing the Pot Voltage by decreasing ACD (Anode to Cathode Distance) from 14.20 to 13.75 micro Ohm.
 - d) Reduction of stem beam contact drop.
 - e) Reduction in anode resistivity.
 - f) Better alumina feeding regulation.
2. Installation of Automatic fuel control system in Cast House Furnace.
3. Conversion of LDO fired Melter furnace to HFO fired furnace in Potline.

4. Variable frequency drive has been installed in Old Green Anode Plant vibro-compactor unit to reduce energy consumption.

Other Activities of Energy Conservations

1. 12 nos. of Small Group Activities (SGA) have been formed to carry out energy conservation projects out of which 3 SGAs completed their project during 2005-06. The SGAs are working on various projects.
2. In-House training conducted on "Efficient use & Management of Energy" by M/s. Devki Consultant (P) Limited for the engineers of Smelter plant.
3. Energy Conservation Cell of Smelter Plant has conducted 5 nos. of Awareness Programmes on Energy conservation in different schools.

CAPTIVE POWER PLANT

1. So as to enhance availability of oil guns to 100%, hot testing of the guns was done every week resulting in consumption of oil. Now, the logic is modified for dry oil gun testing.
2. Arrangement for firing HFO has been set right at AB oil elevation in place of LDO in Unit #6, #7 & #8. There is saving of LDO, which is around Rs.8000/KL costlier than HFO.
3. Six nos. of existing cooling tower fan blades have been replaced with energy efficient FRP fan blades in unit #2. Savings in power of 18.75 KW per fan.
4. Optimization of running of compressors has been done by interconnecting the header of old units with that of new expansion units. Running of compressor reduced from 9 nos. to 6 nos. Savings in power is $132 \text{ KW} \times 3 = 396 \text{ KW}$.
5. Overhauling of 2 nos. of BFP cartridge has resulted in power saving to the tune of 182.6 KW in BFP-5A and 138.46 KW in BFP-3A. There are two BFP in each unit. One BFP runs alternately every week.

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 2005-06	Previous year 2004-05	Current year 2005-06	Previous Year 2004-05
1. Electricity				
(a) Purchased from GRIDCO				
Unit (Million KWH)	124.981	16.188	—	—
Total amount (Rs. in lakhs)	4,437.09	571.50	—	—
Rate/Unit (Rs./KWH)	3.55	3.53	—	—
(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	6,363.557	6,245.436	358.391	349.851
Units per litre of fuel oil/gas	815.53	925.39	—	—
Cost/Units (Rs./KWH)	1.17	1.14	—	—
2. Coal (Specify quality & where used)				
(Quality F&G) Million KWH				
Quantity (Tonnes)	49,84,575	51,10,213	10,03,471	9,88,514
Total cost (Rs. in lakh)	34,093.80	28,967.72	10,559.15	10,677.05
Average rate (Rs./Tonne)	683.99	566.86	1,052.26	1,080.11

	Captive Power Plant		Alumina Refinery		Smelter Plant	
	Current Year 2005-06	Previous Year 2004-05	Current Year 2005-06	Previous Year 2004-05	Current Year 2005-06	Previous Year 2004-05
3. Furnace Oil						
Quantity (KL)	7,803	6,749	1,29,977	1,22,524	30,007	30,313
Total Amount (Rs.in lakh)	1,413.49	1,042.58	20,612.90	14,841.19	4,977.95	3,820.02
Average rate (Rs./Tonne)	18,115	15,448	15,859	12,113	16,589	12,602
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 2005-06	Previous Year 2004-05
1. Alumina				
(a) Power	(Kwh/Tonne)	380	337	331
(b) Fuel oil for calcination	(Kg/Tonne)	83.10	77.40	78.20
(c) Coal for steam	(Kg/Tonne)	649	636	631
(d) Oil for steam	(Kg/Tonne)	4.00	3.29	4.41
2. Aluminium				
(a) A.C. Power	(Kwh/Tonne)	15,196	14,728	14,736
(b) Fuel Oil	(Ltr./Tonne)	104	84	90
(c) Others				
i) CP Coke	(Kg/Tonne)	393	392	384
ii) CT Pitch	(Kg/Tonne)	107	98	100

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 :

- Extraction of Alumina from Settler Underflow Mud.
- Revival of De-fluoridation Plant of Smelter Plant, Angul.
- Alumina dissolution from Partially Lateritised Khondalite.

(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.
- 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.
- Production of Value Added Materials from Partially Lateritised Khondalite (PLK) of NALCO Mines in Collaboration with RRL, Bhubaneswar.
- Development of Integrated Technology for Processing East Coast Bauxite for production of Alumina in Collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines).
- 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).
- Ultrasonic Treatment of Spent Pot Lining in Collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines).
- Evaluation of Grain Refining Efficiency of commercially available grain refiner alloys in Collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines).
- Development of Effective Technology for Extraction of Alumina from NALCO's Partially Lateritised Khondalites (PLK) with MISA,

Moscow, Russia/ RSIL, New Delhi.

- Development of a Viable Process Flow sheet to Recover Titanium and Iron from the Plant Sand of NALCO's Alumina Refinery, Damanjodi in Collaboration with RRL, Bhubaneswar.
- Recovery of Gallium Metal from Spent Liquor of Alumina Refinery, Damanjodi in Collaboration with Nippon Light Metal/JFE Shoji Trade Corporation, Japan & Sabsons International Pvt. Ltd., Chennai.
- Safe Disposal of Waste Emulsion Oil generated at Cast House of Smelter Plant, Angul in Collaboration with RRL, Bhubaneswar.
- Establishing technical suitability of utilizing refractory portion of Spent Pot Lining Materials (SPL) in manufacture of Ordinary Portland Cement (OPC) in Collaboration with National Council for Cement and Building Materials (NCB), Ballabgarh, Haryana.

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

- Regular characterization of Anode quality has facilitated improvement in quality of baked anodes.
- A process for production of crystalline Boehmite ($\text{Al}_2\text{O}_3 \cdot \text{H}_2\text{O}$) has been developed by precipitating from super saturated sodium aluminate liquor under atmospheric pressure conditions and at a temperature as low as 50°C . Based on the process know-how so developed, a Patent Application has been filed in India jointly in the names of NALCO & RRL, Bhubaneswar.
- Utilizing State-of-the-Art Technology for extraction of Alumina from PLK, chemical & mineralogical characterization of 3 samples of NALCO's PLK has been successfully completed.
- Utilising the latest & eco-friendly Ion Exchange Resin Technology of Nippon Light Metal (NLM), Japan, 6.3 grams of Gallium Metal has been successfully produced in the Laboratory Scale from Spent Liquor of NALCO's Alumina Refinery, Damanjodi. Based on the same, Pilot Scale trial for production of 1 kg of Gallium Metal at NLM's Shimizu Works, Japan has been envisaged.

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.
- Domestic & Global Collaborations with reputed, R&D Institutions, Industries and Academia for Technical Cooperation.

New Projects:

- Investigation and Utilization of Spent Pot Lining Materials (SPL) of Smelter Plant, Angul as a Co-Fuel at CPP, Angul in collaboration with CFRI, Dhanbad.
- Fundamental studies on precipitation process of Alumina Hydrate with JNARDDC, Nagpur.
- Setting up Prototype Romelt Furnace for Pilot Scale Treatment of Red Mud in collaboration with MISA, Moscow/RSIL, New Delhi.
- Recovery of Scandium from NALCO Red Mud in collaboration with MISA, Moscow/RSIL, New Delhi.
- Technology for preparation of Master Alloys in collaboration with MISA, Moscow/RSIL, New Delhi.
- Electrochemical refining of Aluminium in collaboration with MISA, Moscow/RSIL, New Delhi.
- Development of Process for Extraction of Vanadium Sludge from Green Liquor at NALCO in collaboration with JNARDDC, Nagpur.
- Preparation and Certification of Reference Material for Selected Ores and Other Materials in collaboration with JNARDDC, Nagpur.
- Reduction of Bubble Voltage Drop with Slotted Anodes in Aluminium Electrolytic Pots of NALCO's Smelter Plant, Angul in collaboration with JNARDDC, Nagpur.
- Development of a Probe for Liquidus Temperature Determination of Electrolysis Bath of NALCO's Smelter Plant, Angul in collaboration with JNARDDC, Nagpur.
- Electrical and Thermal Study of Aluminium Electrolytic Cells for Performance Evaluation at NALCO' Smelter Plant, Angul in collaboration with JNARDDC, Nagpur.
- Infrared Thermography Studies at Aluminium Smelter and Power Plant, NALCO, Angul in collaboration with JNARDDC, Nagpur.
- Conversion of Spent Pot Lining Material (Refractory Portion) Generated in Aluminium Industry into Glass Ceramic Product in collaboration with JNARDDC, Nagpur.
- Infrared Thermography Studies at Alumina Plant, NALCO, Damanjodi in collaboration with JNARDDC, Nagpur.
- Preparation of low ferric alum from aluminium dross of NALCO's Smelter Plant, Angul. Set up of pilot plant for low ferric alum production in collaboration with JNARDDC, Nagpur.
- Preparation of Reference Materials for Anode Raw Materials and Bath in collaboration with JNARDDC, Nagpur.

4. Expenditure on R&D:

	(Rs. in lakhs)	
	2005-06	2004-05
(a) Capital	280.11	7.97
(b) Recurring	95.71	427.98
Total	375.82	435.95
(c) Total R&D expenditure as % of total turnover	0.08	0.11

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 :

SI No.	Details of Modifications	Benefits thereof
1	Replacement of additional four cooling tower fans of SPP by FRP fans, thus achieving substantial reduction in power saving CT3 fan-1,2,3(average).	Power consumption in conventional Aluminum bladed fan:- 41.24KW. Power consumption in FRP bladed fan:- 22.35KW. Net saving of power:-18.89 KW per fan.
2	Suitable modification in conventional protection system with new microprocessor based PC connectivity system in TG-3 has avoided the spurious trip outs. Necessary modification was carried out in all three TGs to avoid tripping of TG in case of transient drop in extraction/exhaust pressure due to sudden drawal of steam or any Mill tripping.	Number of TG trips has reduced to 46 nos, the lowest ever since inception.
3	Application of FRP on the junction boxes and cable tray: Various junction boxes and cable trays in caustic dilution tank of DMP were getting corroded frequently due to chemical fumes in the area generated during regeneration. Necessary modification were carried out by replacing these conventional junction boxes and cable trays of MS make with FRP coating at site.	The corrosion due to chemical fumes was avoided and life has improved.
4	Provision of manual steam inerting system in #3 Mill-1. The CO ₂ system provided earlier was not functioning since	This has resulted in establishing safety of the Mill in case of fire.

SI No.	Details of Modifications	Benefits thereof
	long and the required spares for this system was not available. Suitable modification was carried out by providing the steam inert system in place of CO ₂ .	
5	Provision of Moisture separator in the instrument air header of Old Boilers. Moisture separators with auto drain facility were provided in the common instrument air header in Old Boilers (Boiler-1,2 &3), which drains out the accumulated moisture trapped in the separator at a regular interval thus eliminating the mal-operation of control valves and other critical appliances.	Achieving trouble free and stability in Boiler operation. The same type of modification was carried out in DMP last year, which resulted in a trouble free operation of control valves.
6	Modification of 110 volt interrogation voltage: During transient voltage dip, the interrogation voltage i.e.110 volt A.C. was getting affected. This was causing malfunction of some interlocks / protections of LT motors leading to tripping of running HT drives and closure of some important gates ultimately leading to tripping of Boiler.	Suitable modification was carried out by switching the source of interrogation voltage from 110 volt AC to 110 volt DC which was more stable and remain unaffected during transient power system disturbance and voltage dip.

b) Smelter Plant, Angul :

SI No.	Details of Modifications	Benefits thereof
1	Characterisation of Baked Anode and process monitoring and improvements in Green Anode manufacture and Baking operation is being carried out regularly.	There is substantial improvement in Anode quality which help in stable operation of Electrolytic pots.
2	Performance monitoring of pots lined with partially damaged cathode blocks are continuing. These pots have completed pot life varying from 2,233 to 2,436 days against reference life of 2,500 days.	<ul style="list-style-type: none"> Financial saving appx Rs.1.3 crore. Similar attempt can be made in future when damage is marginal and insurance claim is not accepted.
3	The life cycle assessment of indigenously developed Trimetallic Anode clads for one supplier has been completed while the same for second supplier is in progress. Based on mid term assessment indigenous procurement from both suppliers has commenced. Preliminary trials for the third supplier is in progress.	Procurement of indigenous Trimetallic Anode clads at lower cost but having good performance comparable to imported Anodes. Being a regular consumable item financial saving over the years will be substantial.
4	Mathematical models for 220 KA pot cell design, Asymmetric Anode design for higher KA operation, pots with SiC side lining, thermo structural transient model for cathode sealing etc. completed. After modeling studies on increased stub hole depth and slotted anodes, these two energy saving projects have been taken up for implementation.	The models developed will be useful while going for high Amperage operation. The two Energy saving projects on successful completion will lead to saving in mille volt, which can be utilized for increasing amperage.
5	Development and validation of two types of Ledge measurement tools have been completed. Prediction of side lining and cathode bottom condition for both abnormal and normal pots in different age groups are being carried out, on random basis, for preventive and corrective actions.	The new tools allow Ledge measurement to be done in pot for the first time at NALCO, and that too quickly and more accurately. This will help in preventing unexpected pot leakage leading to stoppage/reduction in Line Amperage.
6	For the first time, trials have been taken up for indigenous reprocessing of Tepid ramming paste with expired shelf life i.e. paste considered unusable till now. Three pots lined with reprocessed paste are operating satisfactorily since last six months.	On success, this offers an alternative for reuse of paste even if self-life is expired due to difference in pot failures expected and actual. This in future will help in developing indigenous paste.
7	Laboratory and large-scale studies on dissolution of sludge (accumulated at the bottom of storage tank) collected from LDO storage tank using fuel additive completed with satisfactory results. Procurement action for addition in the	<ul style="list-style-type: none"> Avoid mechanical cleaning of sludge. Avoid problems associated with disposal of sludge removed from tank.

Sl No.	Details of Modifications	Benefits thereof
	storage tank using fuel additive completed with satisfactory results. Procurement action for addition in the storage tank itself is in progress.	— Recovery of Energy associated with sludge.
8	Trials for production of high phosphorous Pig Iron in Smelter for cathode sealing, by blending Ferro phosphorous with low manganese pig Iron was successful.	Supply of high phosphorous pig Iron is erratic since there is only one supplier. The uncertainty on supply has been over come since Ferro phosphorous and low Mn pig iron is readily available.

c) Captive Power Plant, Angul:

Sl No.	Details of Modifications	Benefits thereof
1	To enhance availability of oil guns to 100%, hot testing of the guns was done every week resulting in consumption of oil. Now, the logic is modified for dry oil gun testing.	90.66 KL of furnace oil - Energy saving per year.
2	Arrangement for firing HFO has been set right at AB oil elevation in place of LDO in Unit #6, #7 & #8.	Saving of LDO, which is around Rs.8000/KL earlier than HFO. 60.00 KL of LDO - Energy saving per year.
3	Six nos. of existing cooling tower fan blades have been replaced with energy efficient FRP fan blades in unit #2.	Savings in power of 18.75 KW per fan has been achieved. Energy saving per year - 112.5 KW
4	Optimization of running of compressors has been done by interconnecting the header of old units with that of new expansion units.	Running of compressor reduced from 9 Nos. to 6 Nos. Energy saving: 132 KW x 3 = 396 KW per annum.
5	Overhauling of 2 Nos. of BFP cartridges has resulted in power saving in the tune of 182.6 KW in BFP-5A and 138.46 KW in BFP-3A. There are two BFP in each unit. One BFP runs alternately every week.	Energy saving: 321 KW per annum.
6	Modification done in RC feeder circuit and GT standby earth fault circuit of unit #7 & #8.	Resulted in zero trip out of the unit on this account.

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 commissioned in stages.	In the process of commissioning.
– Equipments for Strip Casting and cold rolling technology from M/s. FATA HUNTER (sheet thickness up to 0.12 mm and 1,676 mm wide in coil from 1,800 mm ID x 600 mm ID).	2001-02	Commissioned. Under observation.	In the process of stabilization 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. and also believes in providing access to information under its control to the citizens of India under the provisions of the Right to Information Act, 2005.

Board of Directors

The Board of Directors of the Company comprised of six directors viz. Chairman-cum-Managing Director (Executive Chairman), four executive directors and one non-executive director as on 31.03.2006. In terms of Clause 49 of the Listing Agreement with Stock Exchanges, at least half of the Board should comprise of independent directors. The only non-executive director on the Board is not an 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, 2006, nine Board Meetings were held on 21.04.2005, 10.06.2005, 22.07.2005, 11.08.2005, 29.09.2005, 28.10.2005, 13.12.2005, 12.01.2006 & 27.01.2006. 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 30.09.2005	No. of other directorships	Membership in the Committees of other Companies	
	Held during the tenure	Attended			Member-ship	Chairman-ship
Shri C. Venkataramana, Chairman-cum-Managing Director ①	09	Nil	No	Nil	Nil	Nil
Shri C. R. Pradhan, Director (Projects & Technical) & Chairman-cum-Managing Director I/c ①	09	09	Yes	Nil	Nil	Nil
Shri G P Gupta, Director ②	02	02	No	09	06	01
Shri S C Chhatwal, Director (Finance)	09	09	Yes	Nil	Nil	Nil
Shri Harbhajan Singh, Director ③	09	07	Yes	Nil	Nil	Nil
Shri V. K. Thakral, Director	09	08	No	01	Nil	Nil
Shri K. K. Mallick, Director (Commercial)	09	07	No	Nil	Nil	Nil
Shri A Ray, Director (Pers. & Admn.)	09	09	Yes	Nil	Nil	Nil
Shri S. K. Misra, Director (Production) ④	02	02	No	Nil	Nil	Nil
Shri Sujit Gulati, Director ⑤	—	—	—	02	—	—

① 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.

② Ceased to be Director on 10.06.2005.

③ Ceased to be Director on 31.01.2006.

④ Ceased to be Director on 19.07.2005.

⑤ Appointed as Director on 17.02.2006 and ceased to be Director on 27.03.2006. No Board Meeting was held during his tenure.

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, manpower plans, budgets, all statutory compliance and long term plans for its review and approval.

Remuneration of Directors (as on 31.03.2006)

(a) Whole time Directors

Name	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid during 2005-06	
			All elements of remuneration package, i.e. salary, CPF, Pension, Gratuity etc. (Rs.)	Other benefits (Rs.) (a)
Shri C. Venkataramana	Nil	Chairman - cum - Managing Director	13,00,473	4,12,234
Shri C. R. Pradhan	Nil	Director (Projects & Technical) & CMD I/c	7,04,236	2,23,361
Shri S. C. Chhatwal	Nil	Director (Finance)	6,29,754	87,092
Shri K. K. Mallick	Nil	Director (Commercial)	7,06,671	3,35,457
Shri A. Ray	Nil	Director (Pers. & Admn.)	6,96,895	5,50,851
Shri S. K. Misra (b)	Nil	Director (Production)	4,88,754	23,027

(a) Other benefits include Medical Reimbursement, LTC, House Accomodation, Entertainment, Educational Allowance, Ex-gratia, Gift Coupon, Incentive for acquiring higher qualification, Liveries, Canteen Subsidy and Scholarship to children etc.

(b) Ceased to be Director on 19.07.2005.

Service contracts, notice period, severance fee : All the Directors of the Company are 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.

Stock Option details : No Stock Option has been given to any employee including 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. 27750-750-31500, the other whole time functional directors are placed at schedule 'B' scale of pay i.e Rs. 25750-650-30950. 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 *	10,000	10,000	20,000

* Ceased to be Director on 10.06.2005.

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 which is within the limits prescribed vide Notification No.G.S.R.580(E) dated 24.07.2003 of Department of Company Affairs.

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 31.03.2006 was as follows:

Shri V.K.Thakral	-	Chairman
Shri K.K.Mallick	-	Member
Shri A.Ray	-	Member

The above composition consists of one non-executive (non-independent) director and two executive directors. As such, there is non-compliance of Clause 49 of the Listing Agreement. As stated above, the matter has been taken up with the Government of India for appointment of requisite number of independent directors to comply with the Listing Agreement provisions.

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 31.03.2006 was as follows :

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

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 NALCO 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. However, 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 which is within the limits prescribed vide Notification No.G.S.R.580(E) dated 24.07.2003 of Department of Company Affairs.

Standing Committee

A Standing Committee has been constituted by the Board of Directors consisting of the Chairman-cum-Managing Director, all whole time Directors and co-opted officer(s) of the Marketing Department. The Standing Committee has 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, twelve such Standing Committee Meetings were held.

Share Transfer Committee

The Board has constituted a separate Share Transfer Committee to consider and approve all share transfers and other related issues in physical mode besides taking note of beneficial owners position under demat mode. During the year 2005-06, the Share Transfer Committee met 25 times.

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

During the year 2005-06, the Company received 314 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 01.04.2005 to 31.03.2006.	306	Nil	08
No. of cases attended and redressed to the satisfaction of the shareholders/investors.	306	Nil	08
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.

Committee of Directors

During the year, the Board of Directors has constituted a Committee of Directors consisting of all functional Directors including CMD to approve contracts/items/packages/tenders both domestic and overseas with the financial limit up to Rs.50 crores in each case for 2nd phase expansion of the Company. During the year 2005-06, 4 Committee of Directors Meetings were held.

Statutory Auditors

M/s. SRB & Associates, Bhubaneswar have been appointed as Statutory Auditors of the Company for the financial year 2005-06 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 24th Annual General Meeting held on 30.09.2005 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 2005-06. Accordingly, the Board on the recommendation by the Audit Committee have fixed Rs.7,00,000/- plus reimbursement of service tax at applicable rates and traveling and out of pocket expenses for outstation works as the remuneration for M/s. SRB & Associates, Statutory Auditors of the Company for the year 2005-06. In addition, the Statutory Auditors were also paid a remuneration of Rs.1,75,000/- plus reimbursement of service tax at applicable rates and traveling and out of pocket expenses for outstation works for conducting Limited Review for each of 1st, 2nd and 3rd Quarters of the financial year 2005-06 as required under Clause 41 of the Listing Agreement. The Statutory Auditors were also paid an amount of Rs.1,75,000/- plus reimbursement of service tax at applicable rates and traveling and out of pocket expenses for outstation works as Tax Audit fees for the financial year 2005-06.

General Body Meetings

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

Annual General Meeting			
Year	Date	Time	Location
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
2004-2005	30.09.2005	11.00 A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar
Extraordinary General Meeting			
2003-2004	04.07.2003	11.00 A.M.	NALCO BHAWAN, P/1, Nayapalli, Bhubaneswar

No special resolution was passed through postal ballot at the Annual General Meeting held during the year under report.

Disclosures

(i) Related Party Transactions

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.

(ii) Compliances by the Company

The Company has complied with the requirements of the SEBI and Stock Exchanges on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities relating to the above.

(iii) Code of Conduct for Directors and Senior Executives

The Board of Directors of the Company have adopted a Code of Conduct for Directors and Senior Executives and the same has been posted at Company's website www.nalcoindia.com.

(iv) CEO/CFO Certification

The CEO and the CFO of the Company have certified to the Board with regard to the compliance made by them in terms of Clause 49(V) of the Listing Agreement.

(v) Non-mandatory Requirements

The Company has not adopted the non-mandatory requirements as specified in Annexure ID of Clause 49 of the Listing Agreement.

(vi) Accounting Treatment

The financial statements are prepared under the historical cost convention and have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

(vii) Risk Management

As a part of strategic business policy, due importance is given 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 shares, 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.

Corporate Ethics

Code of Conduct for Prevention of Insider Trading

In terms of Securities and Exchange Board of India (Insider Trading) Regulations, 1992, 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-compliances. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to 'Code for Prevention of Insider Trading'.

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.sebiedifar.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 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.

General Shareholder information

The Annual General Meeting of the Company is scheduled to be held on Thursday, the 28th September, 2006 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, 2006	28 th September, 2006
Unaudited Financial results for the first quarter ending 30th June, 2006	27 th July, 2006
Unaudited Financial results for the second quarter ending 30th September, 2006	October, 2006
Unaudited Financial results for the third quarter ending 31st December, 2006	January, 2007
Unaudited Financial results for the year ending 31st March, 2007	April, 2007

Book Closure Dates

Tuesday, the 26th September, 2006 to Thursday, the 28th September, 2006 (both days inclusive) for determining the entitlements of final dividend for the financial year 2005-06.

Dividend payment date

The final dividend shall be paid within 30 days from the date of declaration i.e. before 27th October, 2006 as per the provisions of the Companies Act, 1956.

The Company has transferred the unclaimed and unpaid dividend for the financial year 1997-98 amounting to Rs.1,70,707/- to the Investor Education and Protection Fund on 13.12.2005 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 Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company has paid listing fees for the year 2006-07 to both the Stock Exchanges. The securities of the Company have been delisted from Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited w.e.f. 22.12.2003 and 11.02.2004 respectively. The Company has complied with all the requirements required for delisting of securities of the Company from Bhubaneswar Stock Exchange and The Calcutta Stock Exchange Association Limited. The Calcutta Stock Exchange Association Limited has granted in-principle permission for delisting of listed securities of the Company. The approvals for delisting of the Company's securities are awaited from both these Stock Exchanges. The Company has neither paid listing fees for 2004-05, 2005-06 and 2006-07 nor sending any returns/reports/documents etc. required to be sent as per Listing Agreement to these two Stock Exchanges w.e.f. 01.04.2004. However, the securities of the Company will continue to remain listed in both Bombay Stock Exchange Limited (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 (Bombay Stock Exchange Limited)
NSE : NATIONALUM	NALU.NS (National Stock Exchange of India Ltd.)

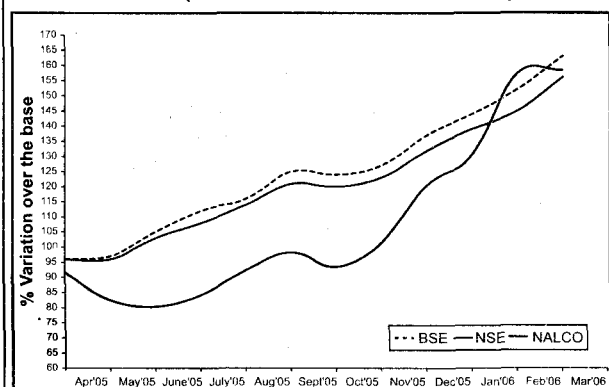
Market Price Data in last Financial Year, 2005-06

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'05	181.50	146.10	182.50	146.25
May'05	153.40	141.20	153.50	141.15
June'05	151.45	135.00	151.75	138.60
July'05	163.00	139.20	164.00	140.00
August'05	175.00	157.55	173.85	157.65
September'05	189.25	164.10	185.90	164.00
October'05	183.85	152.00	184.00	151.00
November'05	204.00	160.00	204.50	158.55
December'05	229.40	200.10	231.95	201.20
January'06	276.90	223.30	276.90	222.55
February'06	311.00	255.50	310.40	255.15
March'06	307.10	263.00	305.10	263.10

Performance in comparison to broad - based Indices

NALCO'S SHARE PRICE MOVEMENT (AVERAGE IN EACH MONTH) VIS-A-VIS BSE SENSEX AND NSE NIFTY (AVERAGE IN EACH MONTH)



Movement of Share Price/Sensex/Nifty over the base of March 2005 figures in percentage terms

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 physical share certificates are despatched to the transferees immediately after effecting transfer.

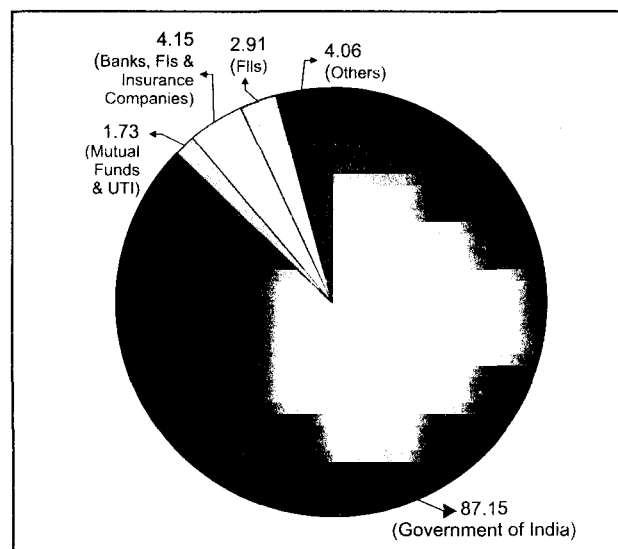
Distribution of share holding

The Company had 35,766 shareholders as on 31.03.2006. The shareholding pattern of the Company as on 31.03.2006 was as under :

Sl. No.	Category	No. of share holders	No. of shares	Percentage of share holding
1.	Promoters (Government of India)	7*	56,14,99,635	87.15
2.	Mutual Funds and UTI	80	1,11,33,213	1.73
3.	Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non-Govt. Institutions)	29	2,67,62,439	4.15
4.	FIs	67	1,87,64,770	2.91
5.	Private Corporate Bodies	1,029	1,83,37,763	2.85
6.	Indian Public	33,907	71,09,647	1.10
7.	NRIs/OCBs	362	4,00,119	0.06
8.	Others	285	3,02,042	0.05
	GRAND TOTAL	35,766	64,43,09,628	100.00

* Government of India alongwith 6 Nominees are holding 56,14,99,635 shares.

Distribution of Shareholding as on 31st March, 2006



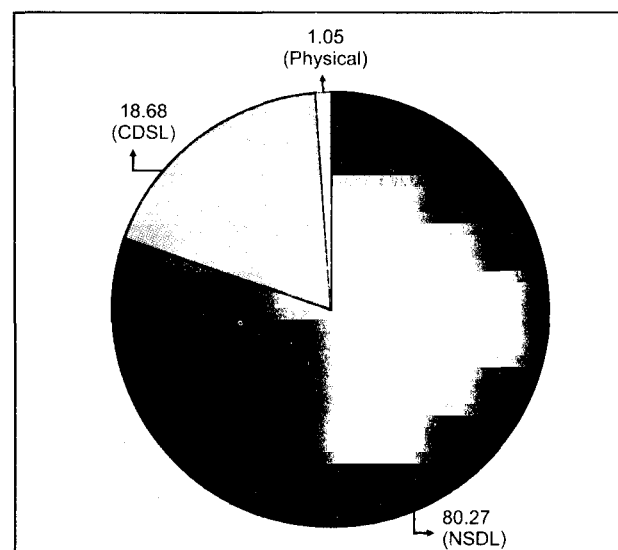
Dematerialization of shares liquidity

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

All demat requests received by the Company are confirmed to the respective Depositories (NSDL/CDSL) within 8-10 days of receipt of Demat Request Forms (DRFs) from the DPs complete in all respects which is well within the prescribed time period provided in SEBI guidelines.

Total number of shares dematerialised during the year 2005-06 are 1,23,379.

Dematerialisation of Listed Shares



98.95% of the Company's listed share capital has been dematerialized up to 31st March, 2006 (98.80% up to 31st March, 2005). Trading in equity shares of the Company is permitted only in dematerialized form as mandated by SEBI.

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 807 shares and despatched the physical share certificates in time to the respective shareholders.

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. 2585/2586/2587)
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. There is no need to inform these changes to the Company.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Employees have affirmed compliance with the Code of Conduct for the year ended 31st March, 2006.

for National Aluminium Company Limited

Place : Bhubaneswar
Date : 24.08.2006


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

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, 2006 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 the requirement of half the strength of the Board to be

Independent Directors, the Company did not have any Independent Director.

2. The composition of Audit Committee was not in conformity with the provision of sub-paragraph A of Paragraph - II of Clause 49, as none of the Audit Committee members were 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, 2006, 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 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

Bijoy K. Sahoo
Partner
Membership No. 052965

Bhubaneswar
16th August, 2006

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 regulations, 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 of National Aluminium Co. Ltd. (the company) are listed, the Depositories Act, 1996 and bye-laws framed thereunder from time to time, for the year ended 31st March, 2006 and we report that :

1. Maintenance of Statutory Records :

The Company is maintaining all statutory records and registers as required to be maintained under various provisions of the Companies Act, 1956 and the rules made thereunder and all the records and entries in the registers are upto 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 six directors; consisting of the Chairman-cum-Managing Director (Executive Chairman), four executive directors and one non-executive director as on 31.03.2006. In terms of Clause 49 of Listing Agreement, at least half of the Board should comprise of independent directors. The only non-executive director on the Board was not an 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 nine times on 21.04.2005, 10.06.2005, 22.07.2005, 11.08.2005, 29.09.2005, 28.10.2005, 13.12.2005, 12.01.2006 and 27.01.2006 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 there at a single point.

6. Share Transfer Committee :

To ensure speedy and timely transfer/transmission of shares in physical segment, the Share Transfer Committee constituted by the Board considered and approved all the share related issues besides taking note of beneficial owners position under demat mode. During the year ended 31st March, 2006, the Share Transfer Committee met 25 times.

7. Redressal of Investors Grievances :

All the complaints /grievances relating to share transfers, transmissions, demat / remat of shares, issue of duplicate share certificates, payment of dividend etc. were promptly attended to by the Company and they were resolved within a weeks time of their receipt. Details of shares transfers, complaints, electronic holding of shares (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 held in Physical and electronic segments with the total shares issued by the Company.

9. Dematerialisation / Rematerialisation :

The dematerialisation / rematerialisation requests were confirmed to the respective Depositories (NSDL/ CDSL) within 8-10 days of receipt of physical documents from the DPs which is well within the prescribed time period provided in SEBI guidelines.

10. Payment of Corporate Cash Benefits to the Investors :

The Company has paid dividend by due date after its declaration and wherever necessary has kept in abeyance rights to dividend, pending registration of transfer of shares or pending final settlement of suits in compliance with the provisions of the Companies Act, 1956.

11. Transfer to Investor Education and Protection Fund :

The Company has transferred an amount of Rs.1,70,707/- (Rupees One Lakh Seventy Thousand Seven Hundred Seven Only) relating to the unclaimed and unpaid dividend for the financial year 1997-98 to the Investor Education and Protection Fund on 13.12.2005 in terms of Section 205A of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

12. Insider Trading Regulations :

The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the regulations.

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 : 18.07.2006

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

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

Alumina & Chemicals

During the year 2005, the world consumption of Alumina was 62.324 million MT against the world production of 60.995 million MT thus showing a deficit of 1.329 million MT. The world Alumina production and consumption grew by approx. 5.21% and 7.24% respectively during 2005 as compared to 2004.

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 green field and brown field expansions.

Aluminium

During the year 2005, the world consumption of primary Aluminium was 31.947 million MT against world supply of 31.966 million MT, showing a marginal surplus of 0.019 million MT. The world supply and consumption grew by approx. 7.15% and 5.41% respectively during 2005 as compared to 2004. In China, consumption is estimated to have risen by 18.07% and production by 18.25% during 2005. Good demand from USA, Europe, China, Japan, India & South Korea helped in strengthening the international prices during the year.

During the year, production from your Company's expanded capacities of the Mines, Refinery and Aluminium Smelter was fully available. Apart from this, ambitious second phase expansion programme of your Company's production facilities has received the Government's nod on 26.12.2004 at an estimated capital cost of Rs.4,092 crore 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.

SEGMENT-WISE PERFORMANCE

Your Company achieved the highest ever net profit of Rs.1,562.20 crore on a record breaking turnover of Rs.5,324.16 crore. The Chemicals (Alumina) segment accounted for 43% of the total revenue and 66% of Earnings before Interest & Tax, while the Aluminium segment accounted for 57% of the total revenue and 32% of Earnings before Interest & Tax. The detailed segment-wise information are furnished below:

	Chemicals (Alumina)		Aluminium		Unallocable		Total
	Rs. in cr.	Share	Rs. in cr.	Share	Rs. in cr.	Share	Rs. in cr.
Net Sales & Operating revenue	2,539.42	43%	3,433.77	57%	—	—	5,973.19
PBIT	1,575.41	66%	760.70	32%	58.74	2%	2,394.85
Capital Employed	1,588.51	24%	2,949.52	45%	1,996.37	31%	6,534.40
ROCE (%)	99%		26%				
RBIT Margins (%)	62%		22%				

OPPORTUNITIES AND THREATS

Your Company with its large availability of surplus Alumina can explore the possibility of setting up of Aluminium Smelter in the areas where the energy is available at cheaper rates. With its excellent track record over the years, it can also take an opportunity for setting up of green field projects elsewhere in the country. The possibility of further expanding capacities in the existing locations with proper debottlenecking is being explored. The threat perceptions in the country includes competition from substitute materials particularly plastics, progressive reduction in aluminium import tariffs, increasing competition from across the borders, poaching of its manpower by competitors for their green field projects and levy of antidumping duties on imported raw materials.

OUTLOOK FOR THE INDUSTRY

Domestic Market Outlook

The domestic Aluminium supply is going to witness more metal flowing in from the expanded capacities of other producers. The domestic demand of Aluminium is expected to remain strong during 2006-07 and is anticipated to grow at more than 8%.

Your Company has plans to produce more quantity of Rolled Products and sell them in the domestic market and launch the same in the overseas market.

International Outlook

Aluminium

The IMF has predicted the global economy to grow by 4.9% in 2006, up from the 4.8% growth rate seen in 2005. IMF sees U.S. economy & euro-area expanding at 3.4% & 2.0% in 2006. IMF has projected the economic growth for Japan, China and India to be 2.8%, 9.5% and 7.3% respectively in 2006.

In 2006, the world production is expected to grow by 5% and the consumption is expected to grow by 6%. The Chinese Aluminium production and consumption are expected to be approx.9 million MT & 8 million MT respectively in 2006.

Alumina

In 2006, the Alumina supply is expected to grow by 7% and consumption by 5%. It is expected that China's Alumina capacity will be 12.9 million tonnes in 2006 with the production being estimated at 11.8 million tonnes an increase of about 3.2 million tonnes over the previous year.

Outlook for the Company

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 utilisation & redeployment of resources depending on the situations and full capacity utilisation of existing operations with proactive financial management and with qualitative focus on human resource development.

RISKS & CONCERNS

The rising price of fuel oil, coal and other input materials are a cause of concern for the aluminium industry. The cost of power consumed in production of aluminium constitutes almost 40% of the total cost. The spiraling crude oil price in the global markets and shortage of coal in the domestic market will have a very significant impact on the cost of production of aluminium. Consequent upon increase in

the price of fuel oil, there is also increase in the cost of input materials like caustic soda.

International disturbances caused by terrorist strikes, polarization of trade blocks and sudden unhealthy trends in the international scenario arising out of political uncertainty in the global context is a risk factor.

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 by an independent Audit Committee constituted by the Board. Action is being taken to further strengthen internal control procedures in respect of purchase of inventory and management.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Details on financial performance with respect to operational performance are given in the Directors' Report.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

Details of material developments in Human Resources/ Industrial Relations front and the number of people employed category-wise are given in the Directors' Report.

Comments u/s 619 (4) of the Companies Act, 1956 on the Accounts of National Aluminium Company Limited, Bhubaneswar for the year ended 31st March, 2006.

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 2006.

Sd/-

(A. Roychoudhury)

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

K O L K A T A

Dated : Kolkata
The 9 August 2006

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**, as at 31st March, 2006, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, 2006;
 - 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

Bijoy K. Sahoo
Partner
Membership No.52965

Bhubaneswar
June 23, 2006

ANNEXURE TO THE AUDITORS' REPORT

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

- i. In respect of its fixed assets:
- (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. The Company has a practice of conducting physical verification of non-movable assets at an interval of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Physical verification of movable fixed assets has been made during the year. No material discrepancies were noticed on such verification.
 - (c) In our opinion and according to the information and explanations, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of its inventories:
- (a) As explained to us, all inventories except stocks relating to expansion project, stocks with third parties and stocks 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) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories. As explained to us discrepancies noticed on physical verification of inventories as compared to the book records 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 unsecured 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, the internal control procedures are commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of goods and services. The internal control procedures in respect of purchase of inventory need to be strengthened.
- 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, 1956.
- vi. The Company has not accepted any deposits from the public.
- vii. We have reviewed the internal audit system and are of 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. In respect of statutory dues:
- a. According to the information and explanations given to us and on the basis of our examination of the books of accounts 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 in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise duty, Cess and other material statutory dues applicable to it as at 31st March, 2006 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	23.92	98.84	9.69	132.45	21.42
Entry tax	6.95	13.24	8.55	28.74	17.44
Central Excise	—	39.14	6.59	45.73	3.27
Custom Duty	—	8.52	2.73	11.25	0.06
Income Tax	—	2.85	97.53	100.38	94.29
Total	30.87	162.59	125.09	318.55	136.48

- 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 and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. Based on our examination of the records and the information and explanations given to us, the Company has not availed any term loans, therefore clause 4(xvi) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- 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. Based on our examination of the records and the information and explanations given to us, the Company has not issued debentures during the year, therefore clause 4(xix) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

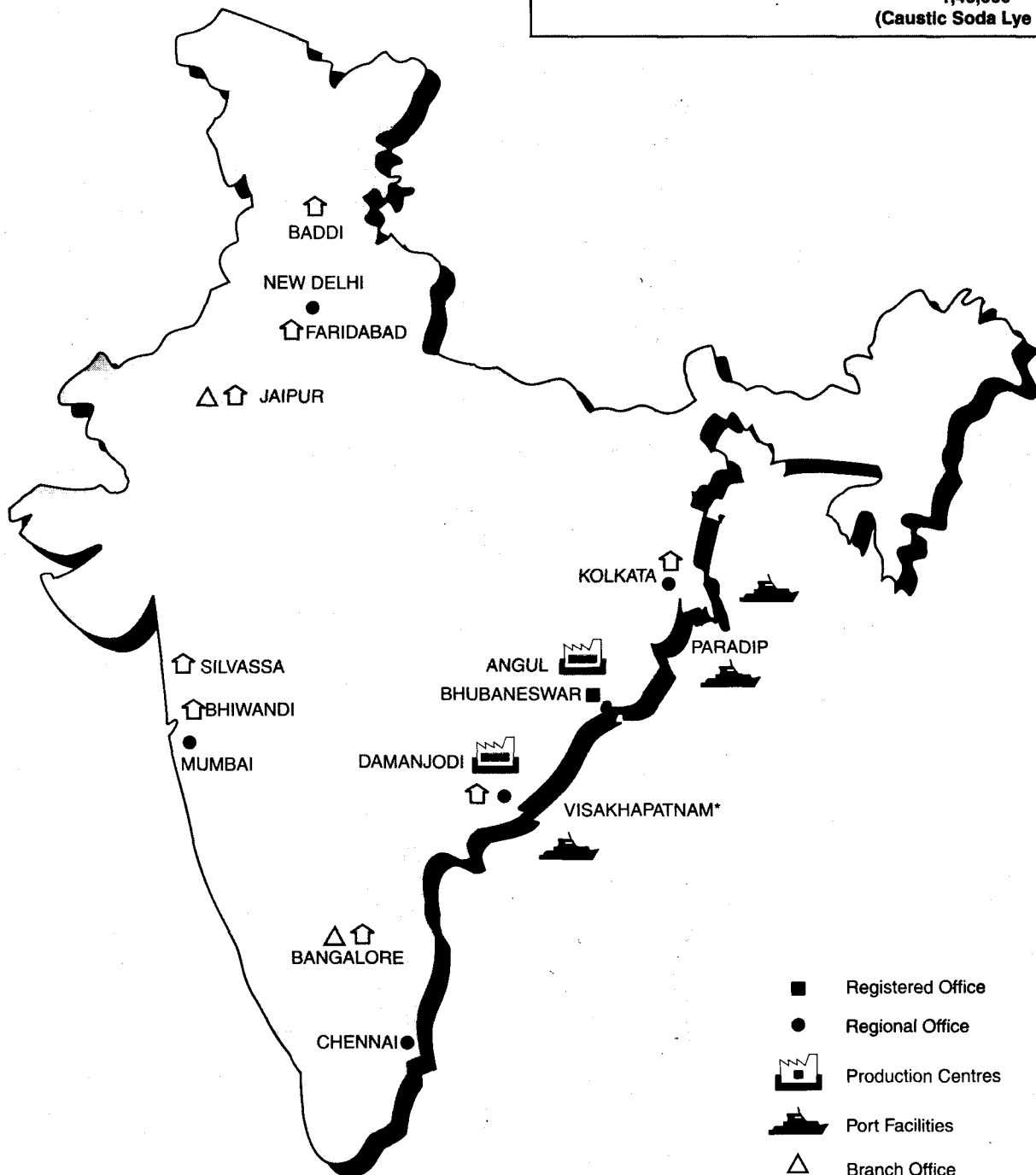
**For SRB & Associates
Chartered Accountants**

**Bijoy K. Sahoo
Partner
Membership No.52965**

**Bhubaneswar
June 23, 2006**

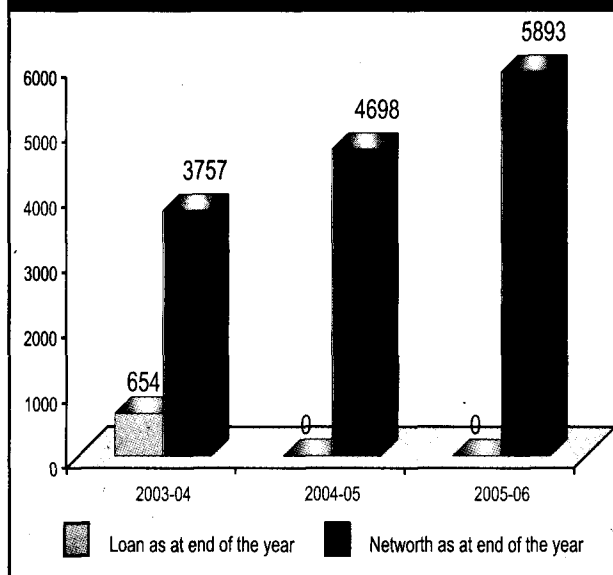
NALCO'S VARIOUS PRODUCTION UNITS, THEIR LOCATION & INSTALLED CAPACITIES

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)	

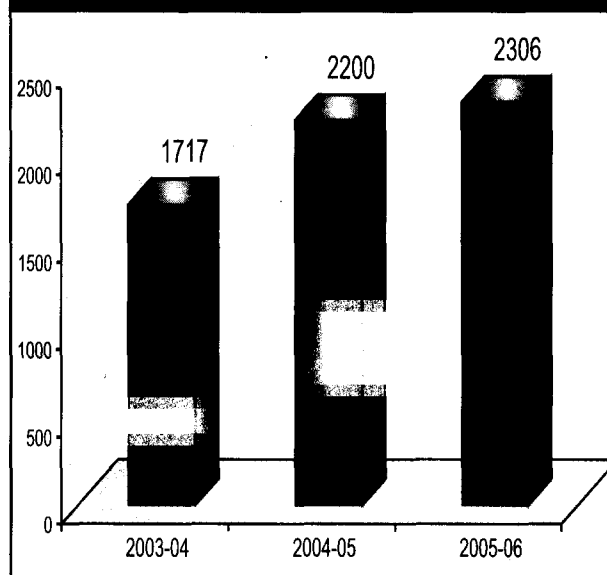


* Company's own port facilities exist

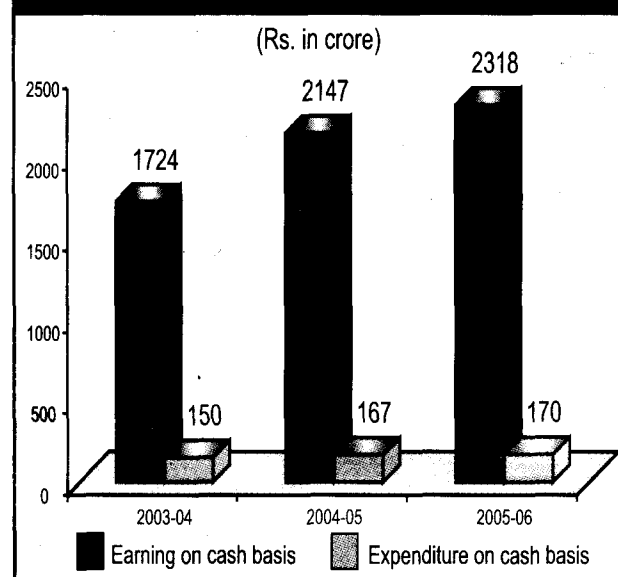
Total Loan Vs. Network (Rs. in crore)



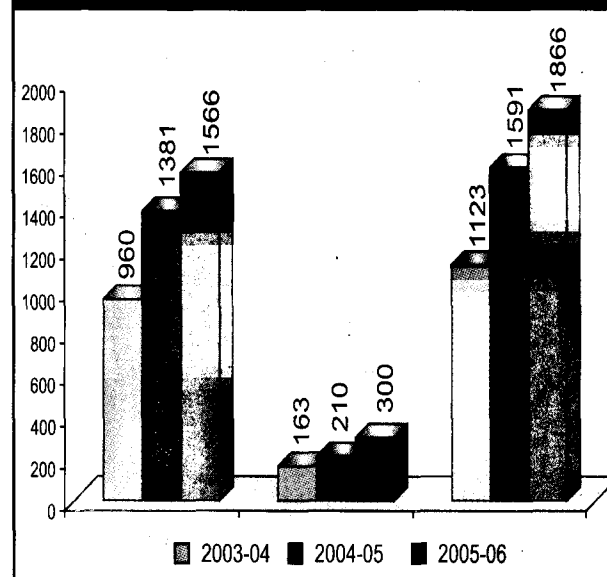
Export Turnover (Rs. in crore)



Foreign Exchange Earnings and Expenditure



Contribution to Exchequer (Rs. in crore)



Annual Accounts
2005-06

Balance Sheet as at March 31, 2006

(Rupees in crores)

	Schedule	March 31, 2006	As at March 31, 2005
SOURCES OF FUNDS			
Shareholders' Funds :			
Share capital	A	644.31	644.31
Reserves and Surplus	B	5,248.36	4,053.50
Loan Funds :			
Secured & Unsecured loans		—	—
Deferred Tax Liability (Net)		641.73	652.45
TOTAL		6,534.40	5,350.26
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	C	8,961.22	8,784.55
Less: Depreciation		5,016.71	4,645.55
Net Block		3,944.51	4,139.00
Capital Work-in-Progress	D	232.16	206.61
		4,176.67	4,345.61
Current Assets, Loans and Advances:			
Inventories	E	591.58	529.06
Sundry Debtors		29.42	92.81
Cash and Bank Balances		2,193.71	755.21
Other Current Assets		118.62	82.01
Loans and Advances		364.55	351.95
		3,297.88	1,811.04
Less: Current Liabilities & Provisions:			
Liabilities	F	607.33	616.25
Provisions	G	332.82	190.14
		940.15	806.39
Net current Assets		2,357.73	1,004.65
TOTAL		6,534.40	5,350.26
Significant Accounting Policies			
Notes on Accounts			
Additional information			
(Schedules A to X 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

Bijoy K. Sahoo	Bhubaneswar	K. N. Ravindra	P.K.Parida	K. K. Mallick	C.R. Pradhan
Partner	23rd June, 2006	Company Secretary	Executive Director (Finance)	Director (Commercial)	Chairman-cum- Managing Director (l/c)

Profit and Loss Account for the year ended March 31, 2006

(Rupees in crores)

	Schedule	Year ended March 31, 2006	Year ended March 31, 2005
INCOME:			
Gross Sales	H	5,287.36	4,420.14
Less: Excise Duty		435.46	316.03
Net sales		4,851.90	4,104.11
Finished goods internally consumed/capitalised		8.52	15.43
Other income	I	222.18	235.22
		5,082.60	4,354.76
EXPENDITURE:			
Decretion /(Accretion) to stock of finished / intermediary products / work-in-process	J	(53.90)	(24.11)
Raw Materials	K	521.05	444.24
Power & Fuel	L	937.84	758.34
Repairs & Maintenance	M	191.93	164.37
Other Manufacturing Expenses	N	139.96	110.65
Employees' Remuneration & Benefits	O	331.45	289.99
Administrative Expenses	P	85.84	79.10
Other Expenses	Q	70.60	57.37
Selling and Distribution Expenses	R	80.17	81.09
Interest & Financing Charges	S	—	60.61
Provisions	T	0.46	2.19
Depreciation		377.24	461.08
		2,682.64	2,484.92
PROFIT FOR THE YEAR		2,399.96	1,869.84
Add/(Less) : Prior Period Adjustments (Net)	U	(5.11)	0.43
Add : Extraordinary Income (Net)		34.79	—
PROFIT BEFORE TAX		2,429.64	1,870.27
Less : Provision for taxation - Current		838.30	607.55
Less : Provision for taxation - FBT		6.77	—
Less/(Add) : Provision for taxation - Deferred		(10.72)	42.46
Less/(Add) : Provision for taxation for earlier years written back (Net)		33.09	(14.58)
PROFIT AFTER TAX		1,562.20	1,234.84
Balance of profit brought forward from previous year		15.58	6.80
Transfer from Capital Reserve		0.05	0.05
Transfer from Debenture Redemption reserve		—	217.19
Amount available for appropriation		1,577.83	1,458.88
APPROPRIATIONS:			
Interim dividend		128.86	128.86
Proposed final dividend		193.30	128.86
Tax on dividend		45.18	35.58
Transfer to General Reserve		1,200.00	1,150.00
		1,567.34	1,443.30
Balance of profit carried to Balance Sheet		10.49	15.58
Earning per share		24.25	19.17
Significant Accounting Policies	V		
Notes on Accounts	W		
Additional information	X		

(Schedules A to X 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

Bijoy K. Sahoo	Bhubaneswar	K. N. Ravindra	P.K.Parida	K. K. Mallick	C.R. Pradhan
Partner	23rd June, 2006	Company Secretary	Executive Director (Finance)	Director (Commercial)	Chairman-cum- Managing Director (I/c)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2006	As at March 31, 2005
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Schedule A

SHARE CAPITAL

Authorised:

130,00,00,000 Equity Shares of Rs.10/- each	1,300.00	1,300.00
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Issued, Subscribed and Paid up:

64,43,09,628 Equity Shares (Previous year 64,43,09,628 shares)		
of Rs. 10/- each fully paid up . Out of these shares, Government of		
India holds 56,14,99,635 shares (Previous year 56,14,99,635 shares).	644.31	644.31

Schedule B

RESERVES & SURPLUS

Capital Reserve:

Grants-in-aid received from Government of India :

As per last Balance Sheet	0.67	1.12
Less: Refund	—	0.40
Less: Transfer to Profit & Loss Account	0.05	0.05
	0.62	0.67

General Reserve:

As per Last Balance Sheet	4,037.25	2,887.25
Add: Transfer from Profit & Loss Account	1,200.00	1,150.00
	5,237.25	4,037.25

Debenture Redemption Reserve :

As per Last Balance Sheet	—	217.19
Add/(Less): Transfer from (to) Profit & Loss Account	—	(217.19)
	—	—

Balance in Profit & Loss Account	10.49	15.58
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Total	5,248.36	4,053.50
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Schedules forming part of the Balance Sheet

Schedule C FIXED ASSETS

(Rupees in crores)

Particulars of Assets	Gross Block				Depreciation				Net Block	
	As on 1.4.2005	Additions	Sales/ Adjust- ments	As on 31.3.2006	As on 1.4.2005	For the Year	On sales/ Adjust- ments	Upto 31.3.2006	As on 31.3.2006	As on 31.3.2005
A. PLANT, MINES AND OTHERS :										
Freehold land including development costs	44.21	—	—	44.21	—	—	—	—	44.21	44.21
Leasehold land including development costs	5.20	—	—	5.20	1.42	0.09	—	1.51	3.69	3.78
Buildings	397.10	6.81	(0.06)	403.85	147.68	20.90	(0.02)	168.56	235.29	249.42
Roads, bridges and culverts	53.24	1.33	—	54.57	11.13	0.94	—	12.07	42.50	42.11
Railway sidings	69.49	0.05	—	69.54	51.80	1.55	—	53.35	16.19	17.69
Water supply, drainage and sewerage	72.60	4.48	—	77.08	39.61	1.71	—	41.32	35.76	32.99
Power supply, distribution and lighting	416.66	2.25	—	418.91	184.28	20.34	—	204.62	214.29	232.38
Plant and machinery	7,337.01	153.01	(6.98)	7,483.04	4,076.43	322.41	(7.54)	4,391.30	3,091.74	3,260.58
Office equipments	24.26	1.43	(1.04)	24.65	15.88	2.28	(0.90)	17.26	7.39	8.38
Furniture and fittings	15.38	1.01	(0.07)	16.32	11.18	0.91	(0.06)	12.03	4.29	4.20
Vehicles	29.29	1.77	(1.71)	29.35	20.13	1.63	(1.58)	20.18	9.17	9.16
Miscellaneous equipments	51.45	8.84	(1.24)	59.05	22.14	2.96	(0.27)	24.83	34.22	29.31
Total	8,515.89	180.98	(11.10)	8,685.77	4,581.68	375.72	(10.37)	4,947.03	3,738.74	3,934.21
B. SOCIAL FACILITIES :										
Freehold land including development costs	2.99	2.19	—	5.18	—	—	—	—	5.18	2.99
Leasehold land including development costs	0.35	—	—	0.35	0.15	0.01	—	0.16	0.19	0.20
Buildings	189.69	1.38	—	191.07	32.60	3.28	—	35.88	155.19	157.09
Roads, bridges and culverts	21.89	0.02	—	21.91	4.28	0.40	—	4.68	17.23	17.61
Water supply, drainage and sewerage	23.96	1.41	—	25.37	9.58	0.52	—	10.10	15.27	14.38
Power supply, distribution and lighting	17.50	0.24	—	17.74	9.61	0.65	—	10.26	7.48	7.89
Office equipments	0.09	0.01	—	0.10	0.09	—	—	0.09	0.01	—
Furniture and fittings	2.19	0.13	(0.05)	2.27	1.88	0.17	(0.05)	2.00	0.27	0.31
Vehicles	0.97	0.02	0.01	1.00	0.63	0.08	—	0.71	0.29	0.34
Miscellaneous equipments	6.88	0.83	(0.16)	7.55	3.17	0.55	(0.03)	3.69	3.86	3.71
Total	266.51	6.23	(0.20)	272.54	61.99	5.66	(0.08)	67.57	204.97	204.52
C. INTANGIBLE ASSET :	2.15	0.76	—	2.91	1.88	0.23	—	2.11	0.80	0.27
Total for current year	8,784.55	187.97	(11.30)	8,961.22	4,645.55	381.61	(10.45)	5,016.71	3,944.51	4,139.00
Total for previous 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

Notes:

- Plant and machinery includes capitalisation of Rs.1,799.05 (Previous year Rs.1,791.67) towards net exchange variation loss in accordance with Accounting Policy No. B 6.4 of schedule V.
- 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.4.36 crores charged to prior period adjustment (Previous year Rs.2.37).
- Included in Gross Block above are the following assets laid on land not belonging to the Company :
 - Buildings - Rs.1.60 (Previous year Rs.1.60)
 - Roads, bridges and culverts - Rs. 3.66 (Previous year Rs.3.66)
 - Water supply, drainage and sewerage - Rs.1.07 (Previous year Rs.1.07)
 - Power supply, distribution and lighting - Rs.14.13 (Previous year Rs. 14.13)
 - Railway sidings - Rs.6.53 (Previous year Rs.6.53)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2006	As at March 31, 2005
Schedule D		
CAPITAL WORK - IN - PROGRESS		
Construction and other work - in - progress at cost	53.18	145.27
Advances to contractors and suppliers for capital goods (Unsecured, considered good)	57.39	13.05
Stock of construction materials (at cost)(Including materials with contractors Rs.0.13, Previous year Rs.0.82)	53.80	19.62
Construction materials and Plant & Machinery - In - Transit (at cost)	7.12	6.62
Exchange variation pending capitalisation	—	7.38
Expenditure during construction pending allocation (Schedule D.1)	60.67	14.67
Total	<u>232.16</u>	<u>206.61</u>
Schedule D.1		
EXPENDITURE DURING CONSTRUCTION		
(Pending allocation)		
Opening Balance	14.67	71.74
Expenditure/Adjustments during the year :		
Technical Knowhow	8.58	—
Technical Consultancy	36.17	2.58
Other expenses	16.08	5.88
Startup and commissioning expenses	2.38	21.15
Excise Duty	0.13	2.72
Selling & Distribution expenses	—	0.54
Depreciation	0.01	0.01
	<u>63.35</u>	<u>32.88</u>
Less: Income/Adjustments during the year :		
Sale out of trial production	0.75	25.97
Export incentive on sale out of trial production	—	0.19
Finished goods transferred to commercial production	0.38	5.81
Other Income	0.07	2.06
	<u>1.20</u>	<u>34.03</u>
Net Expenditure during the year	<u>62.15</u>	<u>(1.15)</u>
Total Expenditure	<u>76.82</u>	<u>70.59</u>
Less: Transfer to other heads	5.53	0.03
Less: Amount allocated to Fixed assets	<u>10.62</u>	<u>55.89</u>
Balance carried forward	<u>60.67</u>	<u>14.67</u>

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2006		As at March 31, 2005	
Schedule E				
CURRENT ASSETS, LOANS & ADVANCES				
Current Assets:				
Inventories:				
(As Certified by the Management)				
Raw materials (Including in transit Rs.20.92, Previous year Rs.11.38)	50.48		56.17	
Stock of Finished/Intermediary Products / Work-In-Process	235.35		175.41	
Coal and fuel oil (Including In Transit Rs.0.97 Previous year Rs.3.29)	50.89		27.01	
Stores, spares and others (Including in transit Rs.21.35, Previous year Rs.27.06)	241.03		260.12	
Fixed Assets retired from active use, scrap and unserviceable materials awaiting disposal	17.69		12.63	
Less: Provision for realisation	<u>3.86</u>		<u>2.28</u>	
	<u>13.83</u>		<u>10.35</u>	
	591.58			529.06
Sundry Debtors :				
(Unsecured)				
Debts over six months				
Considered good	0.14		14.69	
Considered doubtful	<u>40.63</u>		<u>40.62</u>	
	40.77		55.31	
Less: Provision for doubtful debts	<u>40.63</u>		<u>40.62</u>	
	0.14		14.69	
Other debts, Considered good	<u>29.28</u>		<u>78.12</u>	
	29.42			92.81
Cash and Bank Balances :				
Cash on hand including imprest & stamps	0.19		0.13	
Cheques on hand	0.27		—	
Balances with Scheduled Banks:				
In Current Accounts	2.34		22.26	
In Exchange Earner's Foreign Currency Account	—		0.12	
In Unpaid Dividend Accounts	0.67		0.67	
In Unpaid Debenture Interest Accounts	0.46		0.39	
In Term Deposits *	<u>2,189.78</u>		<u>731.64</u>	
	2,193.71			755.21
* Includes Rs.59.78 crores (Previous year 106.64 crores) as per direction of Orissa High court against demand of Electricity Duty.				
Other Current Assets :				
Interest accrued :				
Bank deposits and others	45.83		6.77	
Loans to Employees	<u>30.60</u>	76.43	<u>27.22</u>	33.99
Accrued Export Incentives	45.30		51.37	
Less: Provision for shortfall in realisation	<u>3.11</u>	<u>42.19</u>	<u>3.35</u>	<u>48.02</u>
		<u>118.62</u>		<u>82.01</u>
Sub-total		<u>2,933.33</u>		<u>1,459.09</u>

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2006	As at March 31, 2005
Loans and Advances :		
(Unsecured, considered good unless otherwise stated)		
Loans to employees (Secured Rs.61.92 Previous Year Rs.67.67)	65.61	70.70
Stores on loan basis		
Considered good	—	0.01
Considered doubtful	—	0.06
	—	0.07
Less: Provision for doubtful recovery	—	0.06
	—	0.01
Advances to Employees	5.79	5.69
Income Tax receivable	94.29	85.80
Payments made towards disputed Sales Tax, Customs and Excise demands	45.19	27.51
Advances to Suppliers and others:		
Considered good	13.38	4.36
Considered doubtful	2.89	3.26
	16.27	7.62
Less: Provision for doubtful recovery	2.89	3.26
	13.38	4.36
Prepaid Expenses	1.03	1.00
Claims Recoverable (Considered good) :		
CENVAT credit claims	31.87	31.06
VAT credit claims	3.45	—
DEPB claims	90.78	100.27
Other claims	4.79	11.70
	130.89	143.03
Claims Considered doubtful	7.76	8.22
	138.65	151.25
Less: Provision for doubtful recovery	7.76	8.22
	130.89	143.03
Deposits with Govt and other agencies:		
Considered good	8.37	13.85
Considered doubtful	1.48	1.48
	9.85	15.33
Less: Provision for doubtful recovery	1.48	1.48
	8.37	13.85
Sub-total	364.55	351.95
Total	3,297.88	1,811.04

Note : Loans due from Directors as on 31.3.2006 - Rs.1.76 lakhs, Maximum amount due during the year Rs.4.43 lakhs
(Previous year - Rs.4.56 lakhs, Maximum amount due Rs.8.22 lakhs)

Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2006	As at March 31, 2005
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Schedule F

CURRENT LIABILITIES & PROVISIONS

Current Liabilities:

Sundry creditors :

On capital account	44.39	64.72
Others	222.97	169.38
Other liabilities *	284.96	326.96
Security deposits	55.01	55.19
Total	607.33	616.25

* Includes advance from customers Rs. 50.22 (Previous Year Rs. 83.72)

Schedule G

Provisions

Particulars	As on 31.3.2005	Additional Provision	Amounts Used	Amounts Reversed	As on 31.3.2006
For taxation(net of advance payment of tax)	16.10	80.00	11.03	5.07	80.00
For proposed dividend	128.86	193.30	128.86	—	193.30
For tax on dividend	18.08	27.11	18.08	—	27.11
For leave encashment and post - retirement medical benefits	27.10	5.31	—	—	32.41
Total	190.14	305.72	157.97	5.07	332.82



Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2006	Year ended March 31, 2005
Schedule H		
SALES		
Export :		
Zeolite	—	0.13
Sp.Grade Hydrate	—	0.60
Calcined Alumina	1,386.09	1,120.90
Aluminium Standard and Sow Ingots	883.31	1,078.62
	<u>2,269.40</u>	<u>2,200.25</u>
Domestic :		
Zeolite	15.09	7.46
Alumina Hydrate	9.65	14.44
Special Grade Hydrate	12.53	9.45
Calcined Alumina	19.94	28.67
Special Grade Alumina	2.29	1.02
Aluminium Standard and Sow Ingots	1,844.96	1,409.12
Aluminium Wire Rods	783.40	519.16
Aluminium Billets	196.61	150.81
Aluminium Strips	38.61	28.43
Rolled Products	53.55	9.32
Electricity	41.33	42.01
	<u>3,017.96</u>	<u>2,219.89</u>
Total	<u>5,287.36</u>	<u>4,420.14</u>

	Year ended March 31, 2006	Year ended March 31, 2005
Schedule I		
OTHER INCOME		
Operating :		
Export incentives	84.62	151.71
Exchange variation gain	8.66	6.99
	<u>93.28</u>	<u>158.70</u>
Non-Operating :		
Interest on/from :		
Investments	—	11.77
Bank Deposits and others	107.76	34.13
Loans to Employees	4.58	4.98
Profit on sale of fixed assets	0.02	0.79
Sale of general scrap, bath etc. (net of excise duty) and its accretion	5.65	18.28
Receipt for rent, electricity & water charges	2.19	2.14
Miscellaneous Income	8.70	4.43
	<u>128.90</u>	<u>76.52</u>
Total	<u>222.18</u>	<u>235.22</u>

* Tax deducted at source from interest income from debtors, investments deposits with banks and financial institutions Rs.20.60 (previous year Rs.10.45).

Schedules forming part of Profit & Loss Account

(Rupees in crores)

Schedule J

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

	Opening Stock	Transfer from/(to) trial operation	Adjusted Opening Stock	Closing Stock	Accretion / Decretion
Finished Products :					
Bauxite	7.68 (3.98)	— (—)	7.68 (3.98)	11.16 (7.68)	3.48 (3.70)
Zeolite	0.67 (0.60)	— (—)	0.67 (0.60)	0.41 (0.67)	-0.26 (0.07)
Alumina Hydrate	0.42 (0.38)	— (—)	0.42 (0.38)	0.16 (0.42)	-0.26 (0.04)
Special Grade Hydrate	0.01 (0.03)	— (—)	0.01 (0.03)	0.11 (0.01)	0.10 (- 0.02)
Calcined Alumina	32.81 (37.24)	— (—)	32.81 (37.24)	46.98 (32.81)	14.17 (- 4.43)
Special Grade Alumina	0.03 (—)	0.21 (0.02)	0.24 (0.02)	1.02 (0.03)	0.78 (0.01)
Aluminium Standard and Sow Ingots	8.42 (11.47)	— (—)	8.42 (11.47)	19.00 (8.42)	10.58 (- 3.05)
Aluminium Wire Rods	1.11 (0.56)	— (—)	1.11 (0.56)	2.29 (1.11)	1.18 (0.55)
Aluminium Billets	1.89 (0.42)	— (—)	1.89 (0.42)	3.68 (1.89)	1.79 (1.47)
Aluminium Strips	4.06 (1.52)	— (0.82)	4.06 (2.34)	5.80 (4.06)	1.74 (1.72)
Rolled Products	0.04 (0.02)	— (0.01)	0.04 (0.03)	10.20 (0.04)	10.16 (0.01)
Intermediary products:					
Anodes	53.00 (34.40)	— (—)	53.00 (34.40)	55.58 (53.00)	2.58 (18.60)
Anode butts	0.59 (0.47)	— (- 0.01)	0.59 (0.46)	2.12 (0.59)	1.53 (0.13)
Aluminium scraps	4.58 (4.54)	— (0.21)	4.58 (4.33)	6.51 (4.58)	1.93 (0.25)
Work-in-process	60.10 (53.22)	— (0.02)	60.10 (53.24)	70.33 (60.10)	10.23 (6.86)
Total for current year	175.41	0.21	175.62	235.35	59.73
Less: Accretion to Excise Duty liability on closing stock					5.83
Net accretion to stock					53.90
Total for previous year	(148.85)	(0.65)	(149.50)	(175.41)	(25.91)
Less: Accretion to Excise Duty liability on closing stock					(1.80)
Net accretion to stock					(24.11)

Note : Figures in brackets represent those of previous year

Schedules forming part of the Profit & Loss Account

Schedule K

RAW MATERIALS CONSUMED

(Rupees in crores)

	Year ended March 31, 2006		Year ended March 31, 2005	
	Quantity(MT)	Value	Quantity(MT)	Value
Caustic soda	1,19,605	207.64	1,16,867	147.07
C.P.Coke	1,40,789	176.71	1,43,112	168.25
C.T.Pitch	35,700	63.38	35,431	63.21
Aluminium fluoride	8,355	36.66	7,194	31.98
Lime	42,274	12.05	43,754	11.67
Crystal growth modifier	371	5.53	341	4.97
Others	—	19.08	—	17.09
Total		<u>521.05</u>		<u>444.24</u>

Schedule L

POWER & FUEL

	Year ended March 31, 2006	Year ended March 31, 2005
Coal	458.59	396.53
Fuel oil	290.32	219.25
Duty on self generation	127.87	123.28
Power transmission charges	3.72	5.81
Purchased power	57.34	11.39
Power from Trial operation	—	2.08
Total	<u>937.84</u>	<u>758.34</u>

Schedule M

REPAIRS & MAINTENANCE

	Year ended March 31, 2006	Year ended March 31, 2005
Buildings	13.54	11.15
Machinery	169.31	143.83
Others	9.08	9.39
Total	<u>191.93</u>	<u>164.37</u>

Schedule N

OTHER MANUFACTURING EXPENSES

	Year ended March 31, 2006	Year ended March 31, 2005
Royalty & Cess	37.54	31.25
Freight inwards	46.63	34.51
Consumption of stores	38.08	36.30
Water charges	2.19	1.70
Technical assistance fee & expenses	9.10	2.30
Entry Tax	6.42	4.59
Total	<u>139.96</u>	<u>110.65</u>

Schedule O

EMPLOYEES' REMUNERATION AND BENEFITS

	Year ended March 31, 2006	Year ended March 31, 2005
Salaries, wages, bonus & exgratia	265.52	235.51
Contribution to Provident & Pension funds	22.98	19.89
Provision for leave encashment and post-retirement medical benefits	5.31	3.40
Staff welfare expenses	32.77	26.81
Gratuity	4.87	4.38
Total	<u>331.45</u>	<u>289.99</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2006	Year ended March 31, 2005
Schedule P		
ADMINISTRATIVE EXPENSES		
Rent	2.25	2.41
Rates and taxes	0.98	0.82
Insurance	4.75	6.15
Repairs and Maintenance :		
Buildings	3.41	3.71
Others	3.46	2.53
Vehicle operating expenses	0.86	0.78
Consumption of stores	0.76	0.67
Recruitment expenses	0.17	0.74
Bank charges	0.74	0.95
Legal expenses	2.24	4.20
Printing and Stationery	1.83	1.92
Electronic data processing expenses	1.43	1.31
Communication expenses	4.10	3.54
Advertisement & publicity	4.90	2.53
Electricity and water charges	3.03	3.05
Travelling expenses	10.99	8.43
Director's sitting fees	—	0.01
Hire charges for machinery and vehicles	4.83	4.20
Management development & training	5.66	4.19
Consultancy charges	1.31	0.84
CISF and other security expenses	19.70	18.14
Fire fighting services	3.35	2.86
Miscellaneous expenses	5.09	5.12
Total	<u>85.84</u>	<u>79.10</u>
Schedule Q		
OTHER EXPENSES		
Research and development expenses	0.96	4.28
Plantation and horticulture	2.20	1.73
Environment and pollution control	0.78	0.53
Peripheral development expenses and provisions	16.92	10.15
Interest on disputed Govt. dues and others	32.92	25.04
Auditors' remuneration :		
Statutory audit fee	0.07	0.08
Statutory audit expenses	0.08	0.09
Tax audit, other certification fee and expenses	0.07	0.06
Cost audit fee and expenses	0.02	0.03
Donations	2.50	2.25
Demurrage	4.56	0.33
Loss on sale of assets	0.09	0.08
Shortages and losses	2.14	1.12
Stores and spares written off	7.22	10.11
Claims, receivables and debts etc. written off	0.07	1.49
Total	<u>70.60</u>	<u>57.37</u>

Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2006	Year ended March 31, 2005
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Schedule R

SELLING AND DISTRIBUTION EXPENSES

Packing and forwarding	3.86	2.67
Freight outwards and handling (net of recoveries)	68.90	69.50
Commission to selling agents	0.10	0.06
Wharfage	1.84	1.86
Bank charges	1.16	0.95
Others	4.31	6.05
Total	<u>80.17</u>	<u>81.09</u>

Schedule S

INTEREST AND FINANCING CHARGES

Interest on :		
Redeemable debentures	—	30.57
Redeemable bonds	—	29.77
Short term loans	—	0.03
Issue and other expenses	—	0.24
Total	<u>—</u>	<u>60.61</u>

Schedule T

PROVISIONS

Unserviceable materials	1.58	1.84
Doubtful Debts	0.01	(2.21)
Doubtful Other current assets	(0.24)	(0.93)
Doubtful advances	(0.43)	(0.16)
Doubtful deposits	—	1.48
Doubtful claims	(0.46)	2.17
Total	<u>0.46</u>	<u>2.19</u>

Schedule U

PRIOR PERIOD ADJUSTMENTS (NET)

Other Income	0.23	0.01
Power and fuel	—	2.12
Repairs and maintenance	0.08	(0.03)
Other manufacturing expenses	0.35	0.55
Employees' remuneration & benefits	(0.07)	(0.57)
Administrative & Other Expenses	0.16	(0.05)
Selling & distribution expenses	—	(0.09)
Depreciation	4.36	(2.37)
Total	<u>5.11</u>	<u>0.43</u>

Note : Figures in brackets represent credits.



Schedules forming part of the Accounts

Schedule - V

SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING:

The Company prepares its accounts on accrual basis under historical cost convention and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

B. BALANCE SHEET:

1. FIXED ASSETS:

- 1.1 All fixed assets are stated at historical cost less depreciation. Cost includes all direct expenditure of acquisition, 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 Expenditure on development of land including leasehold land are capitalised as part of cost of land.
- 1.4 Expenditure 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 cost by crediting the grant-in-aid received to Capital Reserve. Equivalent amount of depreciation provided 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 Rs.1 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 net of CENVAT credit wherever applicable. Shortage of coal upto 1% of receipt quantity is treated as normal loss and beyond 1% is treated as abnormal loss.

- 3.2 Purchased goods in transit are carried at cost.

- 3.3 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.

- 3.4 Intermediary products viz. Anodes are valued at cost, anode butts and anode rejects are valued at lower of realizable value or 45% of direct material cost.

- 3.5 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 realisable value.

- 3.6 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.

- 3.7 Inventory of stores and spares, other than insurance spares, not moved for more than 5 years is valued at 5% of cost.

- 3.8 Fixed assets retired from active use and held for disposal are treated as current assets and are valued at lower of net book value and net realisable value.

4. SUNDRY DEBTORS AND LOANS AND ADVANCES:

Sundry debtors and Loans and Advances are stated after making adequate provisions for doubtful realisation.

5. PROVISIONS:

A provision is recognized when there is present obligation as a result of a past event, it is probable that an out flow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. These are reviewed at each year end date and adjusted to reflect the best current estimate.

6. FOREIGN CURRENCY TRANSACTIONS:

- 6.1 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.

- 6.2 Other transactions in foreign currency are accounted for at the exchange rates prevailing on the date of the transactions.

- 6.3 All foreign currency assets and liabilities are stated at the rates prevailing as on the date of the Balance Sheet.

- 6.4 Exchange differences relating to acquisition of fixed assets are separately carried and clubbed against relevant nature of fixed assets. Other exchange

differences arising out of their settlement and restatement are dealt with in the Profit & Loss Account.

- 6.5 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
Earth work portion of:	
Red mud pond at Alumina Refinery	22.09 %
Ash pond at Alumina Refinery	13.34 %
Ash ponds at Captive Power Plant	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 and/or separately carried against relevant nature of fixed assets 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 fully depreciated over the residual useful life of related Plant & Machinery.
- 1.8 Intangible assets as stated at Para No.B.1.8 are fully amortised over a period of three years.

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 and Indigenous sales are recognised on Bill of Lading and document of dispatch respectively.
- 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 after providing for expected shortfall in realization based on last auction.

4. EXCISE DUTY :

Excise Duty is accounted for on despatch of products from the factory and on closing stock inside the plant.

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 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 incurred 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 directly attributable to the acquisition and construction of a qualifying asset, are allocated to the cost of relevant fixed assets.

9. DEFERRED TAXATION:

Deferred Tax expense or benefit is recognized on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or

more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

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 of the CGU.

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.

Schedules forming part of the Accounts

Schedule - W

NOTES FORMING PART OF THE ACCOUNTS :

A. 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 2006	As at 31st March 2005
a) Estimated amount of contracts to be executed on capital account (net of advances and Lcs opened)	1,506.55	193.59
b) Outstanding letters of credit, guarantees and counter guarantees	32.50	22.11
c) Claims against the Company not acknowledged as debts :		
i) Sales Tax	131.13	60.12
ii) Excise Duty	66.03	78.97
iii) Customs Duty	11.33	11.33
iv) Claims of contractors suppliers & others	57.78	43.75
v) Land acquisition and interest thereon	34.90	32.90
vi) Unrealised bank guarantees due to court injunctions	0.57	0.57
vii) Income Tax & Wealth Tax	100.40	103.18
viii) Entry Tax and Road Tax	30.70	22.20
ix) Employee State Insurance	0.32	0.32
x) Water charges	1.68	1.19
xi) Interest on delayed payment of Royalty	0.61	—
TOTAL	435.45	354.53

- 1.3 Dues to various Small Scale Industrial Units amounting to Rs.0.47 crores (Previous year Rs.1.63 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 percent up to 31st March, 1994, based on estimated useful life of assets being 20 years without retention of 5 percent 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 percent residual value except for assets already written off fully.

- 2.2 Out of a total sum of Rs.64.83 crores received towards export of 33,300 MT of calcined alumina under the orders of Supreme Court during the year 2003-04, Rs.25.95 crores being the original contract value was considered as sales income during the same year and balance Rs.38.88 crores was kept as advance, pending arbitration.

The arbitration order was delivered in May, 2005 and has been accepted by both the parties. In accordance with above order, Rs.1.45 crores was refunded to the customer as final settlement and Rs.34.79 crores has been accounted as net income during the current year under the head "Extraordinary Income" which consist of Rs.36.80 crores towards sales, Rs.3.22 crores towards other income and Rs.5.23 crores towards charges for delay to vessel and bunker and interest.

- 2.3 Out of the export incentive of Rs.44.44 crores in form of DEPB under target plus scheme, accounted during 2004-05, DEPB certificates for Rs.37.79 crores has been received in the month of May, 2006 and the balance are awaited.

- 2.4 In accordance with Accounting Standard issued by Institute of Chartered Accountants of India read with policy No.C.10, carrying amount of fixed assets of Rolled Product Unit was compared with future cash flow expected to result from its use. Since, the future cash flow is more, no impairment of asset has been considered.

- 2.5 Discount on sales amounting to Rs.19.85 crores for the year 2004-05, given against booking through advance or LC, which was disclosed as cash discount under selling and distribution expenses has been regrouped as net of sales in line with current year's

policy of treating the same as trade discount. Similarly, accretion/decretion to stock of finished/intermediary products/ work-in-process amounting to Rs.25.11 crores for the year 2004-05 has been regrouped under expenditure head after netting off of Rs.1.80 crores towards Excise Duty on finished goods in line with current year's disclosure.

- 2.6 Other liability includes Rs.0.67 crores (previous year Rs.0.67 crores) towards unclaimed dividend, which has not exceeded the statutory time limit for credit to Investor Education and Protection Fund as on 31.03.2006. A sum of Rs.65,600/- has been paid to 154 shareholders from unclaimed dividend account of 1997-98 without remitting the same to Investor Education and Protection Fund as a more investor friendly practice.
- 2.7 IDCO has leased 11 Acres of land to the Company for installation of Aluminium Wheel plant at Bhubaneswar. The Aluminium Wheel project was shelved due to economic unviability. Since, notice for termination of lease has not been received by the Company, no provision for write off of lease value has been considered necessary in the accounts.
- 2.8 In respect of self-generation of power, the cost under "Power and Fuel" consists of consumption of coal and fuel oil but does not include other expenses of generation and consumption of certain other materials, which have been included under the natural heads of account.
- 2.9 As regards to rehabilitation of land affected persons at Angul Sector, Rehabilitation Advisory Committee (RAC), constituted by Government of Orissa for above mentioned purpose, had proposed Nalco to come up with a sufficiently attractive cash compensation offer, so that the Substantially Affected Persons (SAP) opt for such cash compensation in lieu of job rehabilitation. The Company has accepted to enhance such one time cash assistance in principle. Pending quantification and finalisation of compensation by RAC of Government of Orissa and acceptance of such scheme by the SAPs, in lieu of job, no provision has been made in the accounts.

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

(Rs. in crores)		
	Up to 31.3.2006	Up to 31.3.2005
Deferred tax liabilities:		
Depreciation on Fixed Assets	689.70	703.24
Less: Deferred tax assets:		
Taxes duties, etc.	24.47	27.64
Provision for doubtful debts, claims, etc.	22.55	21.51
Employee separation/ retirement and others	0.95	1.64
	<u>47.97</u>	<u>50.79</u>
Net deferred tax liability	641.73	652.45

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 issued by Institute of Chartered Accountants of India 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 rate of depreciation on Red mud pond at M & R Complex (Policy No.C.1.1), depreciation charged for the year is increased by Rs.0.94 crores with corresponding decrease in Net Block.
- b) Consequent to charging of full depreciation on insurance spares. (Policy No.C.1.7), depreciation charged for the year is increased by Rs.0.52 crores with corresponding decrease in Net Block.
5. Previous year's figures have been regrouped / rearranged wherever necessary to make them more comparable.

Schedule - X

Additional information forming part of accounts for the year ended March 31, 2006

	Current Year (Rs. in crores)		Previous Year (Rs. in crores)	
1. a) Whole-time Directors' Remuneration:				
Salaries		0.44		0.44
Company's contribution to Provident Funds & Gratuity scheme		0.05		0.03
Leave travel concession		0.03		—
Medical benefits		0.04		0.05
Other benefits		0.10		0.06
Total		<u>0.62</u>		<u>0.58</u>
(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
2. Expenditure incurred in Foreign Currency on cash basis:				
Technical assistance		23.30		1.33
Payments to consultants / supervision charges		3.40		8.92
Travelling expenses		0.60		0.38
Agency commission on export sales		0.10		0.06
other expenses		6.92		2.67
Total		<u>34.32</u>		<u>13.36</u>
3. Earnings in Foreign Currency on cash basis:				
Export of goods		2,317.47		2,145.87
Other Income		0.73		1.00
Total		<u>2,318.20</u>		<u>2,146.87</u>
4. Value of Imports calculated on CIF basis:				
Raw materials		86.42		93.67
Components, spare parts and construction materials		35.63		33.36
Capital goods		14.01		26.65
Total		<u>136.06</u>		<u>153.68</u>
5. Value of Raw materials, stores, spares & components consumed during the year:				
	Current Year		Previous Year	
	Value	%	Value	%
a) Raw materials:				
Imported	40.88	7.85	44.21	9.95
Indigenous	480.17	92.15	400.03	90.05
Total	<u>521.05</u>	<u>100.00</u>	<u>444.24</u>	<u>100.00</u>
b) Stores, spares and components:				
Imported	60.31	29.36	48.62	27.17
Indigenous	145.11	70.64	130.32	72.83
Total	<u>205.42</u>	<u>100.00</u>	<u>178.94</u>	<u>100.00</u>

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	48,54,253	48,51,726
ii) Detergent Grade Zeolite	Not Applicable	10,000	10,000	7,740	4,046
iii) Aluminium Hydrate	Not Applicable	15,75,000	15,75,000	15,90,000	15,75,500
a) Special Grade Hydrate	Not Applicable	7,150	7,150	5,473	5,009
iv) Calcined Alumina	Not Applicable	15,75,000	15,75,000	15,78,000	15,66,720
a) Special Grade Alumina	Not Applicable	7,450	450	1,713	413
v) Aluminium Metal	Not Applicable	3,45,000	3,45,000	3,58,954	3,38,483
a) Aluminium Standard Ingots	Not Applicable	2,15,000	2,15,000	1,63,652	1,46,322
b) Aluminium Sow Ingots	Not Applicable	—	—	1,00,069	1,24,467
c) Aluminium Wire rods	Not Applicable	1,00,000	1,00,000	67,319	49,228
d) Aluminium Billets	Not Applicable	30,000	30,000	16,945	14,466
e) Aluminium Strips - Smelter	Not Applicable	26,000	26,000	3,624	3,846
f) Aluminium Strips - RPU	Not Applicable	52,000	26,000	5,786	1,063
vi) Rolled Products	Not Applicable	45,000	45,000	5,040	858
vii) Electricity	Not Applicable	960 MW	960 MW	5,679 MU	5,613 MU

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

2. Current year's production includes Special Grade Alumina of 358 MT out of trial operation. Previous year's production includes Aluminium metal and Electricity of 2590MT and 37 MU respectively out of trial operation.

3. Bauxite of 47,76,156 MT (previous year 46,83,596 MT), Alumina Hydrate of 15,83,473 MT (previous year 15,71,729 MT), Calcined Alumina of 6,93,466 MT (previous year 6,54,381 MT) and Electricity of 5,357 MU (previous year 5,223 MU) have been consumed internally.

4. The aluminium production at Coloumn (v) includes production of Bus bar of 1150MT (previous year 121 MT) and Anode stem & wedges of 409 MT (previous year 33 MT).

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	4,38,929 (2,69,004)	7.68 (3.98)	— (—)	— (—)	5,23,828 (4,38,929)	11.16 (7.68)
Zeolite	379 (389)	0.67 (0.60)	7,892 (4,056)	15.09 (7.59)	227 (379)	0.41 (0.67)
Alumina Hydrate	906 (803)	0.42 (0.38)	4,328 7,415	9.65 (14.44)	296 (906)	0.16 (0.42)
Special Grade Hydrate	20 (37)	0.01 (0.03)	5,354 (5,032)	12.53 (10.05)	139 (20)	0.11 (0.01)
Calcined Alumina	63,274 (73,828)	32.81 37.24	8,71,282 (9,22,843)	1,406.03 (1,149.57)	76,840 (63,274)	46.98 (32.81)
Special Grade Alumina	30 (—)	0.03 (—)	1,126 (435)	2.29 (1.02)	373 (30)	1.02 (0.03)
Aluminium St. & Sow ingots	1,483 (2,515)	8.42 (11.47)	2,62,310 (2,69,860)	2,728.27 (2,501.02)	2,886 (1,483)	19.00 (8.42)
Aluminium Wire rods	181 (94)	1.11 (0.56)	67,169 (48,552)	783.40 (524.12)	330 (181)	2.29 (1.11)
Aluminium Billets	296 (68)	1.89 (0.42)	16,827 (14,206)	196.61 (152.17)	509 (296)	3.68 (1.89)
Aluminium Strips	423 (232)	4.06 (1.52)	3,372 (2,542)	38.61 (28.59)	811 (423)	5.80 (4.06)
Rolled products	3 (3)	0.04 (0.02)	4,163 (777)	53.55 (9.41)	880 (3)	10.20 (0.04)
Electricity (in MU net)	— (—)	— (—)	322 (399)	41.33 (42.01)	— (—)	— (—)

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 sale excludes sale of Special Grade Alumina of Rs.0.75 crores (289 MT) out of trial operation. previous year's sale excludes sale of Aluminium metal of Rs.25.23 crores (2,590 MT) and Electricity of Rs.0.74 crores (7 MU) out of trial operation.

4. Figures of closing stock are after adjustment of Bauxite excess of 6,802 MT (previous year 1,795 MT), Alumina Hydrate shortage of 2,810 MT (previous year excess of 3,747 MT), Calcined alumina excess of 89 MT (previous year shortage of 50 MT), Aluminium metal shortage of 16 MT (previous year 42 MT), Wire Rod shortage of 1 MT (previous year nil). Corresponding insurance claims are lodged in respect of transit shortage of aluminum metals.

8. Social Amenities:

(Rs. in crores)

Expenses	Township	Education	Medical	Social/Cultural	Canteen	Total
Payments to employees	10.12	—	10.67	—	1.34	22.13
Welfare expenses	—	8.48	7.61	1.30	3.38	20.77
Materials consumed	0.16	0.10	1.69	—	—	1.95
Repairs & maintenance	5.46	0.02	0.04	—	—	5.52
Power, fuel & water charges	4.59	—	—	—	—	4.59
Depreciation	5.04	0.14	0.16	0.15	0.05	5.54
Total	25.37	8.74	20.17	1.45	4.77	60.50
Less: Recoveries	2.20	—	0.10	—	—	2.30
Net Expenditure	23.17	8.74	20.07	1.45	4.77	58.20
For previous year	20.75	8.36	19.35	0.98	4.27	53.71

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

Registration No. 1500920
State Code 15
Balance Sheet Date 31st March, 2006

ii) Capital raised during the year:**Current Year****Previous 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	6,534.40	5,350.26
Total Assets	6,534.40	5,350.26
Sources of Funds:		
Paid-up Capital	644.31	644.31
Reserves & Surplus	5,248.36	4,053.50
Secured Loans	Nil	Nil
Unsecured Loans	Nil	Nil
Deferred tax liabilities	641.73	652.45
Application of Funds:		
Net Fixed Assets	4,176.67	4,345.61
Investments	Nil	Nil
Net Current Assets	2,357.73	1,004.65
Misc. Expenditure	Nil	Nil
Accumulated losses	Nil	Nil

iv) Performance of the Company:

Gross Turnover	5,287.36	4,420.14
Total Expenditure	2,687.75	2,484.49
Profit/Loss before Tax	2,429.76	1,869.41
Profit/Loss after Tax	1,562.20	1,234.84
Earning per Share (In Rupees)	24.25	19.17
Dividend rate (%)	50.00	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	1,437.20	1,174.13	3,414.70	2,949.83	—	—	4,851.90	4,123.96
Inter-segment transfers	1,102.22	783.02	19.07	19.13	—	—	1,121.29	802.15
Total Revenue	2,539.42	1,957.15	3,433.77	2,968.96	—	—	5,973.19	4,926.11
Less: Elimination	—	—	—	—	—	—	(1,121.29)	(802.15)
Net Revenue	—	—	—	—	—	—	4,851.90	4,123.96
B. Result								
Segment result	1,575.41	1,169.50	760.70	769.85	(53.60)	(59.35)	2,282.51	1,880.00
Interest expense	—	—	—	—	—	—	0.00	60.61
Interest income	—	—	—	—	—	—	112.34	50.88
Income taxes	—	—	—	—	—	—	867.44	635.43
Profit from ordinary activities	—	—	—	—	—	—	1,527.41	1,234.84
Extraordinary income	—	—	—	—	—	—	34.79	—
Net Profit	—	—	—	—	—	—	1,562.20	1,234.84
C. Other Information								
Segment assets	1,749.44	1,774.41	3,414.81	3,588.58	2,310.30	793.66	7,474.55	6,156.65
Segment liabilities	160.93	168.20	465.29	458.15	313.93	180.04	940.15	806.39
Capital expenditure	90.26	43.84	135.69	82.57	0.51	1.84	226.46	128.25
Depreciation	130.65	160.86	249.51	296.46	1.44	1.39	381.60	458.71
Non-cash expenses (other than depreciation)	2.08	10.43	12.19	12.03	0.38	1.64	14.65	24.10

GEOGRAPHIC SEGMENTS

	India		Outside India		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A. Revenue						
External sales	2,582.50	1,923.71	2,269.40	2,200.25	4,851.90	4,123.96
B. Other Information						
Segment assets	7,462.69	6,088.61	11.86	68.04	7,474.55	6,156.65
Capital expenditure	226.46	128.25	—	—	226.46	128.25

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

Bijoy K. Sahoo Partner	Bhubaneswar 23rd June, 2006	K. N. Ravindra Company Secretary	P.K.Parida Executive Director (Finance)	K. K. Mallick Director (Commercial)	C.R. Pradhan Chairman-cum- Managing Director (I/c)
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11. Cash Flow Statement :

(Rupees in crores)

	Year ended March 31, 2006	Year ended March 31, 2005
A. Cash flow from Operating Activities :		
Net Profit before tax and Extraordinary Income	2,394.85	1,870.27
Adjustments for :		
Depreciation	381.60	458.71
Interest & Financing charges	—	60.61
Provisions (Net)	5.78	5.59
Claims/Recoverables written off	1.66	1.49
Stores and spares written off	7.21	10.11
Interest income	—	(11.77)
Loss/(Profit) on sale of assets (net)	0.07	(0.71)
	<u>396.32</u>	<u>524.03</u>
Operating Profit before working capital changes	2,791.17	2,394.30
Adjustments for :		
Inventories	(71.31)	(60.54)
Trade & other receivables	22.12	(68.84)
Trade payables	<u>11.41</u>	<u>94.89</u>
	<u>(37.78)</u>	<u>(34.49)</u>
Cash generated from Operations	2,753.39	2,359.81
Direct taxes paid	<u>(822.76)</u>	<u>(636.23)</u>
Cash flow before Extraordinary Items	1,930.63	1,723.58
Extraordinary Items	<u>34.79</u>	<u>—</u>
Net cash from operating activities	<u>1,965.42</u>	<u>1,723.58</u>
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(233.16)	(126.72)
Sale/write off of Fixed Assets	0.11	0.04
Investment matured	—	200.00
Interest received	<u>—</u>	<u>21.08</u>
Net cash used in investing activities	(233.05)	94.40
C. Cash Flow from Financing Activities:		
Redemption of Debentures	—	(214.39)
Short term borrowings	—	(440.00)
Interest & financing charges paid	—	(69.21)
Refund of grants-in-aid	—	(0.40)
Dividends including dividend taxpaid	<u>(293.87)</u>	<u>(437.11)</u>
Net cash used in Financing activities	(293.87)	(1,161.11)

(Rupees in crores)

	Year ended March 31st, 2006	Year ended March 31st, 2005
D. Net changes in Cash & Cash equivalents (A+B+C)	1,438.50	656.87
E. Cash & Cash equivalents - Opening balance	755.21	98.34
F. Cash & Cash equivalents - Closing balance	2,193.71	755.21

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

Cash on hand and balances with banks	2,193.71	755.21
Effect of exchange rate changes	—	—
Cash & Cash equivalents as restated	2,193.71	755.21

b) Balances with bank includes Rs.59.78 crores (Previous year Rs.106.64 crores) not available for use by the Company.

c) Against working capital borrowing facility of Rs. 600 crores (Previous year Rs.600 crores), 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

Bijoy K. Sahoo	Bhubaneswar	K. N. Ravindra	P.K.Parida	K. K. Mallick	C.R. Pradhan
Partner	23rd June, 2006	Company Secretary	Executive Director (Finance)	Director (Commercial)	Chairman-cum- Managing Director (I/c)

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 : rmnalcol@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 OFFICE

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

STOCK YARDS

1. Bhiwandi

National Aluminium Company Limited
C/o. Central Warehousing Corpn.
Gala No. 5 & 6, Shed No. H-11
Shree Arihant Compound
Kalher, Bhiwandi-421 302
Phone : 02522-270441/273874

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 - 560 066
Phone : 080-28451327

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/
2644900

6. Faridabad

National Aluminium Company Limited
Plot No.66, Sector - 27A, Amarnagar
Faridabad, Haryana - 121 003
Phone : 0129-4044065

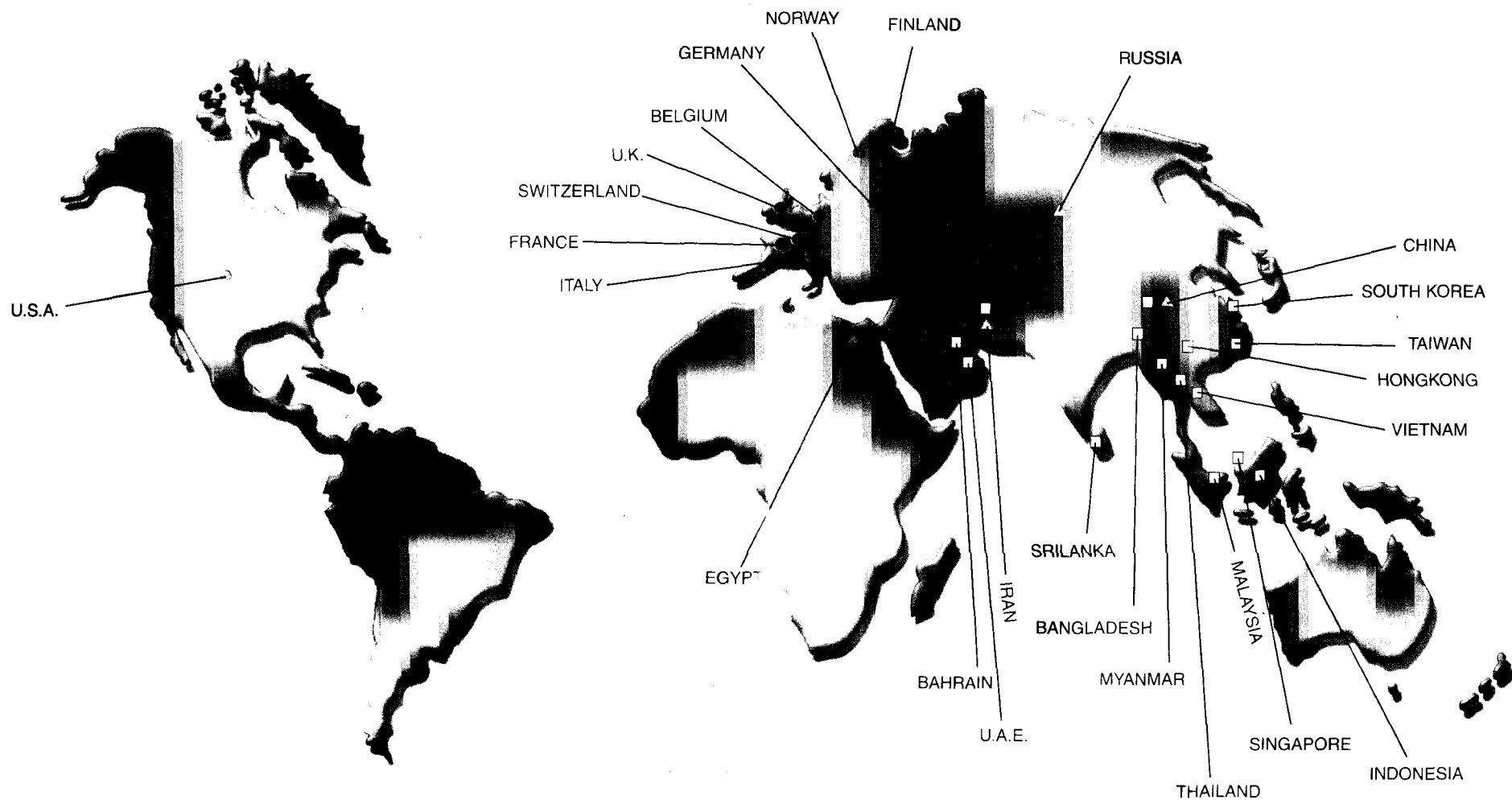
7. Visakhhar

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

8. Baddi

National Aluminium Company Limited
C/o. NSIC Limited
Opp. Surya Powder Company Limited
Village : Dharampur, Thana Road
P.O. : Baddi, Tehsil : Nalagarh,
Dist. : Solan (HP)
Phone : 01795-657114/652114

GLOBAL PRESENCE



● Technology associates

□ Aluminium export

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