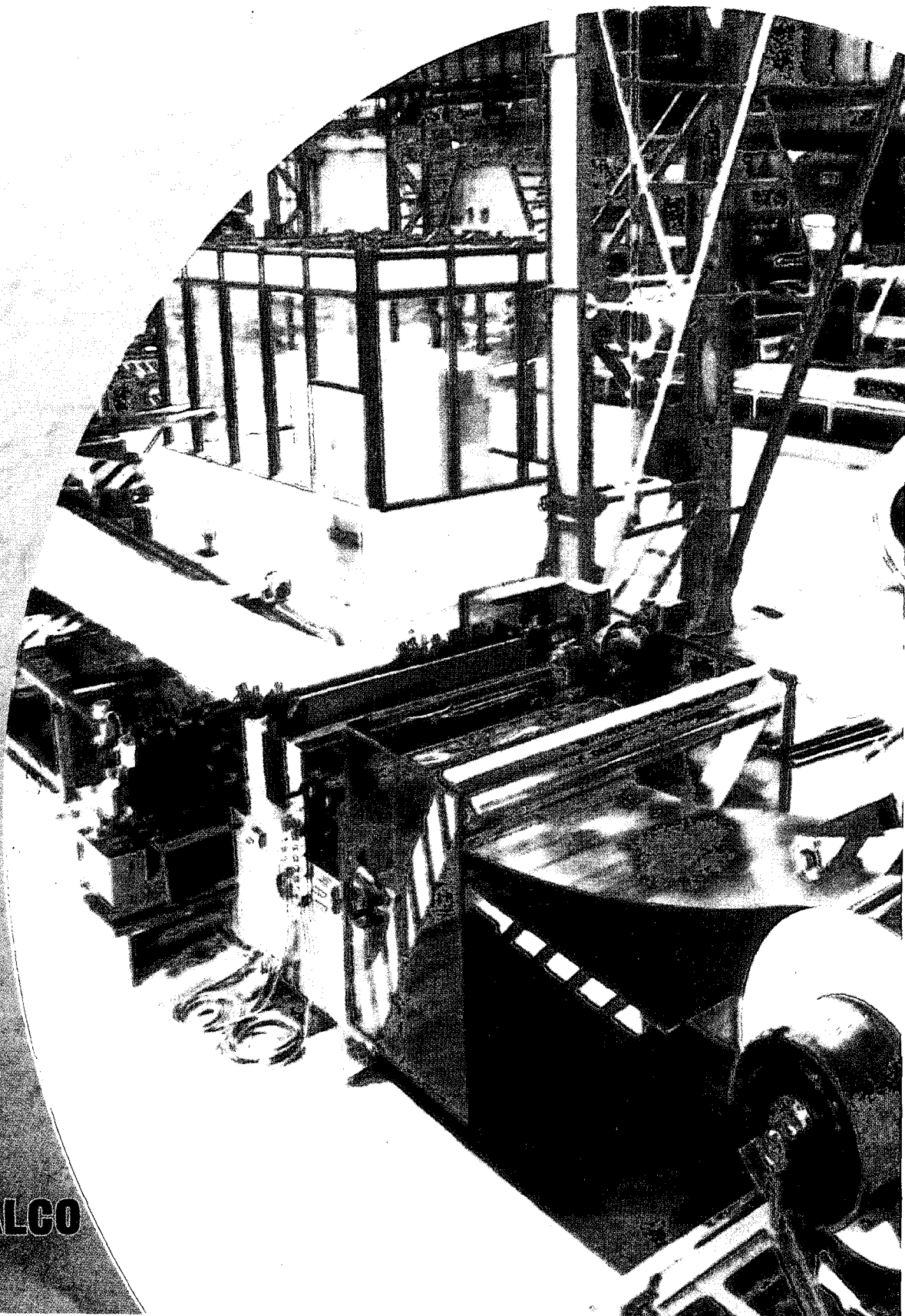


26th Annual Report 2006-07



VISION

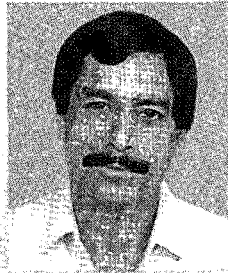
*To be a company of
global repute
in Aluminium sector*

MISSION

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



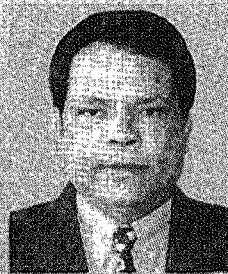
C. R. Pradhan



Dr. Pradeep Kumar

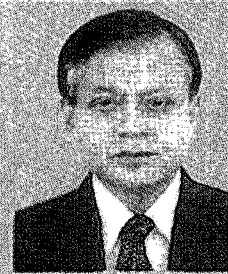


V. K. Thakral



K. K. Mallick

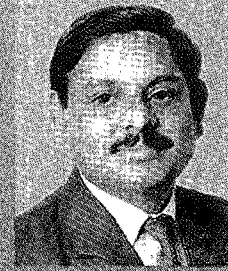
*Board
of
Directors*



A. R. Ray



P. K. Routray



B. L. Bagra



G. Kameswara Rao
C.V.O.



K. N. Ravindra
Company Secretary



The year at a glance

PHYSICAL

	Unit	2006-07	2005-06
Bauxite Mining	In '000 MT	4,623	4,854
Alumina Hydrate production	In '000 MT	1,475	1,590
Aluminium production	In '000 MT	359	359
Power generation (net)	In Million Units	5,968	5,679

FINANCIAL

	Unit	2006-07	2005-06
Export Turnover	Rs. in crore	2,585	2,306
Gross Sales	Rs. in crore	6,515	5,324
Profit Before Tax	Rs. in crore	3,620	2,430
Profit After Tax	Rs. in crore	2,381	1,562
Earnings per share	In Rs.	36.96	24.25
Book value per share	In Rs.	119.43	91.46
Dividend	In %	75	50
Core = 10 Million			

REGISTERED & CORPORATE OFFICE

NALCO Bhawan

Plot No. - P/1, Nayapalli

Bhubaneswar - 751 013 (Orissa)

Tel: 2301988-99

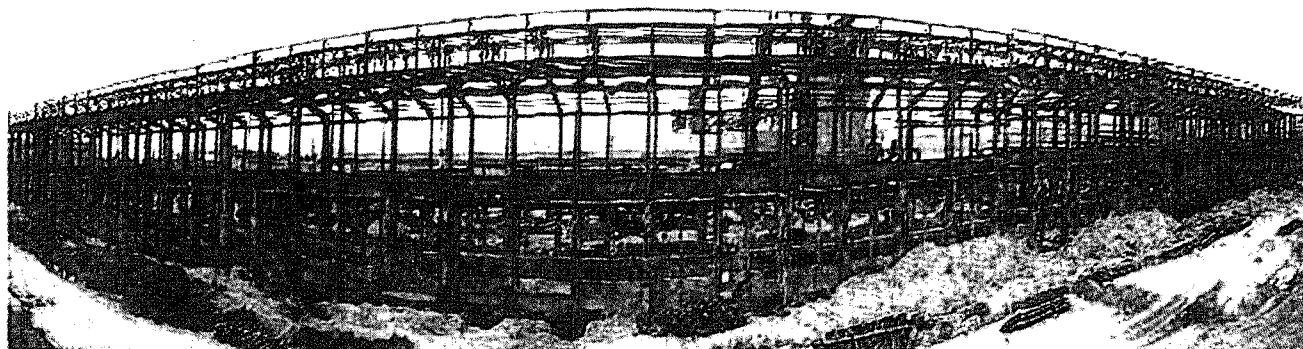
Fax: 0674-2300470/2300580/2300677/2300740

Website: www.nalcoindia.com

CONTENTS

The year at a glance	2
Directors' Report	5
Report on Corporate Governance	28
Management Discussion & Analysis Report	40
C & AG Comments	45
Auditors' Report	46
Annual Accounts	49
Cash Flow Statement	72
5 years performance at a glance - Physical & Financial	73
Offices and Customer Contact Centres	76

26th Annual General Meeting – Friday, the 21st September, 2007 at 11.00 A.M. at NALCO Bhawan, Plot No. - P/1, Nayapalli, Bhubaneswar - 751 013



Full view of Potline-H under construction



N. K. Jain

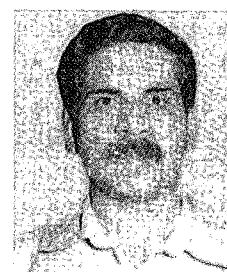


R. K. Maheswari



U. B. Patnaik

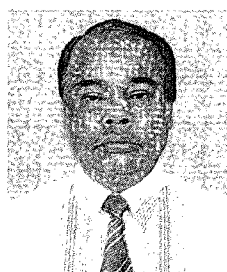
Executive Directors



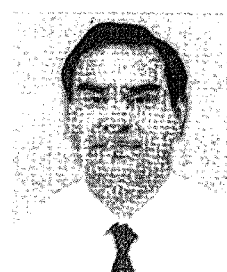
P. K. Parida



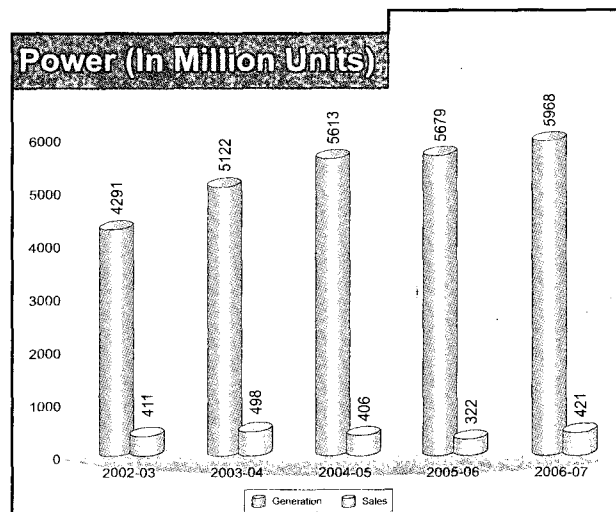
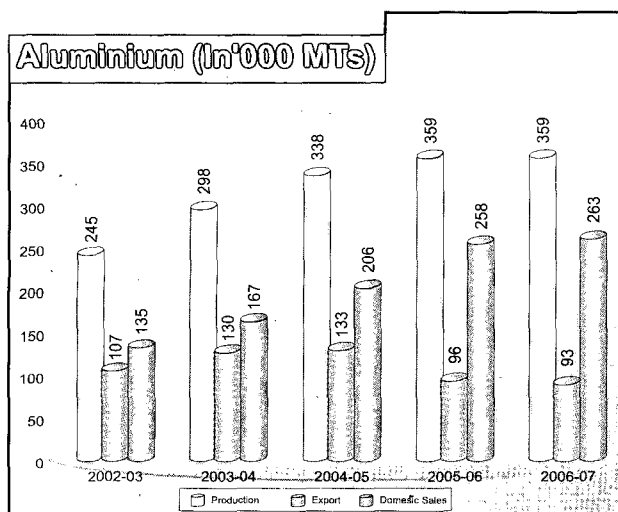
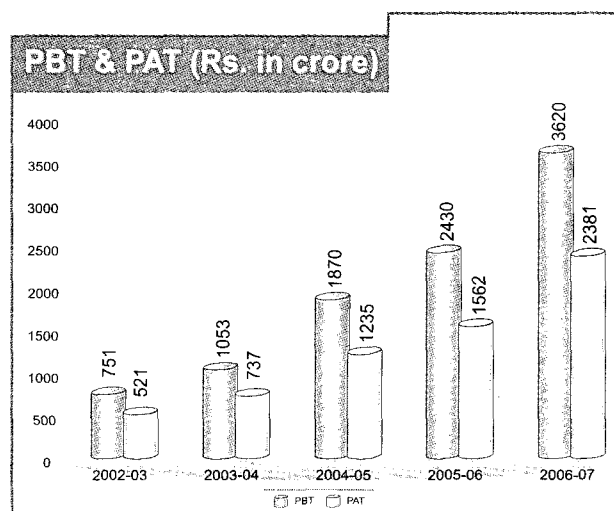
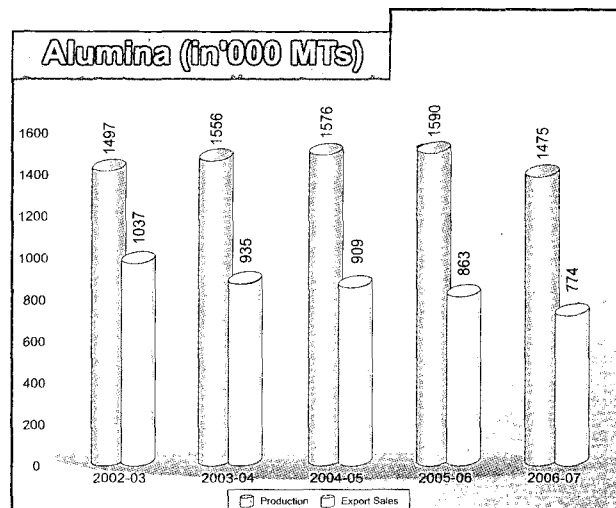
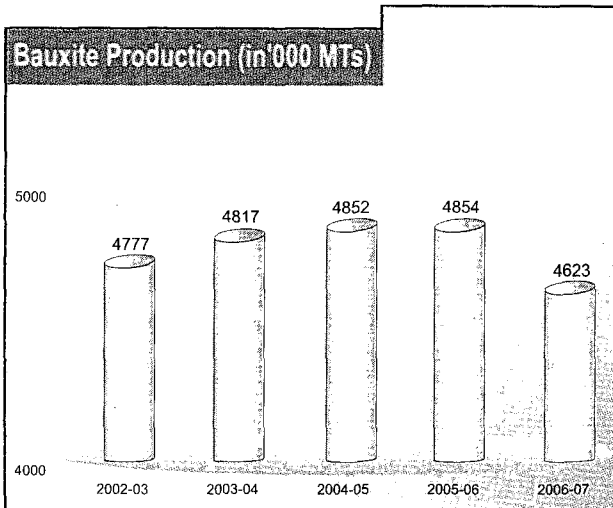
B. N. Swain



G. K. Behera



P. K. Padhi





Directors' Report



To

The Members,

Your Directors are delighted in presenting their 26th Annual Report together with the audited accounts for the year ended 31st March, 2007.

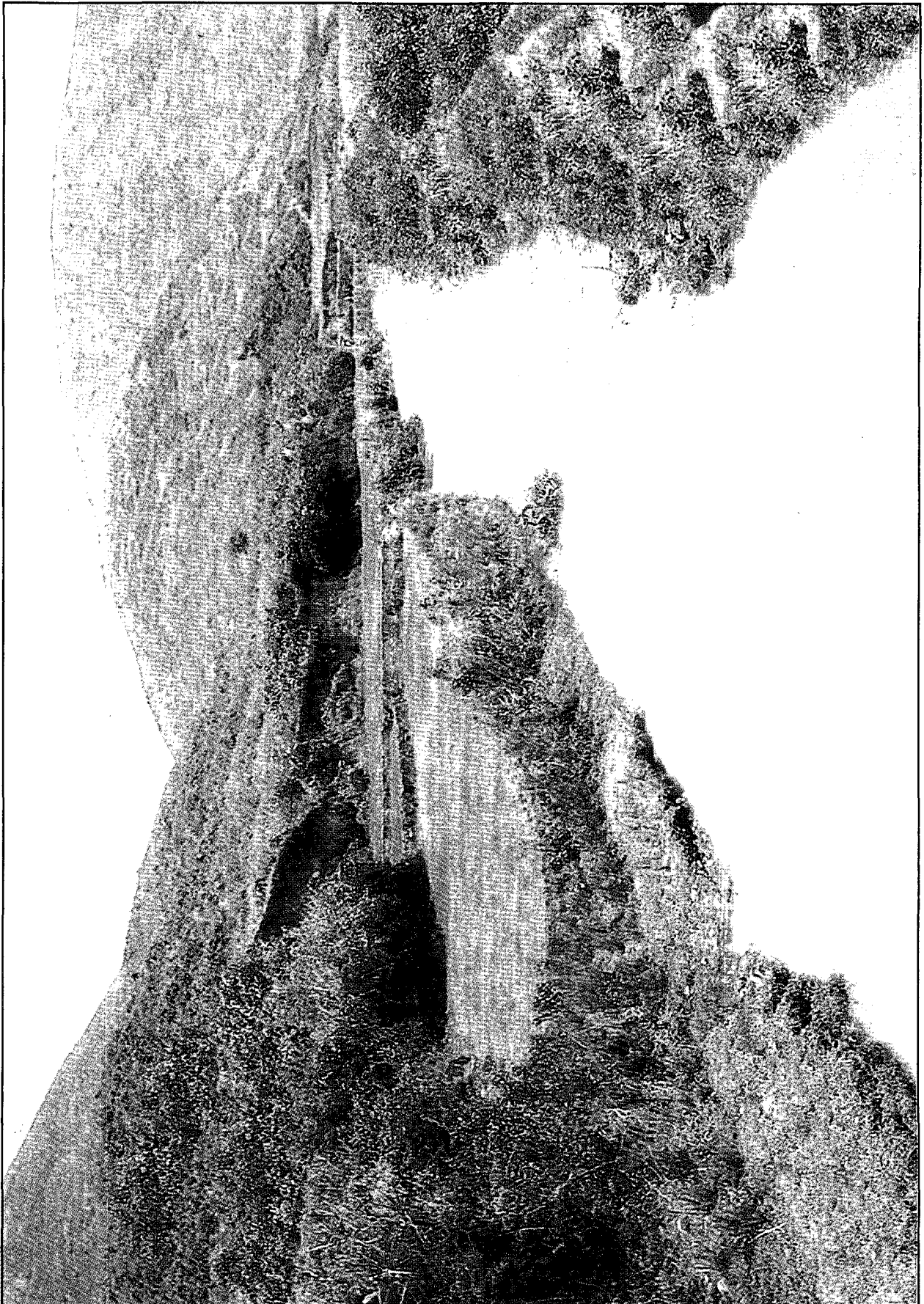
PERFORMANCE HIGHLIGHTS

You will be pleased to know that your Company has achieved the highest ever income of Rs.6,354 crore, as against the income of Rs.5,122 crore during the previous year and also the highest ever Profit After Tax at Rs.2,381 crore, as against Rs.1,562 crore in the previous year, thus registering a growth of 24% in income and of 52% in profit. Your Company has achieved the highest ever export earning of Rs.2,585 crore. The main contributing factor for increase in the income and the profit is better sales realization both in domestic and in export markets.

PHYSICAL PERFORMANCE

Production	Unit	2006-07	2005-06
Bauxite	MT	46,23,278	48,54,253
Alumina Hydrate	MT	14,75,200	15,90,000
Aluminium	MT	3,58,734	3,58,954
Electricity (Net)	MU	5,968	5,679

Your Company exceeded the targets set for production of aluminium and generation of power during the year under report. There was drop in production of bauxite in comparison to the previous year due to unprecedented heavy rainfall near the mines which affected the mining operation. The target for production of Alumina could not be achieved due to technical snag in cooling tower in Refinery which has since been sorted out.



Natural stream at M&R Complex, Damanjodi



Sales	Unit	2006-07	2005-06
Alumina - Export	MT	7,73,573	8,62,616
Alumina - Hydrate - Domestic	MT	10,920	12,994
Aluminium - Export	MT	93,122	95,747
Aluminium - Domestic	MT	<u>2,63,494</u>	<u>2,58,094</u>
		3,56,616	3,53,841
Electricity	MU	421	322

Your Company has achieved the highest sale of 3,56,616 MT of metal during the year 2006-07 surpassing the previous highest of 3,53,841 MT in 2005-06. Similarly, sale of 2,63,494 MT of metal in the domestic market surpassed the previous highest of 2,58,094 MT achieved in 2005-06.

The system of entering into annual MoU with domestic customers for sale of aluminium metal from plant and stockyards by providing benefits & incentives has helped your Company achieve a growth of approximately 2.1% of sales in domestic market over the previous financial year. Your Company signed MoUs with 118 domestic customers in 2006-07 as compared to 112 customers in previous year.

Sale of 5,374 MT Special Hydrate and 2,858 MT Special Alumina during the year are the highest volumes sold surpassing the previous highs of 5,354 MT and 1,126 MT respectively set in 2005-06. Your Company has also started export of Rolled Products from September, 2006 and a favourable feedback has been received from the customers.

FINANCE

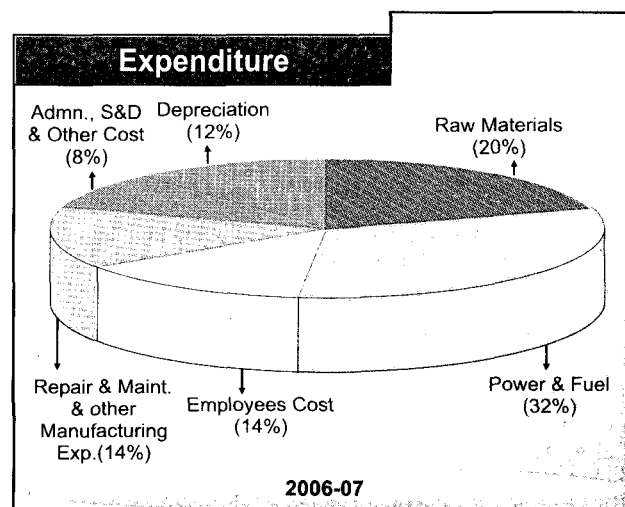
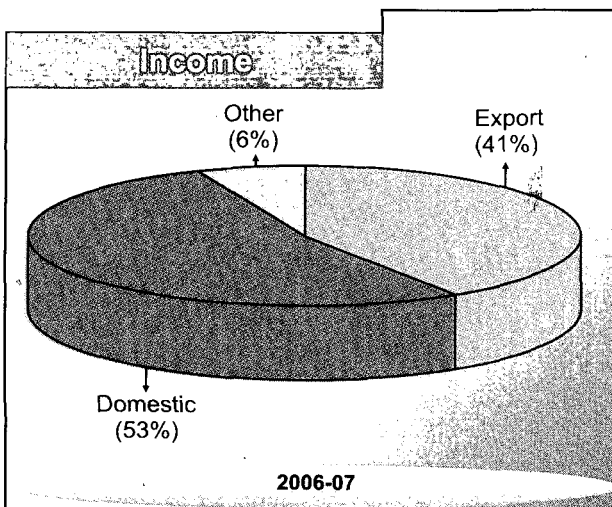
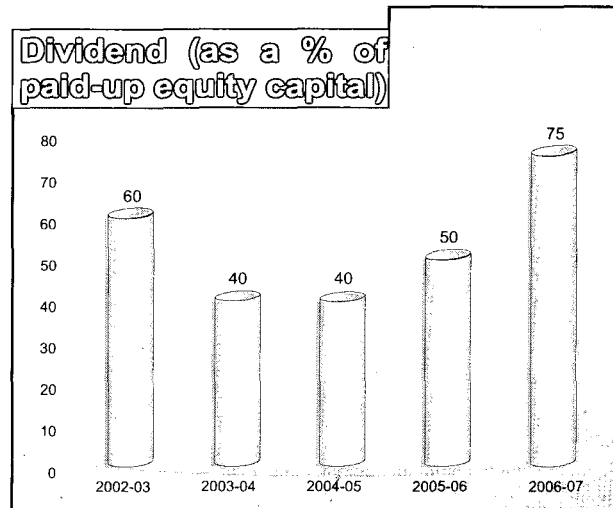
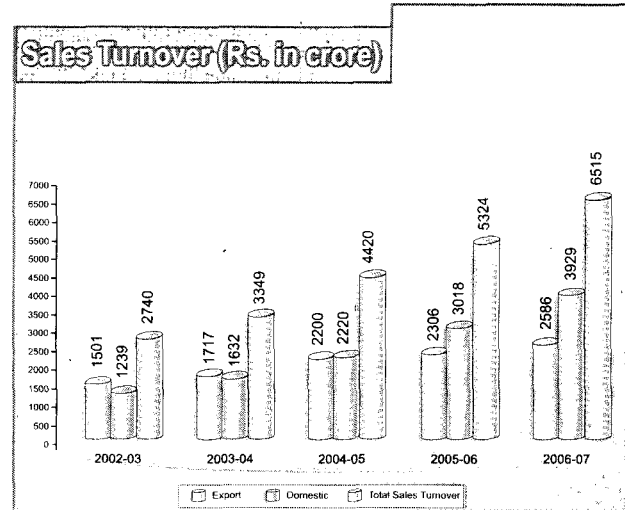
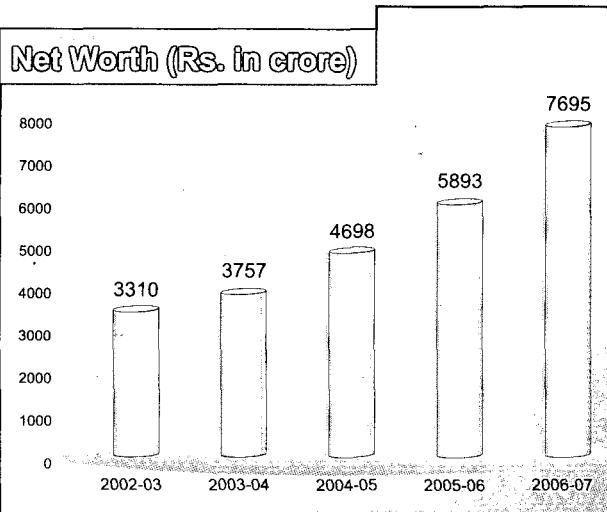
The summarized financial results as compared to previous year are furnished below:

(Rs. in crore)

Particulars	31.03.2007	31.03.2006
Net Sales	5,940	4,889
Other Income	414	234
Total Income	6,354	5,122
Gross Margin	3,941	2,811
Less: Interest & depreciation	<u>321</u>	<u>381</u>
Profit Before Tax (PBT)	3,620	2,430
Provision for Taxes	1,239	867
Profit After Tax (PAT)	2,381	1,562
Appropriation:		
a) General Reserve	1,800	1,200
b) Dividend including Dividend Tax	556	367
Earning per Share (In Rs.)	36.96	24.25

Your Company continued to remain a "Zero Debt" Company for the third consecutive year. Your Company utilized its internal cash generation to meet its working capital requirement and it had not utilized any working capital borrowing facility during the year. The Company has a surplus cash balance of Rs.3,563 crore as on 31.03.2007 which has been placed in short term deposits to finance the capital expenditure on expansion, which is under progress.







DIVIDEND AND APPROPRIATION

Keeping in view the funds requirement for the expansion projects on hand and in offing, your Directors are pleased to recommend a final dividend of 25% making a total dividend payout of 75% (including 35% 1st interim dividend paid in February, 2007 and 15% 2nd interim dividend paid in March, 2007) on the paid-up equity share capital amounting to Rs.483.23 crore for the year 2006-07 against 50% dividend amounting to Rs.322.16 crore paid for the previous year.

Your Directors propose to transfer Rs.1,800 crore to General Reserve Account from the Profit & Loss Account.

PRESIDENTIAL DIRECTIVES

No Presidential Directive was received during the year under review. In line with earlier Presidential Directives, measures to improve the representation of the SC/ST communities in employment of the Company continued.

At the end of the year, out of 7,426 employees on the Company's roll, there were 1,187 SCs, 1,329 STs, 699 OBCs and 70 persons with disabilities. The total number of women employees in the organization stood at 320. Thus, 16% of employees are SC, 18% are ST, 9% are OBC and 1% are persons with disabilities. Every third employee in the Company belongs either to SC or ST category.

INDUSTRIAL RELATIONS

Cordial relations were maintained through constructive participation of workers' representatives in decision making in matters affecting the general welfare, service conditions, conflict resolution based on mutual understanding with an emphasis on increased production and productivity. Regular meetings were held with the recognized Unions to discuss and resolve the various employees' related issues.

In a multi-union scenario, each unit of your Company has a recognized union as per verification of membership through secret ballot.

Harmonious employee relations prevailed through out the year in all the units and Corporate Office. Not a single man-day was lost due to any industrial relations issue related to Company's operations. However, as a result of a statewide agitation by political parties, trade unions, officer's associations and unions of your Company against the Central Government's decision on disinvestment in the Company, a total bandh was observed. This resulted in loss of 0.74% mandays.

VISIT BY PARLIAMENTARY COMMITTEE

During the year, the Parliamentary Standing Committee on Labour visited Bhubaneswar on 20th and 21st September, 2006 and interacted with Company's Management.

CORPORATE SOCIAL RESPONSIBILITY

Every year, your Company allocates upto 1% of its net profit for peripheral development activities. Government of Orissa has constituted Rehabilitation and Peripheral Development Advisory Committees for Company's Damanjodi and Angul sectors. These Committees decide the annual peripheral development projects to be undertaken by NALCO directly and through the District Administrations.

Peripheral developmental activities undertaken during the year include:

S&P Complex, Angul

- Providing mobile health services consisting of a van along with team of doctors and para-medical staffs with medicines, in close coordination with District Administration and Lions Club of Angul to provide free medical services at door step to the residents of 38 peripheral villages.



Priorities in CSR : Communication and drinking water to peripheral villages



- Organising 5 Animal Health Camps in identified villages.
- Providing drinking water by tankers on a regular basis to 18 water scarcity peripheral villages.
- Organising rural sports meet involving 20 High Schools of peripheral villages.
- Sanctioning additional funds to the tune of Rs.2 crore for development of two labour colonies namely, Sahid Lakshman Nayak Nagar and Pandit Raghunath Murmu Nagar Samiti where large numbers of contract labourers working in the Smelter Plant and CPP reside.
- Development of public utility facilities like tube wells, roads, drains, playgrounds, schools, community centers for their decent living.

M&R Complex, Damanjodi

- Finalisation of 107 nos. of projects which are currently under implementation.
- Extension of financial support for the annual tribal cultural extravaganza of Koraput District "PARAB-2006".
- Undertaking several non constructional works like distribution of educational aid to school students, fruit bearing saplings to farmers, play items for the rural youths, sari and warm clothing for the old and destitutes living in the peripheral villages.

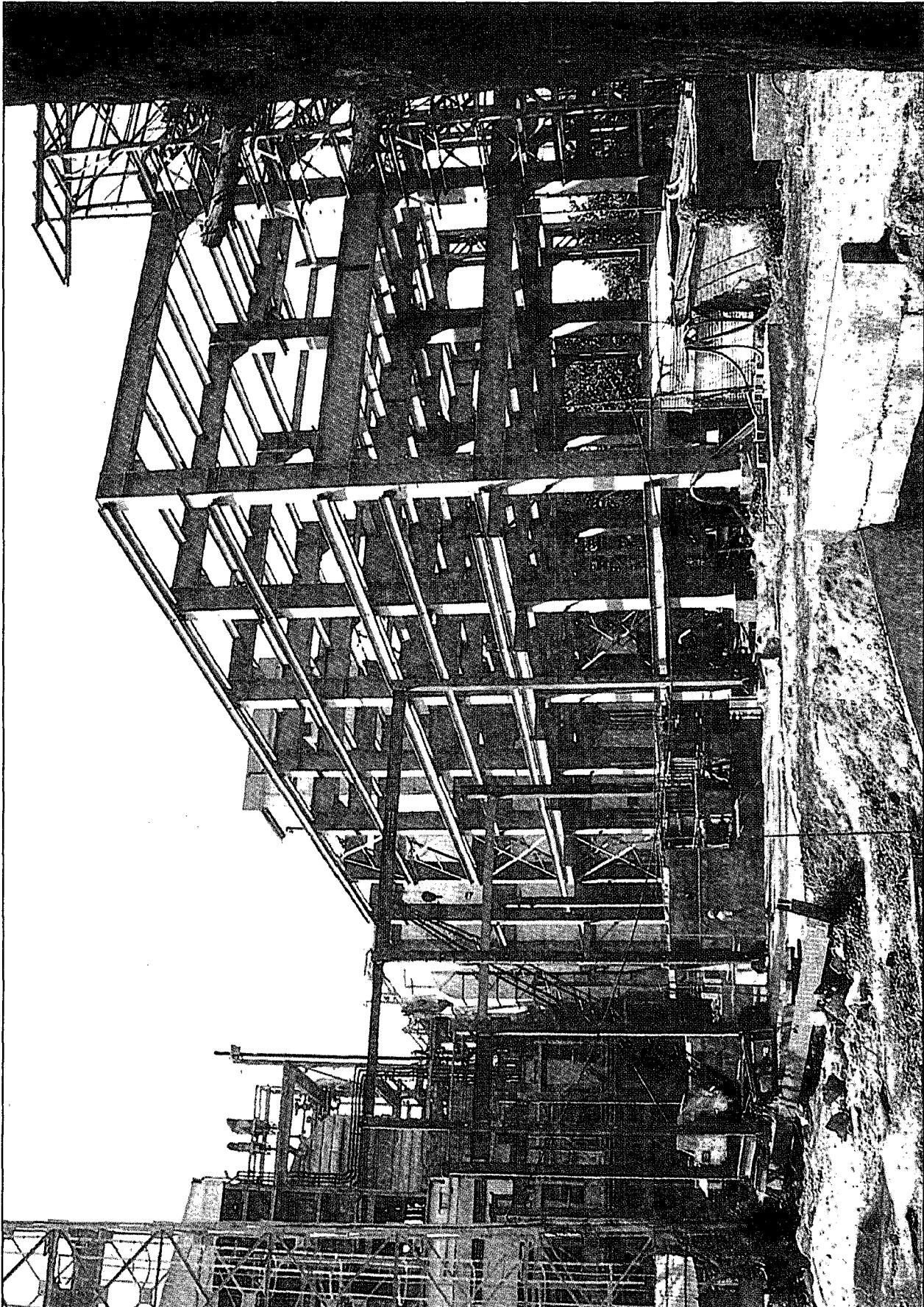
Others

- Sponsoring different state level music and cultural festivals and continuing patronage to various socio-cultural, professional and sports events in the state of Orissa to encourage progress and development of Orissa culture.
- Providing financial assistance to different charitable and educational institutes in and around Bhubaneswar for the benefit of school children.
- Helping the needy people during the time of distress and natural calamities through financial contribution to Chief Minister's Relief Fund and Prime Minister's National Relief Fund as well as through direct distribution of relief materials.

AWARDS & RECOGNITIONS

Receipt of various awards during the year as detailed below stands ample testimony for the excellent performance of your Company in various fields:

- Export award from CAPEXIL for the year 2005-06 for the 19th year in succession.
- 'Niryat Shree' Award for 2003-04 and 2004-05 from Federation of Indian Export Organizations (FIEO).
- Top Exporter Gold Trophy of EEPC, Eastern Region under large Enterprise category for the year 2004-05.
- Star Performer Award of EEPC, Southern Region.
- Dun & Bradstreet - American Express Corporate Award as the top Indian Company in the Non-ferrous Metals Sector.
- Best Mother Plant Award at EXPO-ORISSA 2006.
- CII Eastern Region Award for "Best Practices in Safety, Occupational Health & Environment" for Alumina Refinery Complex.



2nd Phase expansion work in progress at M&R Complex, Damanjodi



GROWTH PLANS

Expansion

As you are aware, your Company has embarked on an ambitious growth plan under 2nd phase expansion project at an estimated cost of Rs.5,003 crore (at March, 2007 price level).

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

Project Segment	Present Capacity after 1 st Phase Expansion	Capacity after 2 nd Phase Expansion
Bauxite Mine	4.8 Mln TPY	6.3 Mln TPY
Alumina Refinery	1.575 Mln TPY	2.1 Mln TPY
Aluminium Smelter	3,45,000 TPY	4,60,000 TPY
Captive Power Plant	960 MW	1,200 MW

The progress of the work has gained momentum and by the end of June, 2007 orders have been placed for 76 packages for Refinery, 93 packages for Smelter and 19 packages for CPP involving financial commitments of Rs.3,305 crore and actual expenditure is Rs.891 crore upto 30.06.2007. The project is scheduled for commission in December, 2008.

Coal Block

You will be glad to know that your Company has been allotted "UTKAL-E" Coal Block, having a reserve of around 70 million tonnes for its new units at Captive Power Plant by the Government of India.

Mine Plan has been approved by the Ministry of Coal and Detailed Project Report has been prepared. Land acquisition activities have started. Environmental clearances and forest diversion activities are in progress. Mining operations are scheduled to commence by end of 2008.

BAUXITE MINE

Government of India has reserved bauxite deposits at Pottangi in Orissa for allotment to your Company. Efforts are in hand to obtain mining lease from the State Government.

MoU PERFORMANCE

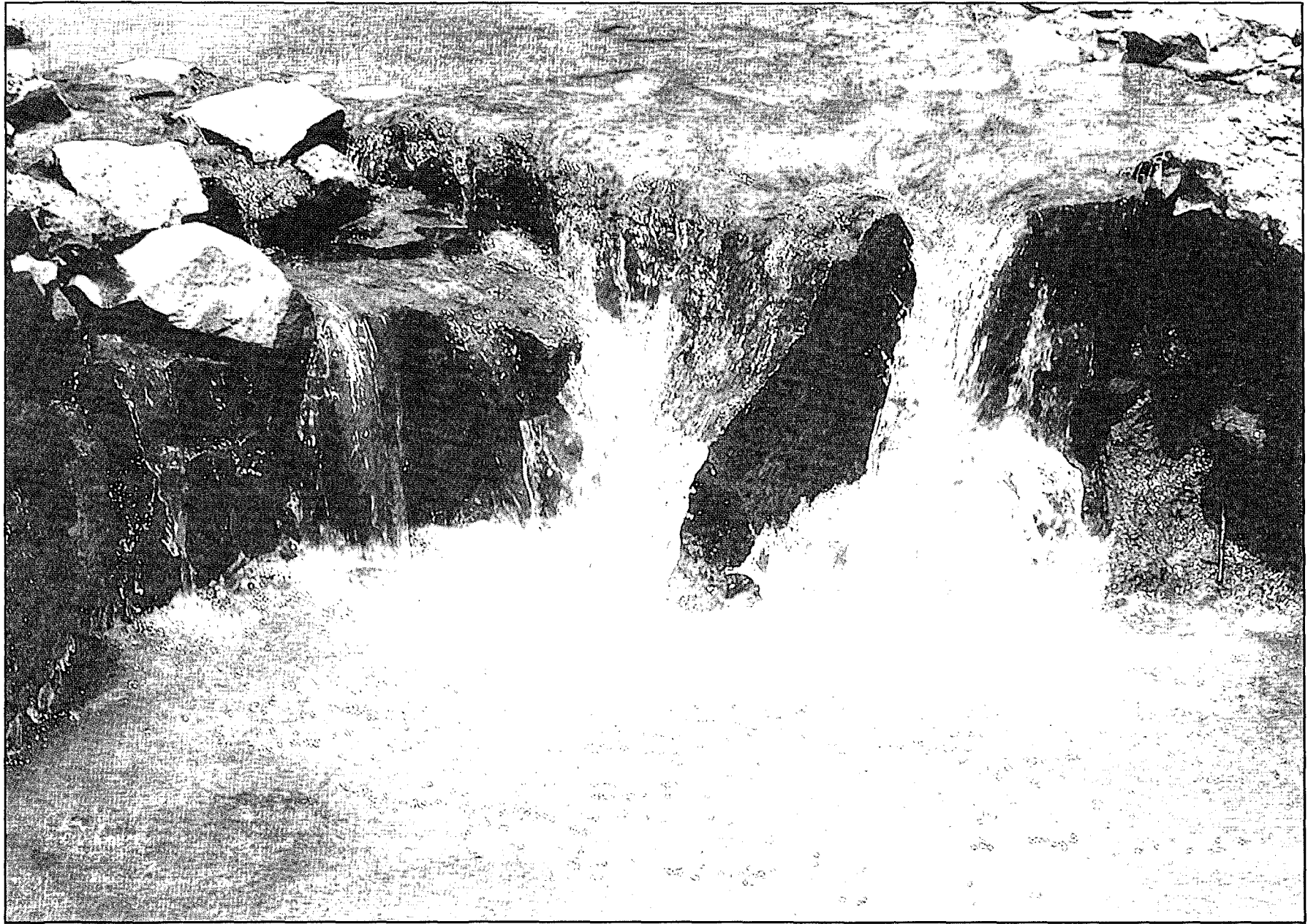
Your Company's performance was rated "Excellent" in the evaluation of the Memorandum of Understanding (MoU) signed with Government of India for the year 2006-07.

RAJBHASHA

During the year, due emphasis was provided for compliance of Official Language Rules issued by the Government of India and special efforts were made to achieve the target in original correspondence in Hindi. Employees were nominated for Hindi Typing and Stenography and Hindi Computer training under Hindi Teaching Scheme. Hindi Training continued at the sites through correspondence courses.

Hindi fortnight was observed at all the offices and units of your Company in September, 2006. On this occasion Hindi competitions like essay, calligraphy, debate, self-composed poetry, letter-writing, noting, dictation and slogan etc. were organized, in which large number of employees participated. Prizes were distributed to the winners and participants on the concluding day. At Corporate Office, a special issue of Hindi magazine "Akshar" was released, in which selected articles, poems and stories written in Hindi by employees were published.

The meetings of Official Language Implementation Committee at units were organized regularly.



Natural stream at S&P Complex, Angul



VIGILANCE

Your Company believes in promoting corruption-free environment in all areas of its operations. In that direction, major thrust is given on preventive vigilance with a view to aid and assist the management in improving the systems and procedures to ensure transparency and efficiency in the decision making process.

Constant efforts are being made by the Company to introduce e-procurement, e-tendering, e-auctioning and e-payments etc. as per CVC guidelines.

In the direction of prevention of corruption and malpractices, a compendium consisting CVC circulars/guidelines of CTE on number of issues including observations of internal vigilance based on surprise checks, regular inspections, investigation reports etc. were released for the benefit of officials at different levels. A book on Do's & Don'ts highlighting common irregularities have been published and distributed among the executives of the Company for general awareness.

A campaign for creating awareness was taken up by organizing Vigilance Awareness Week from 6th November, 2006 at all the units of your Company in which distinguished guests were invited to share their views on the issues of prevention of corruption.

Regular training programmes were conducted at different units of the organization for sensitizing the employees about the importance of vigilance in modern day scenario. A refresher course on vigilance was also conducted for the vigilance officers working in different PSUs under the aegis of Ministry of Mines.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO AND PARTICULARS OF EMPLOYEES

A statement giving details of the Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and Particulars of Employees in accordance with provisions of Section 217 of the Companies Act, 1956 read with the relevant rules made thereunder are placed at Annexure-I hereto and form a part of this report.

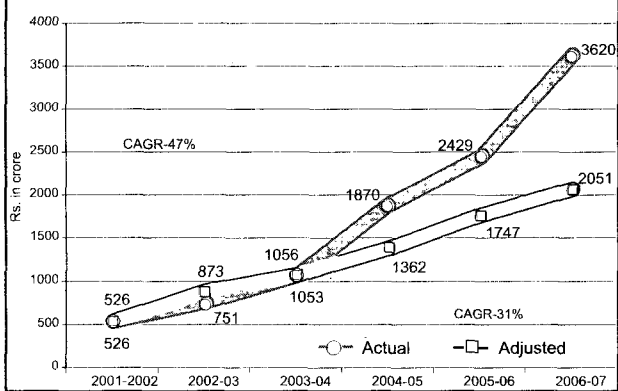
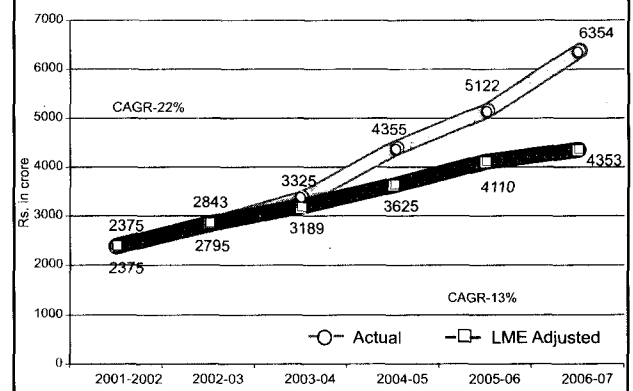
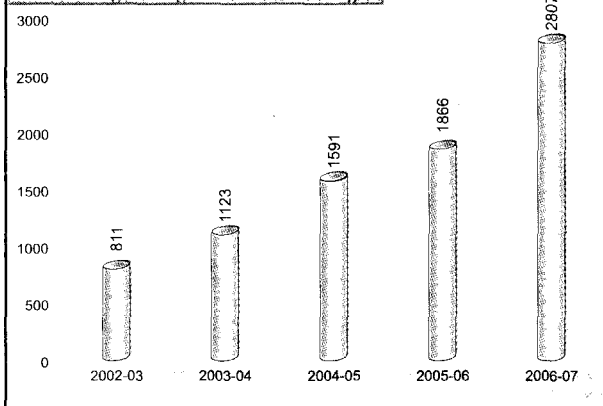
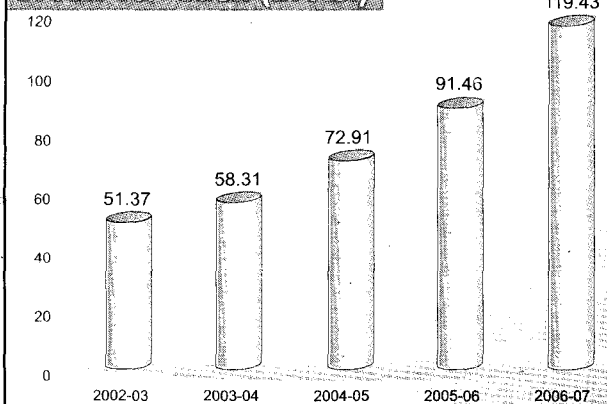
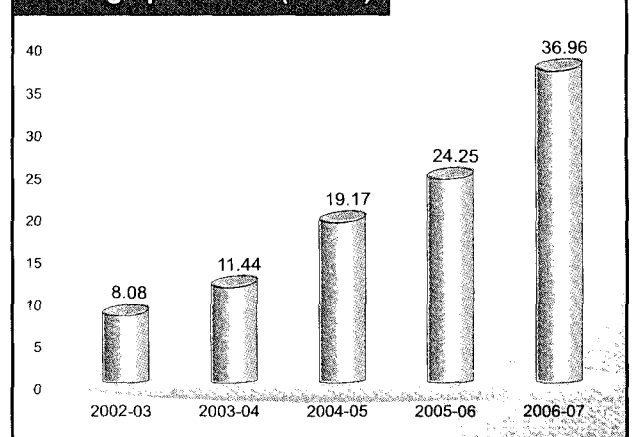
STATUS OF LISTING IN STOCK EXCHANGES

The equity shares of your Company continued to be listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The listing fee has already been paid to these Stock Exchanges.

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 have been followed along with proper explanation relating to material departures;
- that the directors have 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 have 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 have prepared the annual accounts on a going concern basis.

**PBT - Actuals and adjusted for LME & Inflation****Total Income - Actuals and LME Adjusted****Contribution to Public Exchequer (Rs. in crore)****Book value per share of Rs. 10/- each (in Rs.)****Earnings per share (in Rs.)**



CORPORATE GOVERNANCE

Your Company believes that great Companies are built on the foundation of good governance practices. Corporate Governance is all about effective management of relationships among constituents of various stakeholders – shareholders, management, employees, customers, vendors, regulatory authorities and the community at large. Your Company strongly believes that this relationship can be strengthened through corporate fairness, transparency and accountability. Your Company places prime importance on reliable financial information, integrity, transparency, empowerment and compliance with the laws in letter and spirit.

A report on Corporate Governance is placed at Annexure-II to this report. Like previous years, your Company has voluntarily got the Secretarial Audit done for the year 2006-07 as a part of good Corporate Governance practice and the report of the Auditors 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 the Accounts for the year ended 31st March, 2007 are placed at Annexure-V to this report.

FIXED DEPOSITS

During the year under review, your Company has not accepted or renewed any fixed deposits.

AUDITORS

M/s. SRB & Associates were appointed as Statutory Auditors of the Company for the year 2006-07 by the Comptroller and Auditor General of India.

M/s. Saroj Ray & Associates and M/s. T. K. Satapathy & Co. were appointed as Secretarial Auditors of the Company for the year 2006-07.

M/s. Niran & Company were appointed as Cost Auditors of the Company for the year 2006-07.

M/s. Mahindra K Agarwalla & Co., M/s. SCM Associates and M/s. Tej Raj & Pal, were Internal Auditors for M&R Complex, Damanjodi, S&P Complex, Angul and Corporate Office & Regional offices respectively for the year 2006-07.

DIRECTORS

The following changes took place in the composition of the Board of Directors of your Company during the year:

Appointment:

- Dr. Pradeep Kumar, Special Secretary, Ministry of Mines, Government of India was appointed as Director of your Company with effect from 05.06.2006.
- Shri P. K. Routray was appointed as Director (Production) of your Company with effect from 30.10.2006.
- Shri B. L. Bagra was appointed as Director (Finance) of your Company with effect from 28.02.2007.

**Cessation:**

- Shri S. C. Chhatwal ceased to be Director of your Company with effect from 01.05.2006.
- The tenure of Shri C. Venkataramana, Chairmain-cum-Managing Director ended on 25.06.2007.

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

ACKNOWLEDGEMENT

Your Directors wish to express their gratitude for the cooperation, guidance and support received from the various Ministries, specially Ministry of Mines of Government of India. Your Directors also express their sincere thanks to the Government of Orissa, Indian Railways, Mahanadi Coalfields, GRIDCO and other Government agencies.

Your Directors also wish to express their grateful appreciation for the continued co-operation and support received from the customers, vendors, bankers, auditors, solicitors, business associates and shareholders during the year.

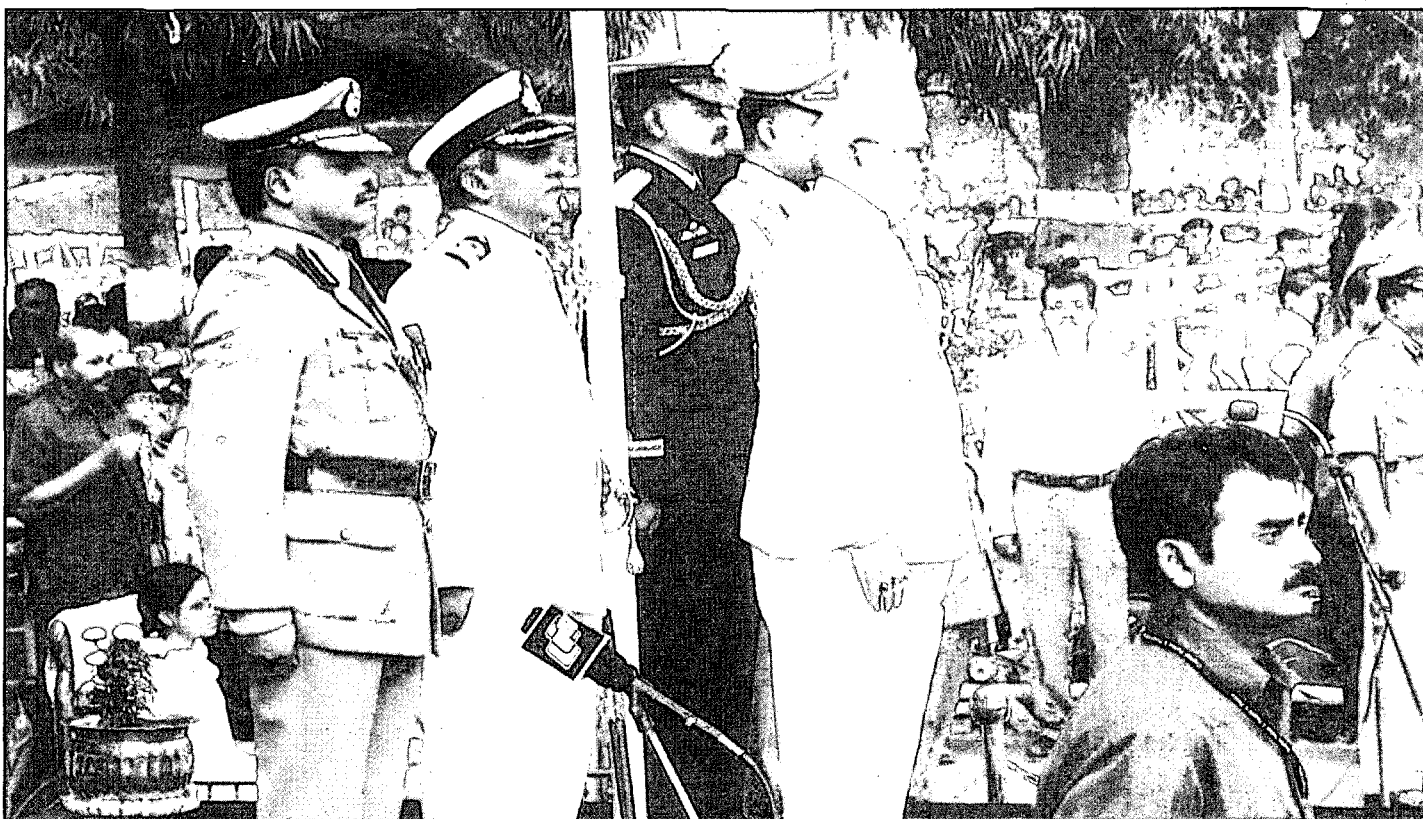
Your Directors also place on record their appreciation for the contribution made by the employees at all levels. Your Company's consistent growth was made possible by their hard work, co-operation and commitment.

For and on behalf of the Board of Directors

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

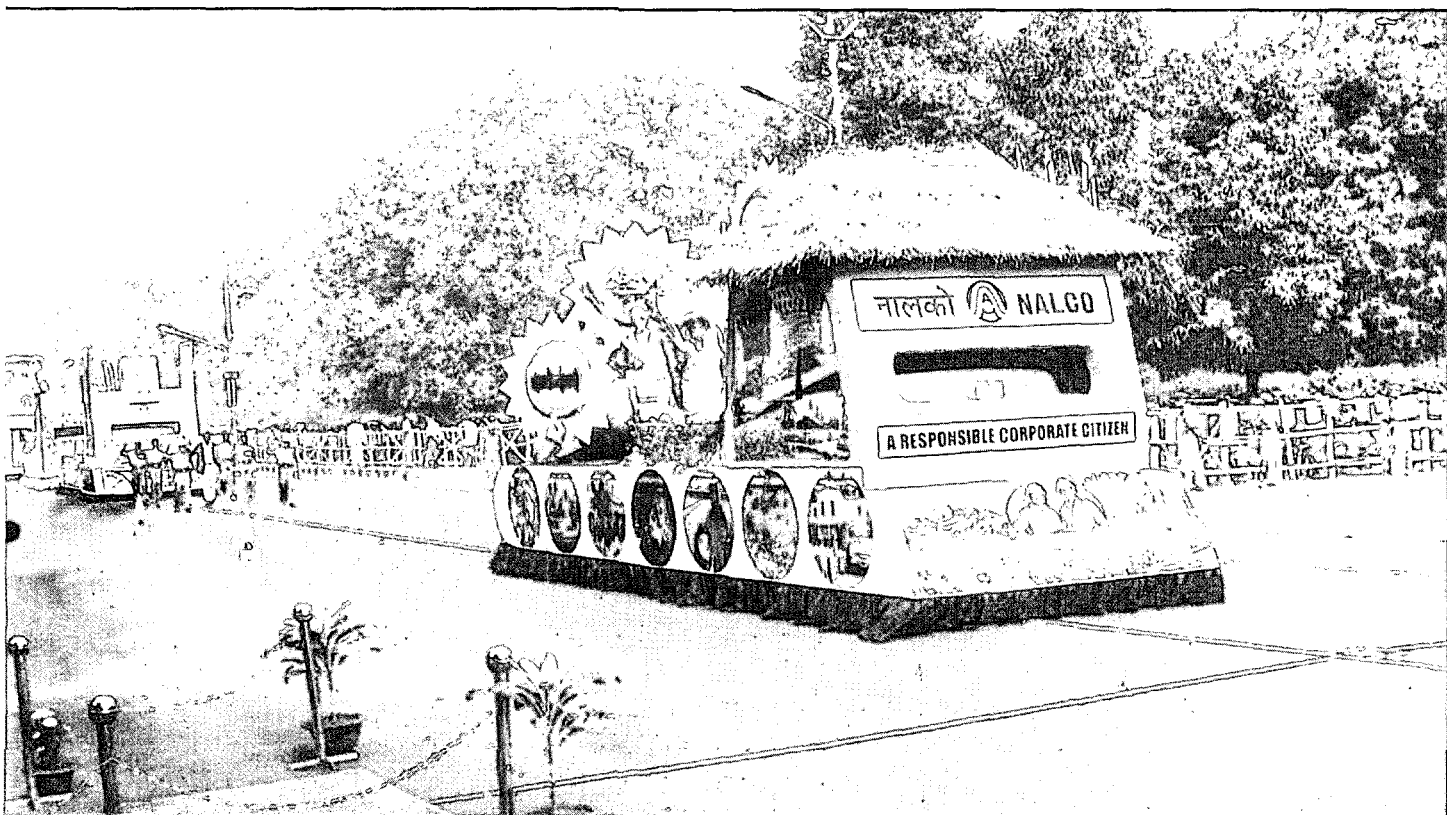
Place : Bhubaneswar

Date : 23.08.2007

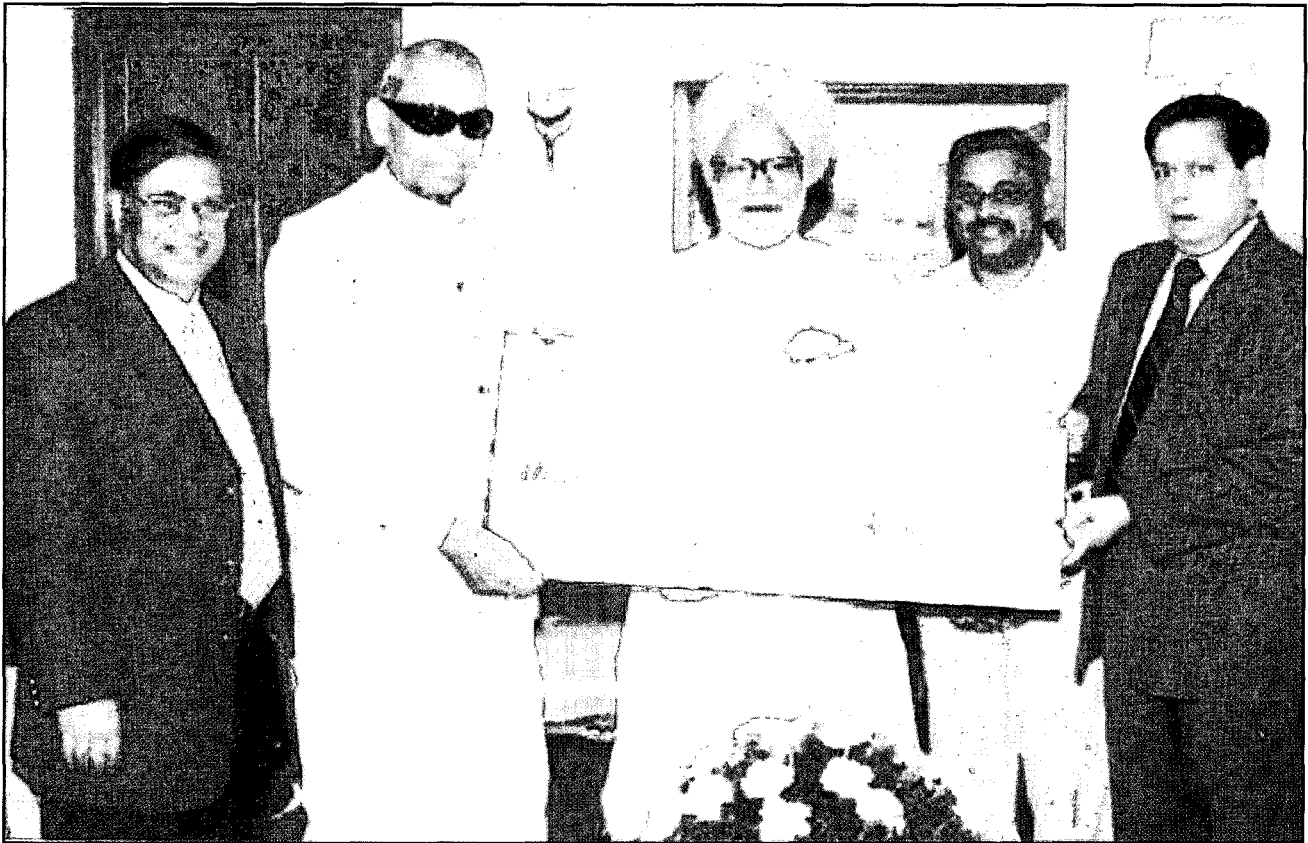




NALCO's representation in National Women Football Team



NALCO Tableau at Republic Day celebration at Bhubaneswar



Dividend Payout



EEPC Award, 2007



Annexure-I

STATEMENT OF PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956 AND THE RELEVANT RULES MADE THEREUNDER.

ENERGY CONSERVATION

Various energy conservation measures that have been adopted for optimal utilization of energy resources in different units of the Company during the period under review are given below:

Mines

The Mines Unit has carried out a preliminary energy audit on consumption pattern of HSD, Lubricants and electrical energy for illumination purposes through Petroleum Conservation Research Association in the year 2006-07. The audit findings are being presently analyzed and suggestions have been taken into consideration for implementation. An Energy Conservation Cell has been formed to implement the audit findings / suggestions. The Mines Unit is also exploring for different non-conventional sources of energy like Solar and Wind power.

Specific energy consumption pattern in the Company is always less than established norm. However, the Company is strongly committed to minimize the specific energy consumption patterns further and is taking up some energy saving projects in different energy intensive areas.

Alumina Refinery

Energy Conservation measures undertaken and in hand in Alumina Refinery are given below:

- Installation of hydrate by-pass system in Calcliner-B
Hydrate by-pass system helps calcining a part of hydrate fed from the heat available with hot product, thereby reducing temperature of product alumina and expected saving to the tune of Rs.45 lakh per year. Installation of the system is likely to be completed in 2007.
- Use of Spent liquor for Product Filter O/F line flushing instead of wash filtrate.
Necessary modification has been carried out to use Spent Liquor for flushing of product filter overflow lines instead of wash filtrate. As soda concentration of spent liquor (153-154gpl) is substantially higher than that of wash filtrate (40-45 gpl), it drastically reduces circuit dilution and evaporation load (MT of water evaporated per MT of production). The effect of the above change is duly reflected on evaporation load. In spite of substantially higher rainfall during the year under review (2.22 metre against 1.46 metre during 2005-06), there has been reduction in evaporation load by 0.03 T/T of production. Considering a steam economy of 2.9 T/T, this is equivalent to steam saving of 0.0103 T/T of production. In monetary term, this works out to Rs.37 lakh a year.
- Reduction in TG trip outs
Number of TG trip outs has been reduced as a result of the following measures:
 - Taking timely corrective action in case of any process abnormalities.
 - 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.
- Operation of Condensate Polishing Unit resulted in the following advantages:
 - Filter water consumption has reduced; burden on DM plant and water intake was therefore less.
 - Higher DM water temperature from CPU enhanced the Boiler cycle efficiency and there is reduction in coal consumption.
- Other measures:
 - Conversion of conventional fluid coupling to modern variable speed drive in two drives (pump-144 and pump-145) in 06 area.
 - Conversion of three numbers DC drives to AC drive in 06 area.
 - Introducing suitable interlocks for stopping idle running of Kelly filter hydraulic pumps.



- Detailed Energy audit in Alumina Refinery:

First phase of detailed Energy audit of Refinery covering Boiler-4, compressed air system, cooling towers, Air conditioning system and LT electrical drives was carried out in October, 2006. The second phase audit covering part of the process areas was conducted in November, 2006 and the third phase was completed in February, 2007.

SMELTER

The following Energy conservation measures have been taken at Smelter:

- Reduction of bath voltage drop using slotted Anodes in 6 test pots experimentally in Pot line-1.
- Increase in stub hole depth of anodes in 3 test pots experimentally in Pot line-1.
- Sludge dissolution in LDO tank with saving of 10KL. Replacement of Aluminium Fan blades by FRP blades in fan no-3 at CT-1.

The following energy projects are planned in future:

- Reduction in bath voltage drop using slotted anodes in 2 pot lines for 480 Pots (trials completed, to be conducted in mass scale).
- Increase in stub hole depth of anodes in 3 potlines for 715 pots (trials completed, to be conducted in mass scale).
- Replacement of Aluminium Fan blades by FRP blades in fan no.-1,2,4,5 at CT-1 (trials completed, to be conducted in mass scale).
- Optimize combustion air supply to Bake ovens.
- Replacement of the existing hot well pumps area with correct head pumps in GAP-2.
- Reduction in speed of existing coke & butt circuit blower (110KW motor) in GAP-2.
- Installation of Variable frequency drive's (VFD) for all cooling tower fans in cast house area.
- Installation of i) Cover for furnace opening ii) Temperature sensing device iii) Energy meter & log specific energy consumption for induction furnace in CH-A.

Captive Power Plant

The following energy conservation measures have been undertaken in the Captive Power Plant:

- Reduction of differential pressure across the feed regulating station from 10-12 Kg/Cm² to 5-8 Kg/Cm² resulted in the saving in power of Boiler feed pump.
- Excess recirculation of condensate in the condensate extraction pump has been avoided by checking the passing of the valve.
- Installation of online condenser cleaning system has been installed in Unit #3. Due to this, the vacuum of the system will improve.
- Air leakage in the Air Heater of Unit#3 has been reduced by setting the seal thereby the boiler efficiency will improve.
- 350 Nos. of 70 Watt HPSV lamps have been installed in place of 120 W as PMV lamps. There is a direct saving of 65 x 350 W saving x 12 hrs x 365 days.
- Action has been taken to overhaul the air compressors which were running inefficiently and there is a saving in the energy.
- Pumps of different heads were used to supply water to Smelter. Now, action has been taken to run pumps of similar head / rating in CPP thereby losses is minimized by improving the head.
- Insulations have been provided in all manholes and peepholes of the boiler (above 22 mtr) as identified by TERI. This has reduced the losses in the boiler and improved in Boiler efficiency.



FORM – A

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption :

	CAPTIVE POWER PLANT		ALUMINA REFINERY	
	Current year 2006-07	Previous year 2005-06	Current year 2006-07	Previous Year 2005-06
1. Electricity				
(a) Purchased from GRIDCO				
Unit (Million Kwh)	16	125	—	—
Total amount (Rs. in lakh)	570.26	4,437.09	—	—
Rate/Unit (Rs./Kwh)	3.58	3.55	—	—
(b) Own Generation				
i) Through Diesel Generator	NIL	NIL	NIL	NIL
Unit				
Unit per Ltr. of diesel oil				
Cost/Unit				
ii) Through Steam Turbine/ Generator				
Units (Gross)/Million Kwh	6,671	6,364	325	358
Units per litre of fuel oil/gas	1,572.21	815.53	—	—
Cost/Units (Rs./Kwh)	1.01	1.17	—	—
2. Coal (Specify quality & where used)				
Quantity (MT)	51,64,677	49,84,575	9,15,445	10,03,471
Total cost (Rs. in lakh)	30,168.07	34,093.80	10,343.20	10,559.15
Average rate (Rs./MT)	584.12	683.99	1,129.85	1,052.26

	Captive Power Plant		Alumina Refinery		Smelter Plant	
	Current Year 2006-07	Previous Year 2005-06	Current Year 2006-07	Previous Year 2005-06	Current Year 2006-07	Previous Year 2005-06
3. Furnace Oil						
Quantity (KL)	4,243	7,803	1,21,778	1,29,977	31,368	30,007
Total Amount (Rs.in lakh)	869.96	1,413.49	21,366.73	20,612.90	5,133.67	4,977.95
Average rate (Rs./Tonne)	20,503	18,115	17,546	15,859	16,366	16,589
4. Others/Internal generation	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Quantity						
Total Cost						
Rate/Unit						

B. Consumption per unit of production

Products with details	Unit	Standards (if any)	Current year 2006-07	Previous Year 2005-06
1. Alumina				
(a) Power	(Kwh/MT)	348	348	337
(b) Fuel oil for calcination	(Kg/MT)	78	78	77
(c) Coal for steam	(Kg/MT)	640	626	636
(d) Oil for steam	(Kg/MT)	4.00	4.60	3.29
2. Aluminium				
(a) A.C. Power	(Kwh/MT)	14,813	14,953	14,728
(b) Fuel Oil	(Ltr./MT)	79	80	84
(c) Others				
i) CP Coke	(Kg/MT)	382	395	392
ii) CT Pitch	(Kg/MT)	97	102	98



FORM – B

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 :

- Laboratory scale studies on Utilization of Fly Ash.
- Setting up of a Pilot Plant for treatment of Sodid Condensate.
- Iron reduction in Bauxite and PLK for production of export quality abrasive grade Bauxite.

(b) Smelter Plant

- Characterization of Baked Anode for Process Monitoring.
- Setting up Anode Bench Scale Plant facilities for conducting various studies on Anodes to improve Anode quality.
- Study on effect of Butts content on Green Anode quality using bench scale plant.
- Evaluation of Low density vs. High Density Aluminium Fluoride in Pot Performance.
- Development of Inline Degasser.

(B) Collaborative R&D Activities

- Basic Studies on Precipitation of Boehmite (Alumina Monohydrate) in collaboration with Institute of Minerals and Materials Technology (IMMT), 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 IMMT, Bhubaneswar.
- Development of Integrated Technology for processing of East Coast Bauxite for production of Alumina in collaboration with JNARDDC, Nagpur (SSAG Project, Ministry of Mines).
- Study on Impurity Build up during Bauxite processing and its effect on Bayer Liquor Chemistry (SSAG Project, Ministry of Mines).
- Ultrasonic Treatment of Spent Pot Lining Materials 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).
- Infrared Thermography Studies at Alumina Plant, NALCO, Damanjodi in collaboration with JNARDDC, Nagpur.
- Development of a process for extraction of Vanadium Sludge from NALCO's Green Liquor in collaboration with JNARDDC, Nagpur.
- Preparation and Certification of Reference Materials for Selected Ores and Other Materials in collaboration with JNARDDC, Nagpur.
- Development of Effective Technology for extraction of Alumina from NALCO's PLK in collaboration with Moscow Institute of Steel and Alloys (MISA), Moscow, Russia.
- 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 IMMT, Bhubaneswar.
- Recovery of Gallium Metal from Spent Liquor of Alumina Refinery and Setting up of a 7 TPA Gallium Plant in NALCO, Damanjodi in collaboration with Nippon Light Metal (NLM), JFE Shoji Trading Corporation, Japan & M/s. SABSONS International, Chennai.
- Setting up of a Pilot Plant for Safe Disposal of Waste Emulsion Oil generated at Cast House of Smelter Plant, Angul in collaboration with IMMT, Bhubaneswar.
- Utilization of 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), Ballavgarh, Haryana.
- Investigation and Utilization of Spent Pot Lining Materials (SPL) of Smelter Plant, Angul as a Co-fuel at Captive Power Unit.

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

- A process know-how has been developed for manufacture of Crystalline Boehmite (Alumina Monohydrate) from Super Saturated Sodium Aluminate Liquor and the same has been patented in India.
- Utilizing State-of-the-art technology, 90% extraction efficiency has been established in the laboratory scale for extraction of alumina from PLK.
- Revival of Sodid Condensate Polishing Unit resulted in energy and cost saving in Alumina Refinery.
- Utilizing the latest and eco-friendly Ion-Exchange Resin Technology of Nippon Light Metal (NLM), Japan, 628 gms of Gallium Metal of 5N purity (99.999%) has been produced in the Pilot Plant Scale at NLM's Shimizu



Works, Japan using Spent Liquor of NALCO's Alumina Refinery, Damanjodi. Pre-feasibility Data has been prepared.

- Preparation of TEFR is being taken up for setting up of a 7 TPA Gallium Plant at NALCO's Alumina Refinery, Damanjodi.

3. Future Plan of Action:

- Setting up of a world class Corporate R&D, Engineering and Technology Development Centre at Chandaka, Bhubaneswar.
- Proposed to setup a 10,000 TPA Nickel Project.

New Projects:

- Decontamination and recovery of Carbon Value from Spent Pot Lining Materials (SPL) in collaboration with IMMT, Bhubaneswar.
- Study of Heat Treatment Process for Destruction of Cyanide in SPL in collaboration with JNARDDC, Nagpur.
- Setting up of a 200 liter/ Batch Waste Emulsion Plant for NALCO Cast House (Wire Rod Mills) in collaboration with IMMT, Bhubaneswar.
- Precipitation of Boehmite, Nano-scaled Gibbsite and Nano-scaled Boehmite particles from NALCO's Sodium Aluminate Liquor in collaboration with IMMT, Bhubaneswar.
- Use of high chrome Grinding Media and Liner in Ball Mills for improved availability of Mills and higher grinding capacity.
- Up-gradation of washer rake drive mechanism for improving Soda profile and hence reduce Soda loss.
- Reduction of Reactivity losses in Anodes by addition of Inhibitors.
- Reduction in Bubble Voltage Drop with Slotted Anodes in Aluminium Electrolytic Pots of NALCO's Smelter Plant, Angul.
- Incremental Current increase up to 220 KA in 5 Pots through Booster Rectifier.
- Anode quality improvement studies in Anode Bench Scale Plant.

4. Expenditure on R&D:

(Rs. in lakhs)

	2006-07	2005-06
(a) Capital	19.71	280.11
(b) Recurring	85.00	95.71
Total	104.71	375.82
(c) Total R&D expenditure as % of total turnover	0.02	0.08

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

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

a) M&R Complex, Damanjodi :

Sl No.	Details of Modifications	Benefits thereof
1	Conversion of Post desilication Pump control valve to VFD.	Energy saving.
2	Product filter pumps hydro couplings replaced with VFD.	Energy saving.
3	Uses of TTD overflow water for sand washing.	Minimizing auto precipitation losses of alumina.
4	Use of RMP water for Lime slaking.	More reclamation of water from RMP.
5	Hydrate bypass system in Calciner-A.	Fuel saving.

b) Smelter Plant, Angul :

Sl No.	Details of Modifications	Benefits thereof
1	Mathematical models for pot operation <ul style="list-style-type: none"> • with SiC and composite (Semi-graphite & SiC) side lining. • longer cathode blocks. • cathodes with continuous collector bars. • with 162 KA & 175 KA. 	Use of SiC side block increases Potlife by preventing side lining failure so as to increase pot life. Model predicts composite side block of SiC and Carbon will have optimum ledge and will also provide opportunity to increase K _{amp} . Model predicted a saving of 10 mV. Model predicted a saving of 6.5 mV. Modeling has reduced the risk of failure and no investment is needed to know feasibility of the project. Pot parameters & variables established, which were useful during 175 KA operation in June, 2005.

**b) Smelter Plant, Angul :**

SI No.	Details of Modifications	Benefits thereof
2	Potline-II updated to ALPSYS System similar to PL-III.	Overcoming technology obsolescence. Latest version of regulation system for better pot control.
3	Separate AIF3 hopper incorporated in the superstructure with separate feeder for continuous AIF3 charging. Modification taken up in 30 pots.	AIF3 feeding regulated on a continuous basis. (instead of once in 32 hrs) in 22 pots of CG2 section of Pot Line-II. This resulted in reduction the excess AIF3% variation in bath. Procurement savings due to indigenous development (30 pots) amounts Rs.12 lakhs. Expected saving for 240 pots is Rs. 96 lakhs.
4	Replacement of analog drive of Wire Rod Mill-2 (main shear, crop shear, fleeter-A&B) by Siemens make Digital DC drive.	Due to speed synchronization, drastic reduction in looping and snapping of wire rod coil resulted in increased productivity.
5	PLC & HMI based PID Control system has been commissioned in Wire Rod Mill 5&6 with improved accuracy in measurements & control through PID loops & alarm functions.	Substantial reduction in HFO consumption observed. Fault diagnosis has become easier.
6	Defluoridation plant: The sand bed filters were replaced by activated carbon filters for removing traces of oil. The old resin columns were replaced by new ones.	Oil contamination of resin bed prevented. The level of fluoride in the outlet of defluoridation plant could be brought down to below permissible level of 2mg/ltr.

c) Captive Power Plant, Angul:

SI No.	Details of Modifications	Benefits thereof
1	A new conveyor BC-118 was commissioned having same capacity (800 T/Hr) as that of other conveyors.	By this the coal from new coal yard can be diverted to Unit # 1 to # 6 thereby improving flexibility in coal supply.
2	Modification has been made to use of heavy fuel oil in bottom most evacuation of boiler in addition of LDO.	Consumption of LDO has decreased by 5%. Due to difference in cost of fuel oil in HFO & LDO, the saving in 2006-07 amounts to Rs.20 lakhs (approx.).
3	The provision of power supply has been made to EOP from two sources i.e. one from main 220 V DCDB & other from standby DCDB with required alarm & isolation and manual start/stop facility in UCR.	Reliability will increase. Damage to bearing of Turbine Generator will be avoided.
4	The rail on main line was linked to the rail track of NALCO Merry Go Round (MGR)/Captive Railway System(CRS).	This will help to receive coal from outside in addition to Bharatpur Mines, MCL.
5	Facility has been developed for storage and blending of imported coal.	It is required to use imported coal which has higher heat value.
6	All GRP Blades of CT-5 replaced with energy efficient FRP Blades.	Power saving of 25% achieved.
7	Cooling Towers of following areas were changed from Forced Draft to Natural Cooling Towers. The Motor and Fan assembly of earlier units were removed and a taller cooling tower with spray nozzles were fixed for getting the same degree of cooling. (i) CWPH DX Plant. (ii) CHP DX Plant. (iii) DM Plant DX Plant. (iv) Switch Yard DX Plant.	Direct power saving. Spare parts saving. Costly annual overhauling eliminated. Frequent maintenance problems eliminated.



DETAILS OF TECHNOLOGY IMPORTED DURING LAST 5 YEARS

(a) Alumina Refinery, Damanjodi

Technology 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.
On line RP measurement	2001-02	No	In the process of stabilization and absorption.

(b) Smelter Plant, Angul:

Technology 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.
Setaram Heat Regulation System in Anode Baking Furnace - II.	2003-04	Fully Absorbed	—
Single bin fines control, Pitch proportioning system, Automatic Green Scrap Feeding, Automatic Anode Numbering System (From M/s. SOLIOS, France) in GAP-I.	2005-06	Fully Absorbed	—
psys pot regulation system in Pot Line-2	2006-07	Fully Absorbed	—
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 600mm ID)	2001-02	Fully Absorbed	—
TPS 5000 one welding Machine (from Fronicef Austria)	2005	Fully Absorbed	—
2 nos ICM, Brochot make (France) 20T/hr capacity	2003	Fully Absorbed	—
CNC Lathe (from Tachhi, Italy)	2003	Fully Absorbed	—

Foreign Exchange Earnings and Outgo (on cash basis):

	2006-07	2005-06
Foreign Exchange Earnings	2,576.20	2,318.20
Foreign Exchange Outgo	336.13	170.38

Particulars of Employees

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, none of the employees of your Company was in receipt of remuneration of Rs.2,00,000/- p.m or Rs.24,00,000/- p.a. during the year under review.



Annexure-II

REPORT ON CORPORATE GOVERNANCE

Preamble : Corporate Governance is the set of policies, process, customs and laws in which a Company is directed, governed and controlled. It deals with issues of accountability and fiduciary duty, advocating implementation of guidelines and mechanism to ensure good behaviour and to protect the stakeholders. While the principal stakeholders are the shareholders, Board of Directors and Management, other stakeholders include customers, employees, Government, suppliers, bankers, regulators, environment and the community at large. It aims to optimize economic results with a strong emphasis on shareholders welfare.

Philosophy : NALCO in its pursuit to excellence has been practicing good corporate governance ever since it was incorporated. Despite certain hindrances, the thrust is given in attaining maximum level of transparency, accountability and equity in all facets of its operations and in all its interactions with all segments of stakeholders. NALCO provides appropriate access to information to the citizens of India under the provisions of the Right to Information Act, 2005.

Board of Directors : Board of Directors of the Company comprised of eight directors viz. Chairman-cum-Managing Director (Executive Chairman), five executive Directors and two non-executive Directors as on 31.03.2007. In terms of Clause 49 of the Listing Agreement with Stock Exchanges, at least half of the Board should comprise of independent directors. The non-executive directors, being the part-time official directors on the Board are not independent directors in terms of Clause 49 of Listing Agreement. The matter has been taken up with the Government of India for appointment of required number of independent directors to bring the composition of the Board in line with the requirements of the cited clause.

The Board meets regularly and is responsible for proper direction and management of the Company. All the Directors have access to advice of 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, 2007, twelve Board meetings were held on 04.04.2006, 29.04.2006, 22/23.06.2006, 27.07.2006, 29.08.2006, 27/28.09.2006, 30.10.2006, 09.11.2006, 15.12.2006, 22.01.2007, 28.02.2007 & 09.03.2007. The maximum time gap between any two Board meetings was not more than two calendar months.

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

Name & Designation	Category	Board Meetings		Attendance at last AGM held on 28.09.2006	No. of other directorships	Membership in the Committees of other Companies	
		Held during the tenure	Attended			Member-ship	Chairman-ship
Shri C. Ventakaramana, Chairman-cum-Managing Director ①	Non Independent Director	12	Nil	No	Nil	Nil	Nil
Shri C. R. Pradhan, Director (Projects & Technical) & Chairman-cum-Managing Director I/c. ②	Non Independent Director	12	12	Yes	Nil	Nil	Nil
Shri V. K. Thakral, Director	Part time official Director - Non Independent	12	12	Yes	01	Nil	01
Dr. Pradeep Kumar, Director ③	Part time official Director - Non Independent	10	9	No	Nil	Nil	Nil
Shri K. K. Mallick Director (Commercial)	Non Independent Director	12	12	Yes	Nil	Nil	Nil
Shri A. R. Ray, Director (Pers. & Admn.)	Non Independent Director	12	11	Yes	Nil	Nil	Nil
Shri P.K. Routray, Director (Production) ④	Non Independent Director	05	04	NA	Nil	Nil	Nil
Shri B.L. Bagra, Director (Finance) ⑤	Non Independent Director	02	02	NA	Nil	Nil	Nil
Shri S.C. Chhatwal, Director (Finance) ⑥	Non Independent Director	02	02	NA	Nil	Nil	Nil

① Shri C. Venkataramana, Chairman-cum-Managing Director was on leave. His tenure ended on 25.06.2007.

② Shri C. R. Pradhan, Director (Projects & Technical) is presently holding additional charge of Chairman-cum-Managing Director w.e.f. 01.02.2005. ③ Appointed as Director on 05.06.2006. ④ Appointed as Director (production) on 30.10.2006.

⑤ Appointed as Director (Finance) on 28.02.2007. ⑥ Ceased to be Director on 01.05.2006.



The Board has reserved certain items of governance which include approval of annual and interim financial 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 compliances and long term plans for its review and approval.

Remuneration of Directors (as on 31.03.2007)

(a) Whole time Directors

Name	Relationship with other Directors	Business relationship with the Company, if any	Remuneration for the year 2006-07	
			All elements of remuneration package, i.e. Salary, Performance linked Incentive Scheme, PF Contribution, Pension, Gratuity etc. (Rs.)	Other benefits (Rs.)*
Shri C. Venkataramana**	Nil	Chairman - cum - Managing Director	2,43,942	1,88,959
Shri C. R. Pradhan	Nil	Director (Projects & Technical) & CMD I/c.	7,63,041	2,08,981
Shri K. K. Mallick	Nil	Director (Commercial)	7,50,468	2,45,124
Shri A. R. Ray	Nil	Director (Pers. & Admn.)	7,51,272	2,89,986
Shri P. K. Routray	Nil	Director (Production)	3,36,874	1,60,494
Shri B. L. Bagra	Nil	Director (Finance)	56,729	1,140
Shri S. C. Chhatwal***	Nil	Director (Finance)	1,67,257	13,351

* Other benefits include Medical Reimbursement, Leave Travel Concession, House Accommodation, Entertainment, Educational Allowance, Ex-gratia, Gift Coupon, Incentive for acquiring higher qualification, Liveries, Canteen Subsidy and Scholarship to children, etc. ** The tenure of Shri C. Venkataramana ended on 25.06.2007. *** Ceased to be Director on 01.05.2006

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 in terms of Article 63 of Articles of Association of the Company. While Chairman-cum-Managing Director is placed at schedule "A" scale of pay i.e. Rs.27,750-750-31,500, the other whole time functional directors are placed at schedule "B" scale of pay i.e Rs. 25,750-650-30,950, all under IDA pattern of scales. 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 letters are same as those applicable to the regular employees 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

No part-time non-official Director was holding office during the year ended 31st March, 2007. Constant follow up is being made with the Administrative Ministry for filling up the posts.

(c) Part-time official Directors

There were two part-time official Directors on the Board of the Company as on 31st March, 2007.

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

Board Committees

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 31.03.2007 was as follows:

Dr. Pradeep Kumar	- Chairman*
Shri V. K. Thakral	- Member
Shri A. R. Ray	- Member

* Shri V. K. Thakral, Director was elected as the Chairman for the Audit Committee Meeting held on 27.09.2006 in the absence of Dr. Pradeep Kumar.

The above composition consists of two non-executive (non-independent) directors and one executive director. As such, it is not in 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.

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 internal controls are adequate commensurate with size of 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 ended 31st March, 2007, 6 meetings of Audit Committee were held on 28.04.2006, 22.06.2006, 27.07.2006, 27.09.2006, 30.10.2006 and 22.01.2007 respectively. The Company Secretary is also the Secretary to Audit Committee. The Chairman of Audit Committee apprises the Board about the observations of the Committee during the Board Meeting. All functional Directors and CMD attend the Audit Committee Meetings as invitees. The minutes of the Audit Committee Meetings are also placed before the Board in their subsequent Meetings. Directors' attendance in Audit committee meetings held during the year is given below:

Name	Audit committee meeting	
	Held during the tenure	Attended
Dr. Pradeep Kumar *	05	04
Shri. V. K. Thakral	06	06
Shri. A. R. Ray	06	06
Shri. K. K. Mallick #	01	01
* Appointed as a Director w.e.f. 05.06.2006		
# Ceased to be member of Audit Committee w.e.f. 09.06.2006		

Shareholders' Grievance Committee

The Audit Committee is also assigned with the job of looking into the redressal of complaints/grievances of the shareholders/investors of the Company. The details of complaints received from shareholders/debenture holders and the status of their redressal are placed before the Audit Committee Meetings.

During the year 2006-07, the Company received 230 complaints/grievances from the shareholders/investors of the Company and redressed all of them besides attending to various queries / correspondence within a week's time from the date of receipt of the same. The status of these complaints/grievances is as under:

Particulars	No. of complaints/grievances received		
	Individuals & Institutions	Stock Exchanges	SEBI
No. of cases received during the year 2006-07	227	03	Nil
No. of cases attended and redressed to the satisfaction of the shareholders/investors.	227	03	Nil
No. of pending cases remained unresolved/un-redressed.	Nil	Nil	Nil

The quarterly status of complaints/grievances received and settled were also published along with the quarterly financial results of the Company.

Technology Committee

The Technology Committee was reconstituted on 04.11.2006 consisting of all functional directors and CMD of the Company. No meeting of Technology Committee was held during the year ended 31st March, 2007.

This Committee monitors and pays special attention, to the assessment of status of the Company's efforts to develop 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.



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 been assigned task to decide all short term sale contracts i.e. the contracts for sale upto period of one year irrespective of the value of the contract, in cases where it exceeds powers delegated to CMD both for alumina and aluminium.

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

Share Transfer Committee

One separate Share Transfer Committee has been constituted by the Board 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 2006-07, the Share Transfer Committee met 26 times.

The Company Secretary is the Compliance Officer of the Company and is also the Secretary to the Committee.

Adhoc Committee of Directors

The Board of Directors have also constituted a Committee of Directors consisting of all functional Directors and CMD to approve contracts/items/packages/tenders, both domestic and overseas, with a value up to Rs.50 crore in each case for 2nd phase expansion projects of the Company. 17 meetings of this Committee of Directors were held during the year 2006-07.

Statutory Auditors

M/s. S R B & Associates, Bhubaneswar have been appointed as Statutory Auditors of the Company for the financial year 2006-07 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 25th Annual General Meeting held on 28.09.2006 had authorized 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 2006-07. The remuneration fixed by the Board on the recommendation by the Audit Committee is given below:

Fee for	Remuneration(Rs.)	Remarks
Statutory Audit for the year 2006-07	9,00,000/-	Reimbursement of Service tax and traveling and out of pocket expenses
Limited Review for each of 1st, 2nd & 3rd quarter for 2006-07	1,75,000/- for each review	- do -
Tax Audit for the Financial year 2006-07	2,25,000/-	- do -

General Meetings of Shareholders

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

Annual General Meeting

Year	Date	Time	Location	Special Resolution, if any
2003-2004	28.09.2004	11.00 A.M.	NALCO Bhawan, Nayapalli, Bhubaneswar	Nil
2004-2005	30.09.2005	11.00 A.M.	NALCO Bhawan, Nayapalli, Bhubaneswar	Nil
2005-2006	28.09.2006	11.00 A.M.	NALCO Bhawan, Nayapalli, Bhubaneswar	Nil

Extraordinary General Meeting

2003-2004	04.07.2003	11.00 A.M.	NALCO Bhawan, Nayapalli, Bhubaneswar	Delisting of securities of the Company from Bhubaneswar Stock Exchange, Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited and Madras Stock Exchange Limited.
-----------	------------	------------	--------------------------------------	--

No special resolution was passed through postal ballot at any of the General Meetings of the Members held during the above three years.

Disclosures

(i) Related Party Transactions

As per the disclosures given by the Directors of the Company, there were no material 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 except appointment of independent directors in terms of Clause 49 of the Listing



Agreement. 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. Declaration signed by the Chairman-cum-Managing Director I/c. regarding compliance with the code by all Board Members and Senior Management personnel is enclosed at Annexure-IIA.

(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 mitigation control in different functional areas of the organization. Inherent risk due to external and internal factors is assessed and necessary mitigation 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, physical risks, liquidity etc. are also given due importance to ensure smooth operation.

(viii) Whistle Blower Policy

At present there is no specific whistle blower policy in the Company. However being a Government Company, the records of the Company are open for audit by C&AG and open for inspection by Vigilance/CBI etc.

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 online 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 was uploaded electronically to facilitate NSE to disseminate the information country wide through their website.

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

General Shareholder information

The Annual General Meeting of the Company is scheduled to be held on Friday, 21st September, 2007 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, 2007	21 st September, 2007
Unaudited Financial results for the first quarter ending 30th June, 2007	30 th July, 2007
Unaudited Financial results for the second quarter ending 30th September, 2007	October, 2007
Unaudited Financial results for the third quarter ending 31st December, 2007	January, 2008
Unaudited Financial results for the year ending 31st March, 2008	April, 2008

Book Closure Dates

Tuesday, the 18th September, 2007 to Friday, 21st September, 2007 (both days inclusive) for determining the entitlements of final dividend for the financial year 2006-07.

Dividend payment date

The final dividend shall be paid within 30 days from the date of declaration i.e. before 20th October, 2007 as per the provisions of the Companies Act, 1956.

During the Financial year, unpaid/unclaimed dividend and interest, on expiry of 7 years period from the date of their declaration/payment, have been transferred to the Investor Education and Protection Fund in terms of Section 205A of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001 as per details given below:

Financial year/period	Nature of payment	Amount (Rs.)	Date of transfer to IEPF
1998-99	Dividend	4,04,044/-	20.10.2006
26.03.1999 to 25.09.1999	Interest on 14.5% NCDs	71,732/-	20.10.2006

Listing on Stock Exchanges

The Company's shares are presently listed in Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) which have nationwide trading terminals. The Company has paid listing fees for the year 2007-08 to both the Stock Exchanges. Delisting of securities from Bhubaneswar Stock Exchange, The Calcutta Stock Exchange Association Limited, Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited has been approved by the shareholders. While Madras Stock Exchange Limited & The Delhi Stock Exchange Association Limited have confirmed the delisting of securities from their Stock Exchanges, confirmation from Bhubaneswar Stock Exchange and The Calcutta Stock Exchange Association Limited is in process.

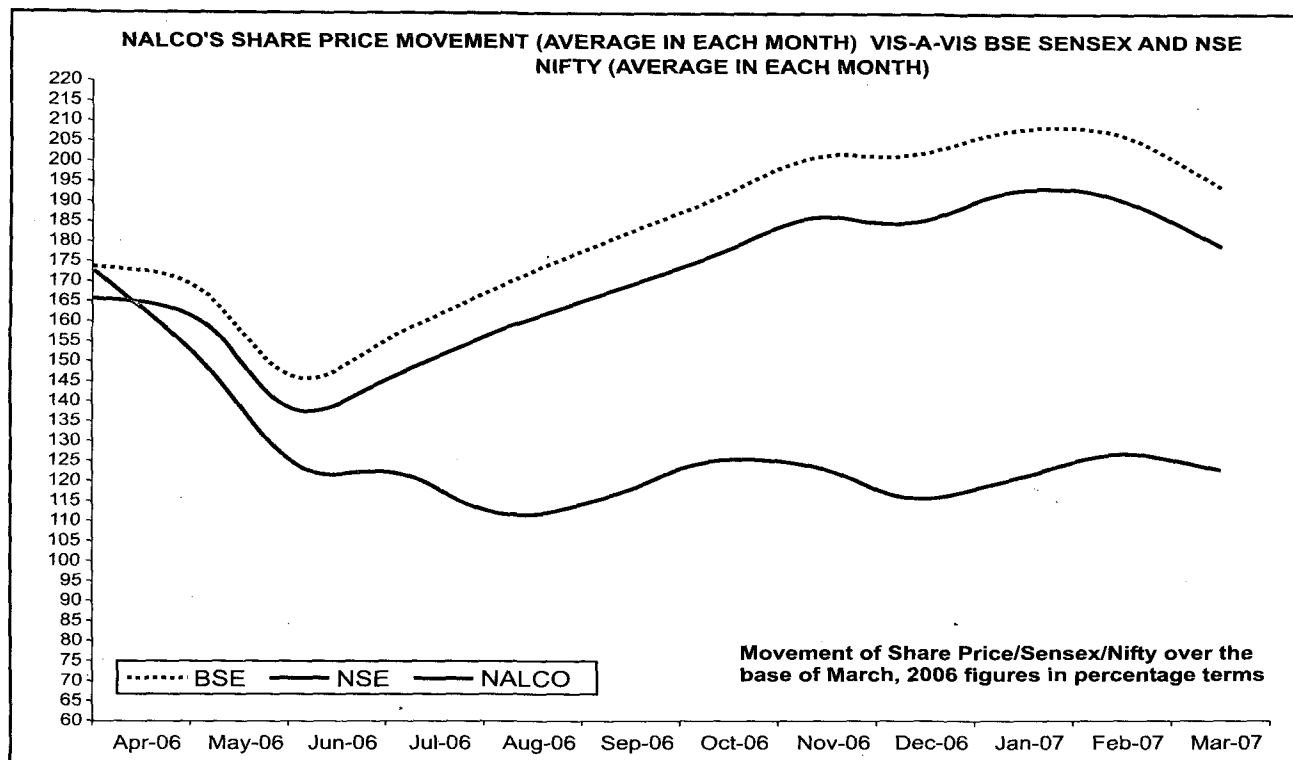
Out of the total paid-up equity capital of Rs. 644.31 crore, consisting of 64,43,09,628 equity shares of Rs.10/- each, President of India and 6 Nominees are holding 56,14,99,635 equity shares of Rs.10/- each fully paid up in physical form. The Company has arranged for listing of the balance 8,28,09,993 shares of Rs.10/- each fully paid up with the above Stock Exchanges.

Stock Code/ Stock Exchange Code	Reuters Code
BSE : 532234 NSE : NATIONALUM	NALU.BO (Bombay Stock Exchange Limited) NALU.NS (National Stock Exchange of India Limited)

Market Price Data

The Company's shares are regularly traded on BSE and NSE. The monthly Highest (H) and Lowest (L) market price data for the year 2006-07 are given here in below: (Amount in Rs.)

MONTH	SHARE PRICE (BSE)		SHARE PRICE (NSE)	
	H	L	H	L
April'06	332.10	289.00	332.00	289.00
May'06	334.95	208.50	337.80	208.25
June'06	265.45	194.00	264.00	180.00
July'06	235.00	196.25	243.60	196.55
August'06	211.80	190.50	212.50	190.10
September'06	218.70	194.00	225.00	194.05
October'06	240.00	207.65	241.40	207.50
November'06	234.50	212.20	234.95	212.35
December'06	222.85	193.10	225.00	194.00
January'07	236.50	200.10	236.50	199.15
February'07	250.00	207.90	251.90	207.00
March'07	235.70	204.10	238.00	203.50

**Performance in comparison to broad - based Indices****Registrar and Transfer Agents**

NALCO is having its own in-house Share Registry at its Registered Office located at NALCO Bhawan, P/1, Nayapalli, and Bhubaneswar-751 013. All kinds of investors' related services both for physical as well as electronic segment are provided from the Share Registry.

Share Transfer System

All share transfers in physical mode are effected in time and the physical share certificates are dispatched to the transferees immediately after effecting the transfer.

Distribution of share holding

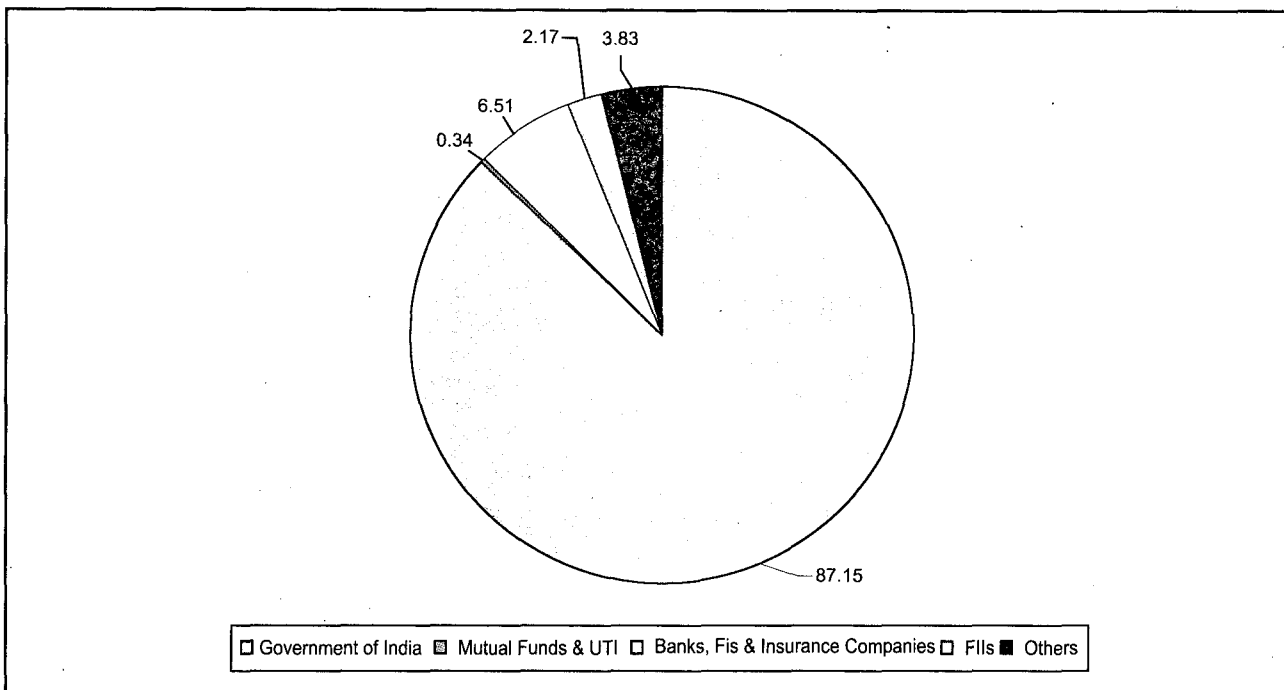
The Company had 43,957 shareholders as on 31.03.2007. The shareholding pattern of the Company as on 31.03.2007 was as under:

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.	Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non-Government Institutions)	31	4,19,23,136	6.51
3.	Private Corporate Bodies	1,018	1,67,87,303	2.61
4.	FIs	59	1,40,00,100	2.17
5.	Indian Public	42,151	73,46,732	1.14
6.	Mutual Funds and UTI	43	22,20,628	0.34
7.	NRIs/OCBs/Foreign Nationals	530	4,04,708	0.06
8.	Others	118	1,27,386	0.02
	GRAND TOTAL	43,957	64,43,09,628	100.00

* Government of India along with 6 Nominees



Disribution of Shareholding as on 31st March, 2007



Liquidity of shares

As per SEBI directives, the Company shares are compulsorily traded in demat form in Stock Exchanges. This move has brought in almost all shareholders to convert their shares to fungible form. Presently, the Company's shares are admitted for dematerialisation through National Securities Depository Limited and Central Depository Services (India) Limited under ISIN INE 139A01026.

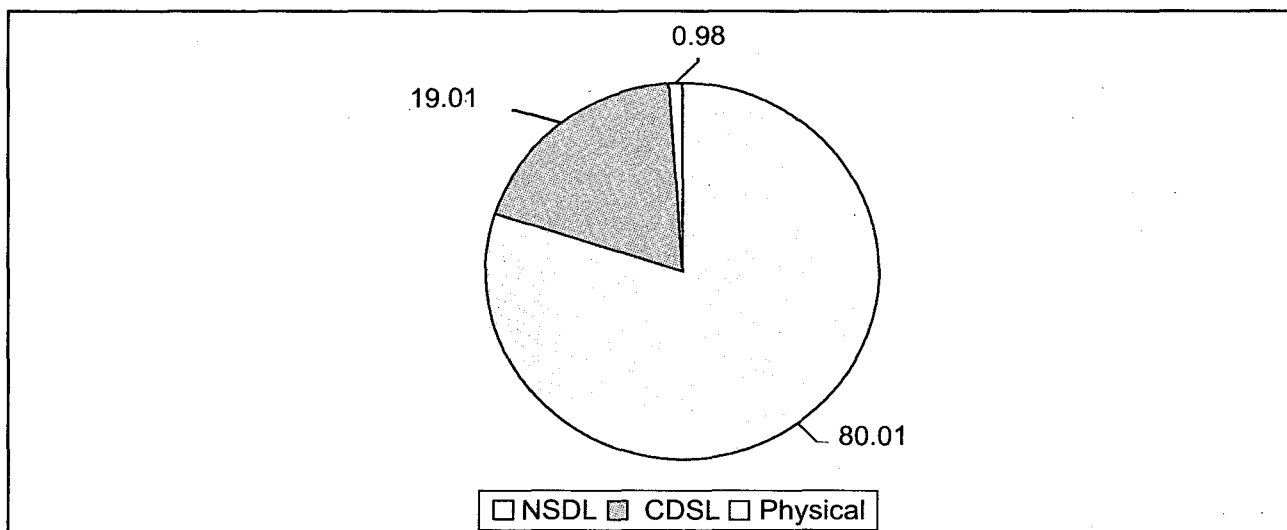
All demat requests received by the Company are confirmed to the respective Depositories (NSDL/CDSL) within 8-10 days of receipt of Demat Request Forms (DRFs) from the DPs complete in all respects which is well within the prescribed time period provided in SEBI guidelines.

During the financial year, total no. of 58,716 shares have been demated under both the depositories as per break up given below:

NSDL : 48,666	CDSL : 10,050	Total : 58,716
----------------------	----------------------	-----------------------

99.02% of the Company's total listed share capital has been dematerialized up to 31st March, 2007 as compared to 98.95% as on 31st March, 2006.

Dematerialisation of Listed Shares





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 1,258 shares and dispatched 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. 2585-87)

Fax : 0674-2300677

E-mail addresses : (i) knravindra@nalcoindia.co.in (ii) dmrao@nalcoindia.co.in (iii) nkmohanty@nalcoindia.co.in
(iv) bharatsahu@yahoo.com

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

Shareholders holding shares in electronic form have been advised to address all their correspondence regarding change of address, bank particulars etc. to their respective Depository Participants (DPs) only.

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, 2007.

for National Aluminium Company Limited

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

Place : Bhubaneswar
Date : 23.08.2007



AUDITORS' CERTIFICATE

To

The Members of
NATIONAL ALUMINIUM COMPANY LTD.,
Bhubaneswar

We have examined the compliance of conditions of Corporate Governance by **NATIONAL ALUMINIUM COMPANY LTD.,** Bhubaneswar for the year ended on 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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 ;
 - i) the requirement of not less than fifty percent of the Board of Directors to be Non-Executive Directors, the Company has only two Non-Executive Directors against six Executive Directors and
 - ii) against the requirement half 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 conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Bhubaneswar
16th Aug, 2007

R. S. Sahoo
Partner
Membership No.-053960

**Annexure-III****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 Aluminum Company Limited (the Company) are listed, the Depositories Act, 1996 and bye-laws framed thereunder from time to time, for the year ended 31st March, 2007 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 Agreement.

3. Composition of the Board

The Board of Directors of the Company comprised of eight directors, consisting of Chairman-cum-Managing Director (Executive Chairman), five executive directors and two non-executive directors as on 31.03.2007. In terms of Clause 49 of Listing Agreement, at least half of the Board should comprise of independent directors. Both the non-executive directors are non-independent directors. 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 twelve times on 04.04.2006, 29.04.2006, 22/23.06.2006, 27.07.2006, 29.08.2006, 27/28.09.2006, 30.10.2006, 09.11.2006, 15.12.2006, 22.01.2007, 28.02.2007 and 09.03.2007 and 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, P/1, Nayapalli, Bhubaneswar-751 013 and all the work related to Share Registry in terms of both physical and electronic segments are handled at a single point in the Share Registry.

6. Share Transfer Committee:

To ensure speedy and timely transfer/transmission of shares in physical segment, the Share Transfer Committee constituted by the Board considers and approves all the share related issues besides taking note of beneficial owners position under demat mode. During the year ended 31st March, 2007, the Share Transfer Committee met 26 times.

7. Redressal of Investors Grievances:

All complaints/grievances relating to share transfers, transmissions, demat/remat of shares, issue of duplicate share certificates, payment of dividend/debenture interest etc. were promptly attended to by the company and were resolved within a weeks time of their receipt. Details of share 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 issue of 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, 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. 4,04,044 (Rupees Four Lakhs Four thousand forty four only) relating to the unclaimed and unpaid dividend for the financial year 1998-99 and an amount of Rs.71,732 relating to interest on 14.5% NCDs for the period 26.03.1999 to 25.09.1999 to the Investor Education and Protection Fund on 20.10.2006 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.

M/s. Saroj Ray & Associates
(Company Secretaries)

Place : Bhubaneswar
Date : 20.07.2007

CS.Saroj Kumar Ray, Partner
(C.P.No-3770)

**Annexure - IV****MANAGEMENT DISCUSSION & ANALYSIS REPORT****INDUSTRY STRUCTURE & DEVELOPMENTS****Global Scenario****Alumina & Chemicals**

During the year 2006, the world consumption of Alumina was 66.163 million MT against the world production of 68.308 million MT thus showing a surplus production of 2.146 million MT. The world Alumina production and consumption grew by approx. 11.9 % and 6.1% respectively during 2006 over previous year. The Chinese alumina production registered an increase of about 65.2% over previous year production.

The global alumina market moved into surplus with an increased role of Chinese supply. This resulted in a downward pressure on alumina prices. As a result it is expected that some refineries may curtail output when alumina price goes below refinery's Business Operating Cost on sustained basis.

Aluminium

During the year 2006, the world consumption of primary Aluminium was 34.392 million MT against world supply of 33.899 million MT, showing a deficit of 0.493 million MT. The world supply and consumption grew by approximately 5.6% and 7.2% respectively during 2006 over 2005. In China, consumption is estimated to have risen by 20.6% and production by 18.2% during 2006. North America, Europe, CIS, China, Middle East, Africa, East Asia & India also witnessed favourable demand despite this being the year of high International prices.

NALCO's Position

The Company exported 7,73,573 MT of Alumina and 10,920 MT of Hydrates during the year under review. The total metal sale was 3,56,616 MT which was highest ever achieved. Out of the total metal sales domestic sale was 2,63,494 MT and balance 93,122 MT was exported.

The Company's other value added products such as Special Grade Alumina and Special Grade Hydrate and Zeolite-A have established a good market presence and have been well received.

The first export consignment of rolled product from the Company was made in September, 2006 and the Company has received favourable feedback from the customers. Various strategic actions are being taken to increase sale of Rolled Products both in domestic and overseas markets. The other value added products such as Special Hydrate, Special Alumina, Zeolite-A and other products saw good demand.

Business Development.

Your Company examined a number of proposals during the year for setting up overseas joint venture projects for making aluminium based products on its surplus alumina to the tune of 1.2 million tonnes expected to be available once its 2nd phase expansion is complete. Efforts were also made for exploring the possibility of setting up of backward integration projects. Your Company has plans for undertaking a few backward integration projects for catering its raw material requirements and for insulating itself from their price escalations and uncertainties of timely supply by vendors. These proposals are being actively pursued by your Company and final view shall be taken in the coming year. During the year, your Company associated itself actively with professional bodies viz. AAI, CII, FICCI, Utkal Chamber of Commerce and Industry and Confederation of Captive Power Plants of Orissa etc. and contributed on its own capacity for further interest of industry.

SEGMENT-WISE PERFORMANCE

Your Company achieved the highest ever net profit of Rs. 2,381.38 crore on a record breaking turnover of Rs. 6,514.51 crore. The detailed segmentwise information is furnished below:

	Chemicals (Alumina)		Aluminium		Power		Unallocable		Total
	Rs.in cr.	Share	Rs.in cr.	Share	Rs.in cr.	Share	Rs.in cr.	Share	Rs.in cr.
Net Sales & Operating revenue	2,780.71	35%	4,360.47	54%	882.16	11%	—	—	8,023.34
PBIT	1,830.40	51%	1,259.88	35%	321.81	8%	208.31	6%	3,620.40
Capital Employed	1,673.81	20%	2,231.31	27%	889.73	11%	3,513.11	42%	8,307.96
ROCE (%)	109%	—	56%	—	36%	—	—	—	—
PBIT Margins (%)	66%	—	29%	—	36%	—	—	—	—



Opportunities and Threats

Your Company's 2nd phase expansion project is under way, funded by its own internal resources and also exploring the overseas market for External Commercial Borrowing. The availability of surplus alumina with the Company after 2nd phase expansion and the sustaining demand for Alumina and Aluminium in the global market has put it in a advantageous position and offers attractive opportunities for entering into lucrative business deals for acquisition and for participating in the Joint Ventures in overseas smelters where energy is available at relatively lesser cost.

The threat perceptions for the company includes price instability at LME, possible continuous rising of crude oil prices in the global market, possible halt to the peace initiatives with neighbouring countries, terrorism, hardening of interest rates, bad monsoon, competition from substitute materials particularly the plastics, progressive reduction in aluminium import tariffs, poaching of its key manpower by competitors for their green field projects and levy of antidumping duties on its raw material import like Caustic Soda.

Risks & Concerns

The upward trend of crude oil prices in the global market may impact the operational cost of the company. Any continuous depreciation of US\$ against rupee shall have bearing on the export realisation of your Company, as it is a key player in the export market. Risk lies in possible international disturbances caused by terrorist strikes, polarisation of trade blocks and sudden appearance of unhealthy trends in the international scenario arising out of political uncertainty in global context.

Probability of imposition of antidumping duties and other allied taxes on its imported raw material like caustic soda and its cost fluctuations may add to the existing concern. However, your Company with its professional approach is confident of delivering continued excellent operating performance on the back of improved cost competitiveness and technological edge and thus enjoys a natural hedge against these concerns.

The anticipated downward trend in the LME prices of aluminium, the projected surplus in the alumina market & strengthening rupee are causes for concern.

Outlook for the Industry

Your Company expects that present high growth trend in the economy shall continue for the coming years and general prevalence of business confidence and optimism in the Indian economy with the emergence of multi-nationals on the Indian Aluminium scene and the aggressive position of some of the domestic players, your Company expects a much greater competition in the future, for both domestic and export markets.

Outlook for the Company

Your Company aims to anticipate changes and take proactive measures for survival and higher growth in the business. After consolidating its position firmly in the field of alumina and aluminium, your Company is strengthening its position in newly entered areas like special grade alumina, zeolite, gallium and rolled products etc. Apart from maintaining its consistent track record in capacity utilisation, quality management and gaining customers confidence now it is moulding with new management and quality concepts.

In its future strategic growth plans, your Company is to concentrate more on its core competence areas with further expansion of the capacities in Mines, Refinery, Smelter and Captive Power Plant with certain backward and forward integration. 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.

Your Company has its own plans & designs to enter the market in a big way in the coming years to market its value added products like rolled products, special grade alumina and zeolite both in the domestic and international markets.

Domestic Market Outlook:

The domestic aluminium supply will continue to witness higher volumes from the expanded capacities of the producers. It is expected that the country's production of aluminium would be about 1.2 million MT in 2007-08. The domestic demand is expected to continue its strong showing, on the back of a robust industrial growth, during 2007-08. It is anticipated that market will grow at about 8%.

International Market Outlook

Alumina

In 2007 world alumina production is expected to grow by 7.6% and the consumption is expected to grow by 10.1%. The Chinese alumina production is expected to be approximately 18 million MT, an increase of about 41% over previous year. Overall, the world market for alumina would be marginally in surplus.

Aluminium

IMF has projected the Global Economy to grow by about 4.9% in 2007 which is slightly lower than the robust growth of 5.4% achieved in 2006. IMF sees the US economy & Euro-area expanding at 2.5% & 2.2% respectively. The 2007 IMF projections for Japan, China & India are 2.3%, 10% & 8.4% respectively.



In 2007, world aluminium production is expected to grow by 7.7% and the consumption is expected to grow by 4.8% respectively. The world aluminium market is expected to show a surplus of metal which may have softening impact on pricing. The Chinese aluminium production & consumption are expected to be approximately 11.8 million MT & 10 million MT respectively.

Internal Control Systems and their adequacy

Your Company has well established internal control systems commensurate with the nature and size of operation of the Company. Your Company has entrusted internal audit to well experienced outside professional Chartered Accountant firms. The internal audit reports are discussed by Audit Committee constituted by the Board. Action is taken to further review and strengthen internal control procedures in respect of inventory 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.

Risk Management

Your Company is constantly assessing the external and internal risk factors and taking necessary effective control measures through policies and systems. A comprehensive disaster management plan for all the units of your Company has been prepared on the basis of identified major hazards leading to credible loss scenarios and associated consequence and risk analysis.

HUMAN RESOURCES DEVELOPMENT

In the area of Human Resources Development, your Company gave high priority for developing and sustaining a highly motivated and energized work force.

Attraction of talent, their retention and development of the required skills is a major challenge in Human Resources Management in the emerging scenario. To address these challenges, your Company is constantly re-moulding HR policies, implementing them efficiently, initiating cultural changes, establishing good Human Resource practices, increasing responsiveness and improving the quality of work environment etc. in a focused manner.

Keeping in view the requirements for operating the expanded capacities, your Company recruited 74 Graduate Engineer Trainees and 10 Management Trainees during the year. The manpower strength of your Company in the year under review vis-à-vis the previous year is as follows:

	31.03.2007	31.03.2006
Executives	1,828	1,770
Supervisory	892	893
Skilled/Highly skilled	3,561	3,571
Unskilled/Semiskilled	1,145	1,172
Total	7,426	7,406

Training & Development

In the arena of training and development, besides implementing the training and development programmes covering technical manpower as per the structured O&M training and qualification systems, various management development programmes and orientational programmes for support service personnel were also organized. Knowledge management has been identified as one of the important areas that require focused attention with a view to preserve the knowledge and experience gained in all functional areas and to systematically percolate it down to all levels. Another area of training that was given importance was sensitization of all operating level officers on the policies and procedures to be followed in the matter of reservation in service for SCs, STs and OBCs for effective implementation of the Government policy in this regard.

The training statistics of your Company for the year 2006-2007 is given below:

	Persons	Man-days
Executives	2,644	8,339
Non-executives	3,593	10,480
Total	6,237	18,819



CORPORATE PLANNING

The present robust global metal industry scenario and rapid changes in the business environment followed by steady implementation of new economic policies of the Government have necessitated review, renewal and repositioning the Corporate goals. Keeping in view the changing economic scenario, emerging trends and to keep pace with rapid changes in global business environment, your Company is in the process of appointing a reputed global consultant to study and frame a Corporate Growth Plan for your Company for chalking out the Future Road Map for the next 10 to 15 years. Once the plans and programmes put forwarded by the above study are approved in principle, The Company will evolve suitable strategies and internal systems for implementation and monitoring of plans and review of the targeted activities within the time parameters.

COMPUTERIZATION ACTIVITIES

You will be pleased to know that for efficient utilization of resources, implementation of Enterprise Resource Planning (ERP) solution across the Company and branch offices / stockyards has been planned to be completed in the year 2008 for which a comprehensive Global tender has been floated with the consulting assistance.

Further, for improvement in processes and for increasing transparency, e-Governance activities like File tracking, Bill tracking, e-TDS / returns, Online updation of price list in the web-site, e-payments, employee helpline e-sahayata, e-Tendering etc. have been initiated.

For ensuring security of data, uniform IT-Security policy is under formulation for implementation and compliance to security guidelines.

TOTAL QUALITY MANAGEMENT

Quality Management System of Alumina Refinery was successfully recertified to ISO 9001:2000 for a further period of 3 years, while those of Smelter Plant, Captive Power Plant & Bauxite Mines successfully underwent Surveillance Audits during the year.

Total Productive Maintenance (TPM) implementation at Captive Power Plant went into full-fledged implementation phase from August, 2006. TPM implementation work at Alumina Refinery continued with thrust on Autonomous Maintenance & Focussed Improvement.

You will be pleased to know that Quality Circles from different units selected through Chapter level competitions participated in the National Convention for Quality Circles organised by Quality Circle Forum of India. Based on their Quality Circle projects, two Quality Circles, "Sapphire" and "Rasayana" of Alumina Refinery of your Company participated in the International Convention in Indonesia held in November, 2006.

In order to encourage Quality efforts, your Company organised All Orissa Quality Circle Convention and Competition for NALCO Trophy in April, 2006 for the eleventh consecutive year. 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 provide high priority to Pollution Control, Safety, Health & Environment Management and Forest Plantation activities. In that direction Defluoridation plant of Smelter was made fully operational after revamping and over 3 lakh trees were planted in different units of your Company.

You will be pleased to know that for streamlining occupational health & safety standard, all units of your Company have been certified to OHSAS 18001. All the units are certified under ISO 14001:2004 version & Surveillance Audit for all units have been completed and recommended for continuation.

The Alumina Refinery Complex has received CII Eastern Region Award for "Best Practices in Safety, Occupational Health & Environment".

Conceptual report for construction of secured engineering landfill facility for disposal of the hazardous wastes of Smelter unit has been prepared.

Installation of Microwave & Shredder was completed at Damanjodi Hospital for Bio Medical Waste management.



ANCILLARY DEVELOPMENT

You will be pleased to know that your Company is giving utmost importance to the Ancillary industries development in and around the plant locations of your Company. Efforts in that direction include:

- Organising Plant Level Advisory Committee (PLAC) Meeting in which officers from State Government expressed their satisfaction for the efforts made by NALCO towards development of ancillary/small scale industries in the state.
- Participating in 21st Annual State Level Convention and Seminar on Development of Ancillary and Down Stream Industries organized by Orissa Assembly of Small and Medium Enterprises (OASME).
- Making a presentation at Buyer Seller Meet organized by Confederation of Indian Industry regarding efforts made by your Company in Ancillary Development.
- Participating at National Level Industrial Exhibition-cum-Vendor Development Programme which was organized by SISI in collaboration with other Associations and Government of Orissa.
- Exhibiting items which could be produced and supplied by the Small Scale Industries to your Company on regular basis in the EXPO- ORISSA-2006. Your Company was awarded "The Best Mother Plant Award" for its contributions to the development of Small Scale Industries in the State.
- Appointment of a consultant 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. The consultants have submitted the final report for feasibility of setting up Aluminium Park in Khurda & Paradip. The report is under study by your Company as well as by Government of Orissa.
- Increasing purchases by your Company from SSI/Ancillary Units year after year to encourage the Small Scale & Ancillary Industries of the State of Orissa.

SPORTS

You will be pleased to know that your Company takes active interest in promotion of various sports at State and National level. In that direction, your Company in collaboration with different Sports bodies organized various championship events like All Orissa NALCO Cup Hockey Championship, All Orissa NALCO Cup Basketball Championship, All Orissa NALCO Open Tennis Tournament and NALCO Cup East Zone Golf tournament.

Your Company organized an All India Public Sector Football Tournament at Angul. Eight teams participated in that tournament and NALCO team emerged as champion in the tournament.

Shri S P Das of your Company led the Indian Badminton team to Israel for participating in the Israel Open Badminton championship for Disabled and bagged two bronze medals.

Your Company's women sports persons Ms. Anuradha Biswal in athletics, Ms. Sradhanjali Samantray and Ms. Rantija Mohanty in women football represented the State at National level championships and also made your Company proud by representing the country at international level events.

Shri Debasis Mohanty and Shri Shiv Sunder Das, employees of your Company represented the Nation in past and represented the State in Ranji Trophy Cricket and also represented the East Zone cricket in this season.

Further, to encourage budding sports talents, your Company felicitated 5 sports persons with citations and cash awards during Utkal Divas celebration.

**Annexure-V****Comments on the accounts of National Aluminium Company Limited, Bhubaneswar for the year ended 31st March 2007 under Section 619 (4) of the Companies Act, 1956**

The preparation of financial statements of National Aluminium Company Limited, Bhubaneswar for the year ended 31st March, 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller & Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 26 June 2007.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of National Aluminium Company Limited, Bhubaneswar for the year ended 31st March 2007. This supplementary audit has been carried out independently and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller & Auditor General of India

Sd/-

(A. Roychoudhury)

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

K O L K A T A

Dated : Kolkata
The 03 August 2007



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, 2007, 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 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, 2007;
 - ii. in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For SRB & Associates
Chartered Accountants**

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

**Bhubaneswar
June 26, 2007**



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-clauses (b), (c) & (d) are not applicable.
 - (b) The Company has not taken any loans secured or un-secured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (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 inventory and fixed assets and for the sale of goods and services.
- v. The Company has not entered into any contracts or arrangements which require to be recorded in a register in pursuance of section 301 of the Companies Act, 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, Electricity Duty 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, 2007 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 under protest
	High Court	Tribunal	Commissionerate		
Sales Tax	23.92	6.19	408.35	438.46	57.22
Entry tax	7.06	15.13	14.83	37.02	23.63
Central Excise	—	20.27	4.05	24.32	0.82
Custom Duty	—	2.73	8.60	11.33	0.06
Income Tax	—	88.93	32.15	121.08	119.23
Total	30.98	133.25	467.98	632.21	200.96

- 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**

**R.S. Sahoo
Partner**

Memb. No.053960

**Bhubaneswar
June 26, 2007**

Annual Accounts
2006-07

**Balance Sheet as at March 31, 2007**

(Rupees in crores)

	Schedule	As at March 31, 2007	As at March 31, 2006
SOURCES OF FUNDS			
Shareholders' Funds :			
Share capital	A	644.31	644.31
Reserves and Surplus	B	7,050.91	5,248.36
Loan Funds :			
Secured & Unsecured loans		—	—
Deferred Tax Liability (Net)		612.74	641.73
TOTAL		8,307.96	6,534.40
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	C	9,034.06	8,961.22
Less: Depreciation		5,312.18	5,016.71
Less: Impairment		11.00	—
Net Block		3,710.88	3,944.51
Fixed Assets awaiting disposal		1.20	0.80
Capital Work-in-Progress	D	840.41	232.16
		4,552.49	4,177.47
Current Assets, Loans and Advances:			
Inventories	E	634.96	590.78
Sundry Debtors		34.13	29.42
Cash and Bank Balances		3,686.53	2,193.71
Other Current Assets		212.04	118.62
Loans and Advances		406.42	364.55
		4,974.08	3,297.08
Less: Current Liabilities & Provisions:			
Liabilities	F	872.02	607.33
Provisions	G	346.59	332.82
		1,218.61	940.15
Net current Assets		3,755.47	2,356.93
TOTAL		8,307.96	6,534.40
Significant Accounting Policies			
Notes on Accounts			
Additional information			
(Schedules A to W form part of Accounts)			

In terms of our report of even date attached.

For and on behalf of

SRB & Associates

Chartered Accountants

For and on behalf of Board of Directors

R. S. Sahoo
Partner**Bhubaneswar**
26th June, 2007**K. N. Ravindra**
Company Secretary**B. L. Bagra**
Director (Finance)**C.R. Pradhan**
Chairman-cum-
Managing Director (I/c.)



Profit and Loss Account for the year ended March 31, 2007

(Rupees in crores)

	Schedule	Year ended March 31, 2007	Year ended March 31, 2006
INCOME:			
Gross Sales	H	6,514.51	5,287.36
Less: Excise Duty		<u>574.32</u>	<u>435.46</u>
Net sales		5,940.19	4,851.90
Finished goods internally consumed/capitalised		12.35	8.52
Other income	I	<u>401.65</u>	<u>222.18</u>
		6,354.19	5,082.60
EXPENDITURE:			
Decretion /(Accretion) to stock of finished / intermediary products / work-in-process	J	(15.13)	(53.90)
Raw Materials	K	557.59	521.05
Power & Fuel	L	851.02	937.84
Repairs & Maintenance	M	230.34	191.93
Other Manufacturing Expenses	N	152.66	139.96
Employees' Remuneration & Benefits	O	392.88	338.73
Administrative Expenses	P	85.37	78.56
Other Expenses	Q	72.55	70.60
Selling and Distribution Expenses	R	78.10	80.17
Provisions	S	5.25	0.46
Depreciation		306.13	377.24
Impairment		<u>11.00</u>	<u>—</u>
		2,727.76	2,682.64
PROFIT FOR THE YEAR		3,626.43	2,399.96
Add/(Less) : Prior Period Adjustments (Net)	T	(6.03)	(5.11)
Add : Extraordinary Income (Net)		<u>—</u>	<u>34.79</u>
PROFIT BEFORE TAX		3,620.40	2,429.64
Less : Provision for taxation - Current		1,248.97	838.30
Provision for taxation - FBT		7.03	6.77
Provision for taxation - Deferred		(17.30)	(10.72)
Provision for taxation of earlier years		<u>0.32</u>	<u>33.09</u>
		1,239.02	867.44
PROFIT AFTER TAX		2,381.38	1,562.20
Balance of profit brought forward from previous year		10.49	15.58
Transfer from Capital Reserve		0.04	0.05
Transfer from General Reserve		23.04	—
Less: Provision for differential actuarial liability		<u>(23.04)</u>	<u>—</u>
Amount available for appropriation		2,391.91	1,577.83
APPROPRIATIONS:			
Interim dividend		322.15	128.86
Proposed final dividend		161.08	193.30
Tax on dividend		72.56	45.18
Transfer to General Reserve		<u>1,800.00</u>	<u>1,200.00</u>
		2,355.79	1,567.34
Balance of profit carried to Balance Sheet		<u>36.12</u>	<u>10.49</u>
Earning per share		36.96	24.25
Significant Accounting Policies	U		
Notes on Accounts	V		
Additional information	W		
<i>(Schedules A to W form part of Accounts)</i>			
In terms of our report of even date attached.			
For and on behalf of SRB & Associates		For and on behalf of Board of Directors	
Chartered Accountants			

R. S. Sahoo
Partner

Bhubaneswar
26th June, 2007

K. N. Ravindra
Company Secretary

B. L. Bagra
Director (Finance)

C.R. Pradhan
Chairman-cum-
Managing Director (l/c.)



Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2007	As at March 31, 2006
Schedule A		
SHARE CAPITAL		
Authorised:		
130,00,00,000 Equity Shares of Rs.10/- each	<u>1,300.00</u>	<u>1,300.00</u>
Issued, Subscribed and Paid up:		
64,43,09,628 Equity Shares		
(Previous year 64,43,09,628 shares)		
of Rs. 10/- each fully paid up.		
Out of these shares, Government of India holds 56,14,99,635 shares		
(Previous year 56,14,99,635 shares).	<u>644.31</u>	<u>644.31</u>
Schedule B		
RESERVES & SURPLUS		
Capital Reserve:		
Grants-in-aid received from Government of India :		
As per last Balance Sheet	0.62	0.67
Less: Transfer to Profit & Loss Account	<u>(0.04)</u>	<u>(0.05)</u>
	0.58	0.62
General Reserve:		
As per Last Balance Sheet	5,237.25	4,037.25
Less: Transfer to Profit & Loss Account	<u>(23.04)</u>	—
Add: Transfer from Profit & Loss Account	<u>1,800.00</u>	<u>1,200.00</u>
	7,014.21	5,237.25
Balance in Profit & Loss Account	<u>36.12</u>	<u>10.49</u>
Total	<u>7,050.91</u>	<u>5,248.36</u>

Schedules forming part of the Balance Sheet

Schedule C FIXED ASSETS

(Rupees in crores)

Particulars of Assets	Gross Block				Depreciation				Net Block	
	As on 1.4.2006	Additions	Sales/ Adjust- ments	As on 31.3.2007	As on 1.4.2006	For the Year	On sales/ Adjust- ments	Upto 31.3.2007	As on 31.3.2007	As on 31.3.2006
A. PLANT, MINES AND OTHERS :										
Freehold land including development costs	44.21	14.36	—	58.57	—	—	—	—	58.57	44.21
Leasehold land including development costs	5.20	—	—	5.20	1.51	0.07	—	1.58	3.62	3.69
Buildings	403.85	7.14	—	410.99	168.56	15.08	—	183.64	227.35	235.29
Roads, bridges and culverts	54.57	3.05	—	57.62	12.07	0.99	—	13.06	44.56	42.50
Railway sidings	69.54	0.32	—	69.86	53.35	1.09	—	54.44	15.42	16.19
Water supply, drainage and sewerage	77.08	1.31	—	78.39	41.32	6.69	—	48.01	30.38	35.76
Power supply, distribution and lighting	418.91	0.98	—	419.89	204.62	16.43	—	221.05	198.84	214.29
Plant and machinery	7,483.04	46.15	(12.31)	7,516.84	4,391.30	257.39	(11.97)	4,636.72	2,880.12	3,091.74
Office equipments	24.65	2.65	(0.33)	26.97	17.26	2.11	(0.31)	19.06	7.91	7.39
Furniture and fittings	16.32	1.32	(0.35)	17.29	12.03	0.87	(0.30)	12.60	4.69	4.29
Vehicles	29.35	0.53	(1.48)	28.40	20.18	1.39	(1.36)	20.21	8.19	9.17
Miscellaneous equipments	59.05	4.48	(0.64)	62.89	24.83	2.63	(0.58)	26.88	36.01	34.22
Total	8,685.77	82.29	(15.15)	8,752.91	4,947.03	304.74	(14.52)	5,237.25	3,515.66	3,738.74
B. SOCIAL FACILITIES :										
Freehold land including development costs	5.18	—	—	5.18	—	—	—	—	5.18	5.18
Leasehold land including development costs	0.35	—	—	0.35	0.16	—	—	0.16	0.19	0.19
Buildings	191.07	3.95	—	195.02	35.88	3.16	—	39.04	155.98	155.19
Roads, bridges and culverts	21.91	0.25	—	22.16	4.68	0.41	—	5.09	17.07	17.23
Water supply, drainage and sewerage	25.37	0.27	—	25.64	10.10	0.53	—	10.63	15.01	15.27
Power supply, distribution and lighting	17.74	0.15	—	17.89	10.26	0.45	—	10.71	7.18	7.48
Office equipments	0.10	—	—	0.10	0.09	—	—	0.09	0.01	—
Furniture and fittings	2.27	0.10	(0.07)	2.30	2.00	0.12	(0.07)	2.05	0.25	0.27
Vehicles	1.00	0.37	(0.16)	1.21	0.71	0.08	(0.16)	0.63	0.58	0.29
Miscellaneous equipments	7.55	0.66	(0.02)	8.19	3.69	0.38	(0.01)	4.06	4.13	3.86
Total	272.54	5.75	(0.25)	278.04	67.57	5.13	(0.24)	72.46	205.58	204.97
C. INTANGIBLE ASSET :										
	2.91	0.20	—	3.11	2.11	0.36	—	2.47	0.64	0.80
Total for current year	8,961.22	88.24	(15.40)	9,034.06	5,016.71	310.23	(14.76)	5,312.18	3,721.88	3,944.51
Total for previous 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

Notes:

- Plant and machinery includes capitalisation of Rs.1799.05 (Previous year Rs.1799.05) towards net exchange variation loss in accordance with Accounting Policy No. B 6.3 of schedule U.
- Depreciation for the year includes Rs.0.08 transferred to expenditure during construction period, pending capitalisation to Fixed assets (Previous year Rs.0.01) and Rs.4.02 crores charged to prior period adjustment (Previous year Rs.4.36).
- 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.1.08 (Previous year Rs.1.07)
 - Power supply, distribution and lighting - Rs.14.54 (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, 2007	As at March 31, 2006
Schedule D		
CAPITAL WORK - IN - PROGRESS		
Construction and other work - in - progress at cost (net of provision)	429.67	53.18
Advances to contractors and suppliers for capital goods (Unsecured, considered good)	128.51	57.39
Stock of construction materials (at cost)(Including materials with contractors Rs.0.13, Previous year Rs.0.13)	144.33	53.80
Construction materials and Plant & Machinery - In - Transit (at cost)	27.54	7.12
Expenditure during construction pending allocation (Schedule D.1)	110.36	60.67
Total	840.41	232.16
Schedule D.1		
EXPENDITURE DURING CONSTRUCTION (Pending allocation)		
Opening Balance	60.67	14.67
Expenditure/Adjustments during the year :		
Technical Knowhow	1.47	8.58
Technical Consultancy	38.89	36.17
Other expenses	11.51	16.08
Startup and commissioning expenses	—	2.38
Excise Duty	—	0.13
Depreciation	0.08	0.01
	<u>51.95</u>	<u>63.35</u>
Less: Income/Adjustments during the year :		
Sale out of trial production	—	0.75
Finished goods transferred to commercial production	—	0.38
Other Income	0.07	0.07
	<u>0.07</u>	<u>1.20</u>
Net Expenditure during the year	<u>51.88</u>	<u>62.15</u>
Total Expenditure	112.55	76.82
Less: Transfer to other heads	2.10	5.53
Less: Amount allocated to Fixed assets	0.09	10.62
Balance carried forward	<u>110.36</u>	<u>60.67</u>



Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2007	As at March 31, 2006
Schedule E		
CURRENT ASSETS, LOANS & ADVANCES		
Current Assets:		
Inventories:		
(As certified by the Management)		
Raw materials (Including in transit Rs.21.47, Previous year Rs.20.92)	82.45	50.48
Stock of Finished/Intermediary Products/ Work-In-Process	246.60	235.35
Coal and fuel oil (Including In Transit Rs.5.38, Previous year Rs.0.97)	41.82	50.89
Stores, spares and others (Including in transit Rs.24.64, Previous year Rs.21.35)	247.94	241.03
Scrap and unserviceable materials awaiting disposal	<u>16.15</u>	<u>13.03</u>
	634.96	590.78
Sundry Debtors :		
(Unsecured)		
Debts over six months		
Considered good	0.40	0.14
Considered doubtful	<u>40.63</u>	<u>40.63</u>
	41.03	40.77
Less: Provision for doubtful debts	<u>40.63</u>	<u>40.63</u>
	0.40	0.14
Other debts, Considered good	<u>33.73</u>	<u>29.28</u>
	34.13	29.42
Cash and Bank Balances :		
Cash on hand including stamps	0.15	0.19
Cheques on hand	1.15	0.27
Balance with Scheduled Banks:		
In Current Accounts	0.04	2.34
In Unpaid Dividend Accounts	10.25	0.67
In Unpaid Debenture Interest Accounts	0.43	0.46
In Term Deposits *	<u>3,674.51</u>	<u>2,189.78</u>
	3,686.53	2,193.71
* Includes Rs.111.51 crores (Previous year 59.78 crores) as per direction of court against demand of Electricity Duty.		
Other Current Assets :		
Interest accrued :		
Bank deposits and others	111.78	45.83
Loans to Employees	<u>32.71</u>	<u>30.60</u>
	144.49	76.43
Accrued Export Incentives	70.06	45.30
Less: Provision for shortfall in realisation	<u>2.51</u>	<u>3.11</u>
	67.55	42.19
	212.04	118.62
Sub-total	<u>4,567.66</u>	<u>2,932.53</u>



Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2007	As at March 31, 2006
Loans and Advances :		
(Unsecured, considered good unless otherwise stated)		
Loans to employees (Secured Rs.58.21, Previous Year Rs.61.92)	60.22	65.61
Advances to Employees	6.29	5.79
Income Tax receivable	119.23	94.29
Payments made towards disputed Sales Tax, Customs and Excise demands	84.68	45.19
Advances to Suppliers and others:		
Considered good	8.89	13.38
Considered doubtful	2.21	2.89
	11.10	16.27
Less: Provision for doubtful recovery	2.21	2.89
	8.89	13.38
Prepaid Expenses	2.34	1.03
Claims Recoverable (Considered good) :		
CENVAT credit claims	66.81	31.87
VAT credit claims	5.97	3.45
DEPB claims	28.87	90.78
Other claims	6.90	4.79
	108.55	130.89
Claims Considered doubtful	8.85	7.76
	117.40	138.65
Less: Provision for doubtful recovery	8.85	7.76
	108.55	130.89
Deposits with Govt. and other agencies:		
Considered good	16.22	8.37
Considered doubtful	1.48	1.48
	17.70	9.85
Less: Provision for doubtful recovery	1.48	1.48
	16.22	8.37
Sub-total	406.42	364.55
Total	4,974.08	3,297.08



Schedules forming part of the Balance Sheet

(Rupees in crores)

	As at March 31, 2007	As at March 31, 2006
Schedule F		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities:		
Sundry creditors :		
On capital account	102.09	44.39
Others	260.74	222.97
Other liabilities *	424.64	284.96
Security deposits	74.66	55.01
Book overdraft	9.89	—
Total	<u>872.02</u>	<u>607.33</u>

*Includes advance from customers Rs.64.11 (Previous Year Rs.50.22).

Schedule G PROVISIONS

Particulars	As on 1.4.2006	Additional Provision	Amounts Used	Amounts Reversed	As on 31.3.2007
For taxation (net of advance payment of tax)	80.00	88.08	79.77	0.23	88.08
For proposed dividend	193.30	161.08	193.30	—	161.08
For tax on dividend	27.11	27.37	27.11	—	27.37
For gratuity, leave encashment and post-retirement medical benefits	32.41	37.65	—	—	70.06
Total	332.82	314.18	300.18	0.23	346.59
Total for previous year	190.14	305.72	157.97	5.07	332.82



Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2007	Year ended March 31, 2006
Schedule H		
SALES		
Export :		
Calcined Alumina	1,463.88	1,386.09
Aluminium metal	1,115.69	883.31
Rolled Products	5.83	—
Total	2,585.40	2,269.40
Domestic :		
Zeolite	14.25	15.09
Alumina Hydrate	13.26	9.65
Calcined Alumina	14.00	19.94
Special Grade Alumina and Hydrate	21.09	14.82
Aluminium Metal	3,776.88	2,863.58
Rolled Products	27.50	53.55
Electricity	62.13	41.33
Total	3,929.11	3,017.96
Total	6,514.51	5,287.36
Schedule I		
OTHER INCOME		
Operating :		
Export incentives	89.31	84.62
Exchange variation gain	1.30	8.66
	90.61	93.28
Non-Operating :		
Interest on/from : *		
Bank Deposits and others	273.72	107.76
Loans to Employees	4.27	4.58
Profit on sale of fixed assets	1.16	0.02
Sale of general scrap, bath etc. (net of excise duty) and its accretion	11.70	5.65
Receipt for rent, electricity & water charges	2.76	2.19
Miscellaneous Income	17.43	8.70
Total	311.04	128.90
Total	401.65	222.18

* Tax deducted at source from interest income from deposits with banks and financial institutions Rs.58.80 (previous year Rs.20.60).



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	11.16 (7.68)	— (—)	11.16 (7.68)	16.09 (11.16)	4.93 (3.48)
Zeolite	0.41 (0.67)	— (—)	0.41 (0.67)	0.04 (0.41)	-0.37 (- 0.26)
Alumina Hydrate	0.16 (0.42)	— (—)	0.16 (0.42)	0.09 (0.16)	-0.07 (- 0.26)
Calcined Alumina	46.98 (32.81)	— (—)	46.98 (32.81)	43.93 (46.98)	-3.05 (14.17)
Special Grade Alumina & Hydrate	1.13 (0.04)	— (0.21)	1.13 (0.25)	0.11 (1.13)	-1.02 (0.88)
Aluminium Metal	30.77 (15.48)	— (—)	30.77 (15.48)	27.29 (30.77)	-3.48 (15.29)
Rolled Products	10.20 (0.04)	— (—)	10.20 (0.04)	14.02 (10.20)	3.82 (10.16)
Intermediary products:					
Anodes	55.58 (53.00)	— (—)	55.58 (53.00)	71.03 (55.58)	15.45 (2.58)
Anode butts	2.12 (0.59)	— (—)	2.12 (0.59)	1.46 (2.12)	-0.66 (1.53)
Aluminium scraps	6.51 (4.58)	(0.83) (—)	5.68 (4.58)	0.84 (6.51)	-4.84 (1.93)
Work-in-process	70.33 (60.10)	— (—)	70.33 (60.10)	71.70 (70.33)	1.37 (10.23)
Total for current year	235.35	(0.83)	234.52	246.60	12.08
Add: Accretion to Excise Duty liability on closing stock					3.05
Net accretion to stock					15.13
Total for previous 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)

Note : Figures in brackets represent those of previous year

Schedule K

RAW MATERIALS CONSUMED

(Rupees in crores)

	Year ended March 31, 2007		Year ended March 31, 2006	
	Quantity (MT)	Value	Quantity (MT)	Value
Caustic soda	123,368	189.94	119,605	207.64
C.P.Coke	141,797	174.62	140,789	176.71
C.T.Pitch	36,455	106.70	35,700	63.38
Aluminium fluoride	8,901	47.53	8,355	36.66
Alumina	45,839	14.54	42,274	12.05
Crystal growth modifier	317	4.91	371	5.53
Others	—	19.35	—	19.08
Total		557.59		521.05



Schedules forming part of the Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2007	Year ended March 31, 2006
Schedule L		
POWER & FUEL		
Coal	405.11	458.59
Fuel oil	304.51	290.32
Duty on self generation	131.33	127.87
Power transmission charges	4.37	3.72
Purchased power	5.70	57.34
Total	<u>851.02</u>	<u>937.84</u>
Schedule M		
REPAIRS & MAINTENANCE		
Buildings	18.24	13.54
Machinery	203.53	169.31
Others	8.57	9.08
Total	<u>230.34</u>	<u>191.93</u>
Schedule N		
OTHER MANUFACTURING EXPENSES		
Royalty & Cess	46.17	37.54
Freight inwards	47.06	46.63
Consumption of stores	41.30	38.08
Water charges	2.33	2.19
Technical assistance fee & expenses	9.37	9.10
Entry Tax	6.43	6.42
Total	<u>152.66</u>	<u>139.96</u>
Schedule O		
EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, bonus & exgratia	316.14	265.52
Contribution to Provident & Pension funds	25.29	22.98
Staff welfare expenses	43.16	40.05
Provision for gratuity, leave encashment and post-retirement medical benefits	8.29	10.18
Total	<u>392.88</u>	<u>338.73</u>
Schedule P		
ADMINISTRATIVE EXPENSES		
Rent	1.57	1.53
Rates and taxes	0.96	0.98
Insurance	3.86	4.75
Repairs and Maintenance :		
Buildings	0.06	0.03
Others	1.31	1.55
Bank charges	0.86	0.74
Legal expenses	3.07	2.24
Printing, Stationery and EDP expenses	3.73	3.26
Communication expenses	3.90	4.10
Advertisement & publicity	4.57	4.90
Electricity and water charges	2.16	2.28
Travelling expenses	14.34	11.85
Hire charges for machinery and vehicles	5.58	4.83
Management development and training	5.73	5.66
Consultancy charges	1.34	1.31
Security and fire fighting expenses	25.41	23.05
Miscellaneous expenses	6.92	5.50
Total	<u>85.37</u>	<u>78.56</u>



Schedules forming part of Profit & Loss Account

(Rupees in crores)

	Year ended March 31, 2007	Year ended March 31, 2006
Schedule Q		
OTHER EXPENSES		
Research and development expenses	0.85	0.96
Plantation and horticulture	2.13	2.20
Environment and pollution control	0.93	0.78
Peripheral development expenses and provisions	16.74	16.92
Interest on disputed Govt. dues and others	43.67	32.92
Auditors' remuneration :		
Statutory audit fee	0.09	0.07
Statutory audit expenses	0.10	0.08
Tax audit and other certification fee	0.07	0.07
Cost audit fee and expenses	0.03	0.02
Donations	0.50	2.50
Demurrage	1.50	4.56
Loss on sale of assets	0.18	0.09
Stores and spares written off	3.90	7.22
Claims, receivables, debts, shortages etc written off	1.86	2.21
Total	72.55	70.60
Schedule R		
SELLING AND DISTRIBUTION EXPENSES		
Packing and forwarding	3.33	3.86
Freight outwards and handling	65.06	68.90
Commission to selling agents	0.27	0.10
Wharfage	2.07	1.84
Bank charges	1.32	1.16
Others	6.05	4.31
Total	78.10	80.17
Schedule S		
PROVISIONS		
Retired assets, CWIP and unserviceable materials	5.44	1.58
Doubtful Debts	—	0.01
Doubtful Other current assets	(0.60)	(0.24)
Doubtful advances	(0.68)	(0.43)
Doubtful claims	1.09	(0.46)
Total	5.25	0.46
Schedule T		
PRIOR PERIOD ADJUSTMENTS (NET)		
Other Income	0.11	0.23
Repairs and maintenance	(0.40)	0.08
Other manufacturing expenses	(0.04)	0.35
Employees' remuneration & benefits	—	(0.07)
Administrative and other expenses	2.34	0.16
Depreciation	4.02	4.36
Total	6.03	5.11

Note : Figures in brackets represent credits.



Schedules forming part of the Accounts

Schedule - U

SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING:

The Company prepares its accounts on accrual basis under historical cost convention and in accordance with accounting standards issued by the Institute of Chartered Accountants of India and 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 is 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.
- 1.9 Fixed assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value.

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, other internally generated scrap and bath tapped from pot shells are valued at the lower of their 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.

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 Foreign currency transactions are accounted for at the exchange rates prevailing on the date of the transactions.
- 6.2 All foreign currency assets and liabilities are stated at the rates prevailing as on the date of the Balance Sheet.
- 6.3 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.

- 6.4 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	10.93 %
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 date of Bill of Lading and document of despatch 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) scheme 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 are charged to Profit & Loss Account in the year of replacement after adjustment of estimated realisable value of the scrap arising therefrom.
- 5.2 Pot relining expenses are charged to Profit & Loss Account in the year of occurrence.
6. EMPLOYEE BENEFITS :
- 6.1 Contribution to Provident Fund, a defined contribution scheme, is provided on the basis of actual liability.
- 6.2 Liabilities towards Gratuity, Leave encashment and Post retirement medical facilities to employees, all defined benefit schemes, are provided for on the basis of actuarial valuation. Liability for Gratuity is funded through Group Gratuity Life Assurance Scheme of Life Insurance Corporation of India and payment to them is adjusted against liability. Other liabilities are not funded.

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 amount of the assets by grouping assets of entire one plant as Cash Generating Unit (CGU). Since Bauxite Mines and Power Plants are set up for captive consumption, these 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 flows expected to result from the use of the asset are less than its carrying amount, the asset is deemed to be impaired. The impairment loss is measured as the difference between the carrying amount and recoverable amount.

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, Aluminium and Electricity as the three 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 produced for captive consumption of alumina is included under chemicals.
- 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 electricity 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 - V

NOTES FORMING PART OF THE ACCOUNTS :

1. Balance Sheet:

1.1 Fixed Assets:

Land :

- a) Cost of freehold land includes land acquired through Government of Orissa, for which relevant title deeds have been executed except a few.
 - b) Cost of leasehold land includes payment to the Government of Orissa for acquisition of land on lease basis in respect of which lease deeds are yet to be executed in certain cases, though the Company has been permitted by the Government to use such land.
- 1.2 In order to compensate Substantially land Affected Persons (SAPs) at Angul Sector in lieu of employment, the Company has offered a cash assistance package ranging from Rs.2.50 lakhs to Rs.15.00 lakhs depending upon the quantum of land, based on recommendation of Rehabilitation Advisory Committee (RAC), constituted by Government of Orissa for the said purpose. Estimated compensation payable to such SAPs amounting to Rs.14.36 crores have been accounted for during the year as cost of Freehold Land.
- 1.3 On account of adjustment of advances and deposits with the corresponding liabilities relating to sales tax on works contracts of original project, Rs.0.16 crores has been reduced from cost of fixed assets and Rs.10.07 crores has been taken to other income during the current year.
- 1.4 Rolled Products Unit (RPU) at Angul, established earlier as a 100% Export Oriented Unit (EOU), was debonded w.e.f 15.05.2007 by paying additional duty of Rs.6.44 crores on capital goods as a one time option to exit from 100% EOU Scheme to EPCG Scheme and on furnishing a bond of 143.08 crores and Bank Guarantees of Rs.14.31 crores to Central Excise and Customs Authorities. Besides, a legal undertaking has been furnished with the Development Commissioner, FALTA Special Economic Zone, Kolkata for the purpose of debonding of RPU. Application for issue of EPCG licence has already been filed with the licencing authority.
- 1.5 IDCO, a Government of Orissa Undertaking, has leased 11.70 Acres of land to the Company for installation of Aluminium Wheel plant at Bhubaneswar. The Aluminium Wheel project was shelved due to economic unviability. In its place, the Company has decided to set up a R&D and Technology Development Center and has sought permission from IDCO in this regard. In view of above, no provision for write off of lease value has been considered necessary in the accounts.

1.6 Contingent Liabilities not provided for:

(Rupees in crores)

	As at 31 st March 2007	As at 31 st March 2006
a) Estimated amount of contracts to be executed on capital account (net of advances and L/Cs opened)	2,392.59	1,506.55
b) Outstanding letters of credit, guarantees and counter guarantees	463.60	32.50
c) Claims against the Company not acknowledged as debts :		
i) Sales Tax	422.71	131.13
ii) Excise Duty	61.97	66.03
iii) Customs Duty	11.33	11.33
iv) Claims of contractors, suppliers & others	74.97	57.78
v) Land acquisition and interest thereon	35.98	34.90
vi) Unrealised bank guarantees due to court injunctions	0.57	0.57
vii) Income Tax & Wealth Tax	121.08	100.40
viii) Entry Tax and Road Tax	38.55	30.70
ix) Employee State Insurance	0.32	0.32
x) Water charges	1.52	1.68
xi) Royalty on bauxite and interest on it	15.00	0.61
TOTAL	784.00	435.45

1.7 Dues payable to various Small Scale Industrial Units amounting to Rs.0.22 crores (Previous year Rs.0.47 crores) have been grouped under Current Liabilities. There are no dues to Small Scale Industrial Units outstanding for more than thirty days.

1.8 In pursuance to the direction of Hon'ble Orissa High Court against the order of Commissioner of Income Tax on house perquisites, the tax deducted at source amounting to Rs.0.36 crores for the year 2006-07, has been kept separately.

1.9 Capital work-in-progress includes Electrically Heated Transfer Fluid (EHTF) Boiler package, costing Rs.6.97 crore, continuing since June 2002, could not be commissioned as yet. A provision of Rs.4.83 crore, net of realisation of bank guarantees and other liabilities, has been made pending commissioning.

**2. Profit and Loss Account:**

- 2.1 Depreciation was charged in respect of main Plant and Machinery and related Factory Buildings and Storage go-downs etc., at the rate of 5 per cent up to 31st March, 1994, based on estimated useful life of assets being 20 years without retention of 5 per cent residual value. The useful life of these assets has been revised to 18 years to bring it at par with the life of "Continuous process plant" as envisaged in Schedule XIV of Companies Act, 1956. Such change in life of assets has been considered from 1.4.93 i.e. from the year of introduction of "Continuous process plant" in Schedule XIV of Companies Act, 1956. Depreciation rates on all such assets have been recomputed based on guidelines issued under Circular No.14/93 dated 20.12.93 by Department of Company Affairs, by allocating the unamortized value over the remaining life after retention of 5 per cent residual value except for assets already written off fully.
- 2.2 In case of Zeolite plant, a cash generating unit of the Company, impairment loss of Rs.11.00 crores, comprising of book value of plant and machinery, has been recognised, as its recoverable amount from cash flows has been assessed to be less than its carrying amount due to economic viability being under strain owing to stiff market competition from cheaper imported substitutes.
- 2.3 Pending finalisation of revision of pay scales with effect from 1.1.2007, a provision of Rs.9.58 crores has been made towards likely liability on account of such revision.
- 2.4 In respect of self-generation of power, the cost under "Power and Fuel" consists of consumption of coal and fuel oil but does not include other expenses of generation and consumption of certain other materials, which have been included under the natural heads of account.
- 3.1 Components of deferred tax assets and liabilities arising on account of timing differences are:

	(Rs. in crores)	
	Up to 31.3.2007	Up to 31.3.2006
Deferred tax liabilities:		
Depreciation on Fixed Assets	680.25	689.70
Less: Deferred tax assets:		
Taxes duties, etc.	30.15	24.47
Provision for doubtful debts, claims, etc.	38.88	22.55
Employee separation/ retirement and others	0.64	0.95
	<u>69.67</u>	<u>47.97</u>
Net deferred tax liability	<u>610.58</u>	<u>641.73</u>

3.2 a) Related parties:

Directors: S/Sri C. Venkataramana, C.R. Pradhan, K.K. Mallick, A.R. Ray, P. K Routray and B.L. Bagra.

b) Related party transactions:

Remuneration and loans to whole time directors are disclosed in Note no.1 of Additional information forming part of accounts.

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 accounting policy for foreign currency transactions from monthly average rates to rates prevailing on the date of transaction (Policy No. B.6.1), the impact in Profit & Loss Account is nil.
- b) Consequent to change in rate of depreciation on Ash Pond at Alumina Refinery (Policy No.C.1.1), depreciation charged for the year is decreased by Rs.0.45 crores with corresponding increase in Net Block.
- c) Consequent to revision of Accounting Standard (AS) 15, "Employee Benefits" from 1.4.2006 (Policy No.C.6.2), additional liability of Rs.34.73 crores has been created towards Gratuity, Leave encashment and Post retirement medical benefits by adjusting Rs.23.04 crores against opening Revenue Reserves and Rs.11.69 crores against Deferred tax liabilities. The impact on current year's profit has not been disclosed as actuarial valuation as per earlier AS has not been done.
- d) Considering "Electricity" as a separate primary business segment, (Policy No.D.1.2), necessary disclosure for Segment Reporting has been made.

5. Previous year's figures have been regrouped / rearranged wherever necessary to make them more comparable.

**Schedule - W**

Additional information forming part of accounts for the year ended March 31, 2007

	Current Year (Rs. in crores)	Previous Year (Rs. in crores)
1. a) Whole-time Directors' Remuneration:		
Salaries	0.27	0.40
Company's contribution to Provident Funds & Gratuity scheme	0.04	0.05
Leave travel concession	0.01	0.03
Medical benefits	0.02	0.04
Other benefits	0.08	0.10
Total	0.42	0.62
(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) Loans and advances due from Directors:		
Outstanding as at end of the year	0.02	0.02
Maximum amount due during the year	0.03	0.04
2. Expenditure incurred in Foreign Currency on cash basis:		
Technical assistance and consultancy	30.40	26.70
Travelling expenses	0.59	0.60
Agency commission on export sales	—	0.10
Other expenses	3.12	6.92
Total	34.11	34.32
3. Earnings in Foreign Currency on cash basis:		
Export of goods	2,575.40	2,317.47
Other Income	0.80	0.73
Total	2,576.20	2,318.20
4. Value of Imports calculated on CIF basis:		
Raw materials	130.66	86.42
Components, spare parts and construction materials	38.09	35.63
Capital goods	133.27	14.01
Total	302.02	136.06
5. Value of Raw materials, stores , spares & components consumed during the year:		
	Current Year	Previous Year
	Value	Value
a) Raw materials:		
Imported	58.21	40.88
Indigenous	499.38	480.17
Total	557.59	521.05
b) Stores, spares and components:		
Imported	77.57	60.31
Indigenous	144.68	145.11
Total	222.25	205.42



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

Products	Installed Capacity		Actual Production/Generation	
	Current year (In MT)	Previous year (In MT)	Current year (In MT)	Previous year (In MT)
Bauxite	48,00,000	48,00,000	46,23,278	48,54,253
Detergent Grade Zeolite	10,000	10,000	6,952	7,740
Alumina Hydrate	15,75,000	15,75,000	14,75,200	15,90,000
Calcined Alumina	15,75,000	15,75,000	14,63,300	15,78,000
Special Grade Alumina and hydrate	20,600	20,600	7,823	7,186
Aluminium Metal	3,45,000	3,45,000	3,58,734	3,58,954
Rolled Products	45,000	45,000	2,587	5,040
Electricity	960 MW	960 MW	5,968 MU	5,679 MU

Note: 1. Installed capacities are as per project report and licenced capacity is not given as licencing is not applicable.
2. Previous year's production includes Special Grade Alumina of 358 MT out of trial operation.

7. Stocks and Sales :

Products	Opening Stock		Sale		Closing Stock	
	Quantity In MT	Value Rs. in crores	Quantity In MT	Value Rs. in crores	Quantity In MT	Value Rs. in crores
Bauxite	5,23,828	11.16	—	—	6,59,133	16.09
	(4,38,929)	(7.68)	(—)	(—)	(5,23,828)	(11.16)
Zeolite	227	0.41	7,156	14.25	23	0.04
	(379)	(0.67)	(7,892)	(15.09)	(227)	(0.41)
Alumina Hydrate	296	0.16	5,389	13.26	154	0.09
	(906)	(0.42)	(4,328)	(9.65)	(296)	(0.16)
Calcined Alumina	76,840	46.98	7,79,104	1,477.88	68,765	43.93
	(63,274)	(32.81)	(8,71,282)	(1,406.03)	(76,840)	(46.98)
Special Grade Alumina and Hydrate	512	1.13	8,232	21.09	103	0.11
	(50)	(0.04)	(6,480)	(14.82)	(512)	(1.13)
Aluminium Metal	4,536	30.77	3,54,246	4,892.57	3,999	27.29
	(2,383)	(15.48)	(3,49,678)	(3,746.89)	(4,536)	(30.77)
Rolled products	880	10.20	2,370	33.33	1,097	14.02
	(3)	(0.04)	(4,163)	(53.55)	(880)	(10.20)
Electricity (in MU net)	—	—	421	62.13	—	—
	—	—	(322)	(41.33)	—	—

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. Previous year's sale excludes sale of Special Grade Alumina of Rs.0.75 crores (289 MT) out of trial operation.

8. Social Amenities:

(Rs. in crores)

Expenses	Township	Education	Medical	Social/Cultural	Canteen	Total
Payments to employees	4.69	—	14.13	—	1.56	20.38
Welfare expenses	—	9.56	11.13	1.77	3.17	25.63
Materials consumed	0.16	—	1.92	0.51	0.01	2.60
Repairs & maintenance	7.24	—	0.04	—	—	7.28
Power, fuel & water	4.24	—	—	—	—	4.24
Depreciation	4.94	0.14	0.18	0.16	0.05	5.47
Total	21.27	9.70	27.40	2.44	4.79	65.60
Less: Recoveries	2.77	—	0.10	—	—	2.87
Net Expenditure	18.50	9.70	27.30	2.44	4.79	62.73
For previous year	23.17	8.74	20.07	1.45	4.77	58.20

**9. Employee Benefit Obligations:**

(Rupees in crores)

	For 2006-07			For 2005-06		
	Gratuity	Leave Encashment	Post Retirement Medical Benefits	Gratuity	Leave Encashment	Post Retirement Medical Benefits
A. Amount Recognised in Balance Sheet:						
Present value of obligation at the end of the year	66.88	40.22	1.60	64.81	33.10	1.19
Fair value of Plan Asset at the end of the year	38.64	—	—	31.97	—	—
Funded Status	(28.24)	(40.22)	(1.60)	(32.84)	(33.10)	(1.19)
Unrecognised actuarial gain/loss at the end of the year	—	—	—	—	—	—
Net Liability recognised in the Balance Sheet	28.24	40.22	1.60	32.84	33.10	1.19
B. Amount Recognised in Profit & Loss Account:						
Current Service cost	6.59	7.84	0.12	4.80	5.75	0.12
Interest cost	5.44	2.79	0.10	4.32	1.96	0.07
Expected Return on Plan Asset	2.91	—	—	2.20	—	—
Actuarial gain/(loss) recognised during the year	(8.58)	4.75	0.19	(1.78)	7.41	0.07
Expenses recognised in Profit & Loss Account	0.54	15.38	0.41	5.14	15.12	0.26
C. Movement of Net Liability Recognised in Balance Sheet:						
Opening Net Liability	32.84	33.10	1.19	32.23	26.17	0.93
Expenses recognised in Profit & Loss Account	0.54	15.38	0.41	5.14	15.12	0.26
Benefits paid	—	8.26	—	—	8.19	—
Contributions	5.14	—	—	4.53	—	—
Closing Net Liability	28.24	40.22	1.60	32.84	33.10	1.19
D. Actuarial Assumptions:						
Discount Rate	8.50	8.50	8.50	7.50	7.50	7.50
Return on Plan Asset	9.10	8.00	8.00	8.50	8.00	8.00
Salary Escalation	6.00	6.00	6.00	3.50	5.00	5.00

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

Registration No.	1500920
State Code	15
Balance Sheet Date	31st March 2007

(Rupees in crores)

	Current Year	Previous Year
ii) Capital raised during the year:	Nil	Nil
iii) Position of mobilisation and deployment of Funds:		
Total Liabilities	8,307.96	6,534.40
Total Assets	8,307.96	6,534.40
Sources of Funds:		
Paid-up Capital	644.31	644.31
Reserves & Surplus	7,050.91	5,248.36
Secured Loans	Nil	Nil
Unsecured Loans	Nil	Nil
Deferred tax liabilities	612.74	641.73
Application of Funds:		
Net Fixed Assets	4,552.49	4,177.47
Investments	Nil	Nil
Net Current Assets	3,755.47	2,356.93
Misc. Expenditure	Nil	Nil
Accumulated losses	Nil	Nil
iv) Performance of the Company:		
Gross Turnover	6,514.51	5,287.36
Total Expenditure	2,733.79	2,687.75
Profit/Loss before Tax	3,620.40	2,429.64
Profit/Loss after Tax	2,381.38	1,562.20
Earning per Share (In Rupees)	36.96	24.25
Dividend rate (%)	75.00	50.00

v) Generic Name of Principal products/services:

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



11. Segmentwise Information

(Rs. in crores)

	Chemicals		Aluminium		Electricity		Unallocated Corporate		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
BUSINESS SEGMENTS										
A. Revenue										
External sales	1,517.59	1,437.20	4,360.47	3,373.37	62.13	41.33	—	—	5,940.19	4,851.90
Inter-segment transfers	1,263.12	1,102.22	—	—	820.03	702.90	—	—	2,083.15	1,805.12
Total Revenue	2,780.71	2,539.42	4,360.47	3,373.37	882.16	744.23	—	—	8,023.34	6,657.02
Less: Elimination									(2,083.15)	(1,805.12)
Net Revenue									5,940.19	4,851.90
B. Result										
Segment result	1,830.40	1,575.41	1,259.88	647.93	321.81	112.77	(69.68)	(53.60)	3,342.41	2,282.51
Interest expense									—	—
Interest income									277.99	112.34
Income taxes									1,239.02	867.44
Profit from ordinary activities									2,381.38	1,527.41
Extraordinary income									—	34.79
Net Profit									2,381.38	1,562.20
C. Other Information										
Segment assets	1,890.84	1,749.44	2,518.50	2,326.07	1,269.95	1,088.74	3,847.28	2,310.30	9,526.57	7,474.55
Segment liabilities	217.03	160.93	287.19	244.51	380.22	220.78	334.17	313.93	1,218.61	940.15
Capital expenditure	221.59	90.26	198.62	92.43	188.58	43.26	5.88	0.51	614.67	226.46
Depreciation	112.36	130.65	129.80	156.29	73.54	93.22	1.43	1.44	317.13	381.60
Non-cash expenses (other than depreciation)	3.21	2.08	15.14	9.03	4.02	3.16	1.04	0.38	23.41	14.65

GEOGRAPHIC SEGMENTS

	India		Outside India		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A. Revenue						
External sales	3,354.79	2,582.50	2,585.40	2,269.40	5,940.19	4,851.90
B. Other Information						
Segment assets	9,510.56	7,462.69	16.01	11.86	9,526.57	7,474.55
Capital expenditure	614.67	226.46	—	—	614.67	226.46

In terms of our report of even date attached.

For and on behalf of
SRB & Associates
Chartered Accountants

For and on behalf of Board of Directors

R. S. Sahoo
Partner

Bhubaneswar
26th June, 2007

K. N. Ravindra
Company Secretary

B. L. Bagra
Director (Finance)

C.R. Pradhan
Chairman-cum-
Managing Director (I/c.)

**12. Cash Flow Statement :**

(Rupees in crores)

	Year ended March 31, 2007	Year ended March 31, 2006
A. Cash flow from Operating Activities :		
Net Profit before tax and Extraordinary Income	3,620.40	2,394.85
Adjustments for :		
Depreciation	321.15	381.60
Provisions (Net)	8.18	5.78
Claims/Recoverables written off	1.38	1.66
Stores and spares written off	3.90	7.21
Loss/(Profit) on sale of assets (net)	(0.98)	0.07
	<u>333.63</u>	<u>396.32</u>
Operating Profit before working capital changes	3,954.03	2,791.17
Adjustments for :		
Inventories	(49.09)	(71.31)
Trade & other receivables	(116.24)	22.12
Trade payables	<u>206.98</u>	<u>11.41</u>
	<u>41.65</u>	<u>(37.78)</u>
Cash generated from Operations	3,995.68	2,753.39
Direct taxes paid	(1,273.18)	(822.76)
Cash flow before Extraordinary Items	<u>2,722.50</u>	<u>1,930.63</u>
Extraordinary Items	—	<u>34.79</u>
Net cash from operating activities	2,722.50	1,965.42
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(642.92)	(233.16)
Sale/write off of Fixed Assets	<u>0.98</u>	<u>0.11</u>
Net cash used in investing activities	(641.94)	(233.05)
C. Cash Flow from Financing Activities:		
Dividends including dividend taxpaid	(587.74)	(293.87)
D. Net changes in Cash & Cash equivalents (A+B+C)	1,492.82	1,438.50
E. Cash & Cash equivalents - Opening balance	2,193.71	755.21
F. Cash & Cash equivalents - Closing balance	3,686.53	2,193.71

Note:

- a) Balances with bank includes Rs.111.51 crores (Previous year Rs.59.78 crores) not available for use by the Company.
b) Against working capital borrowing facility of Rs. 300 crores (Previous year Rs.600 crores), sanctioned by bankers, the Company has not availed any loan during the year. The loan balance at the end of the year is Nil.
c) 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

R. S. Sahoo
Partner

Bhubaneswar
26th June, 2007

K. N. Ravindra
Company Secretary

B. L. Bagra
Director (Finance)

C.R. Pradhan
Chairman-cum-
Managing Director (I/c.)



5 years performance at a glance - Physical

Sl. No.	Particulars	Unit	2006-07	2005-06	2004-05	2003-04	2002-03
1.	Production :						
	Bauxite	MT	46,23,278	48,54,253	48,51,726	48,16,762	47,77,003
	Alumina Hydrate	MT	14,75,200	15,90,000	15,75,500	15,56,100	14,96,600
	Aluminium	MT	3,58,734	3,58,954	3,38,483	2,98,207	2,44,708
	Power (net)	Million Unit	5,968	5,679	5,613	5,122	4,291
2.	Export Sales :						
	Alumina	MT	7,73,573	8,62,616	9,09,081	9,34,874	10,37,287
	Aluminium	MT	92,678	95,747	132,730	1,29,718	1,07,302
3.	Domestic Sales :						
	Alumina / Hydrate	MT	10,920	12,994	21,177	17,784	11,190
	Aluminium	MT	2,61,636	2,58,094	2,05,797	1,66,650	1,35,193
	Power	Million Unit	421	322	406	498	411

5 years performance at a glance - Financial

(Rs. in crore)

Sl. No.	Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
A.	Income Statement :					
1.	Export Sales	2,586	2,306	2,200	1,717	1,501
2.	Domestic Sales	3,929	3,018	2,220	1,632	1,239
3.	Gross Sales (1+2)	6,515	5,324	4,420	3,349	2,740
4.	Less : Excise Duty	575	435	316	225	176
5.	Net Sales (3 - 4)	5,940	4,889	4,104	3,124	2,564
6.	Other Income :					
7.	Operating	103	101	174	131	187
8.	Non-operating	311	132	77	70	44
9.	Operating expenses	2,412	2,311	1,965	1,741	1,578
10.	Operating Profit (5+7-9)	3,631	2,679	2,313	1,514	1,173
11.	Earning before interest, dep. & taxes (EBIDT)(10+8)	3,942	2,811	2,390	1,584	1,217
12.	Interest & Financing charges	0	0	61	85	105
13.	Earning before depreciation & taxes (EBDT) (11-12)	3,942	2,811	2,329	1,499	1,112
14.	Depreciation and Amortisation	322	381	459	446	361
15.	Profit Before Tax (PBT) (13-14)	3,620	2,430	1,870	1,053	751
16.	Provision for Tax	1,239	868	635	316	230
17.	Net Profit (PAT) (15 - 16)	2,381	1,562	1,235	737	521
B.	Balance Sheet :					
18.	Equity Capital	644	644	644	644	644
19.	Reserves & Surplus	7,051	5,249	4,054	3,113	2,666
20.	Networth (18+19)	7,695	5,893	4,698	3,757	3,310
21.	Loans Outstanding	0	0	0	654	1,324
22.	Net Fixed Assets	3,711	3,944	4,139	3,904	3,713
23.	Net Current Assets	3,755	2,357	1,005	126	(5)
24.	Capital Employed (22+23)	7,466	6,301	5,144	4,030	3,708
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	61.12	54.81	56.36	48.46	45.75
26.	Net Profit Margin (%) (17 / 5 *100)	40.09	31.96	30.09	23.60	20.31
27.	Return on Capital Employed (ROCE) (%) (17 / 24 * 100)	31.89	24.79	24.01	18.30	14.05
28.	Return on Networth (RONW) (%) (17/20*100)	30.95	26.51	26.29	19.63	15.74
29.	Debt Equity (21/ 20)	0.00	0.00	0.00	17.00	40.00
D.	Others :					
30.	Book value per share of Rs.10 each (in Rs.)	119.43	91.46	72.91	58.31	51.37
31.	Earnings per share (in Rs.)	36.96	24.25	19.17	11.44	8.08
32.	Dividend declared (%)	75	50	40	40	60

Reconciliation of Published Quarterly (Unaudited) Financial Results and Annual (Audited) Financial Results for the Year 2006-07

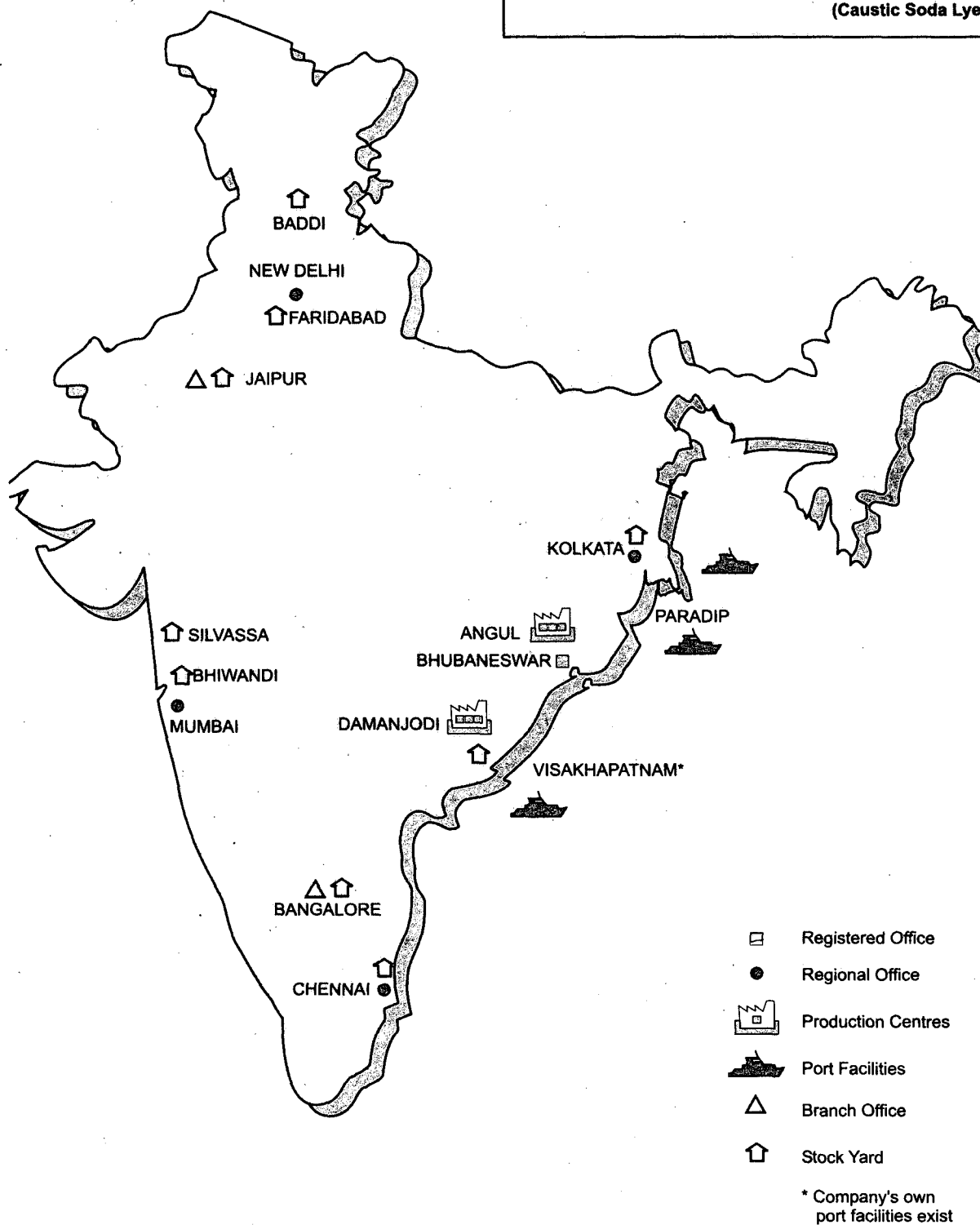
(Rs. in crore)

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	1,620.82	1,582.65	1,588.07	1,725.24	6,516.78	6,514.51	(2.27)
	Less : Excise Duty	135.30	141.03	139.50	158.49	574.32	574.32	0.00
	Net Sales	1,485.52	1,441.62	1,448.57	1,566.75	5,942.46	5,940.19	(2.27)
2.	Other Income	83.39	101.43	97.83	119.88	402.53	413.89	11.36
3.	Total Expenditure	551.17	566.52	603.65	686.94	2,408.28	2,412.53	4.25
4.	Interest and Financing charges	0	0	0	0	0	0	0
5.	Depreciation	78.68	77.12	74.40	81.85	312.05	321.15	9.10
6.	Profit Before Tax (PBT)	939.06	899.41	868.35	917.84	3,624.66	3,620.40	(4.26)
7.	Provision for Tax	316.76	304.41	295.75	327.04	1,243.96	1,239.02	(4.94)
8.	Net Profit (PAT)	622.30	595.00	572.60	590.80	2,380.70	2,381.38	0.68
9.	Paid up Equity Share Capital	644.31	644.31	644.31	644.31	644.31	644.31	—
10.	Earnings per share (Rs.)	9.66	9.23	8.89	9.17	36.95	36.96	—
	(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	—



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)	





OFFICES AND CUSTOMER CONTACT CENTRES

REGD. & CORPORATE OFFICE

NALCO Bhawan
Plot No. - P/1, Nayapalli
Bhubaneswar - 751 013 (Orissa)
Tel : 0674-2301988-99
Fax : 0674-2300470/580/677
Website: www.nalcoindia.com

UNITS

1. Mines & Refinery

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

2. Captive Power Plant

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

3. Smelter Plant

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

PORT FACILITIES

Visakhapatnam

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

Paradip (Port Office)

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

REGIONAL OFFICES

1. Eastern Region

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

2. Western Region

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

3. Northern Region

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

4. Southern Region

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

BRANCH 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
Unit-1, Shed Type-G, APMC YARD
Yeswanthapur, Bangalore - 560 022
Phone : 080-23579985/23379422

4. Jaipur

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

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 : 0260-2641436/6547190

6. Faridabad

National Aluminium Company Limited
C/o. NSIC Limited
India Garage Equipment,
Plot No. 51, Sec-6
Faridabad, Haryana - 121 006
Phone : 0129-4102430

7. Visakhapatnam

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

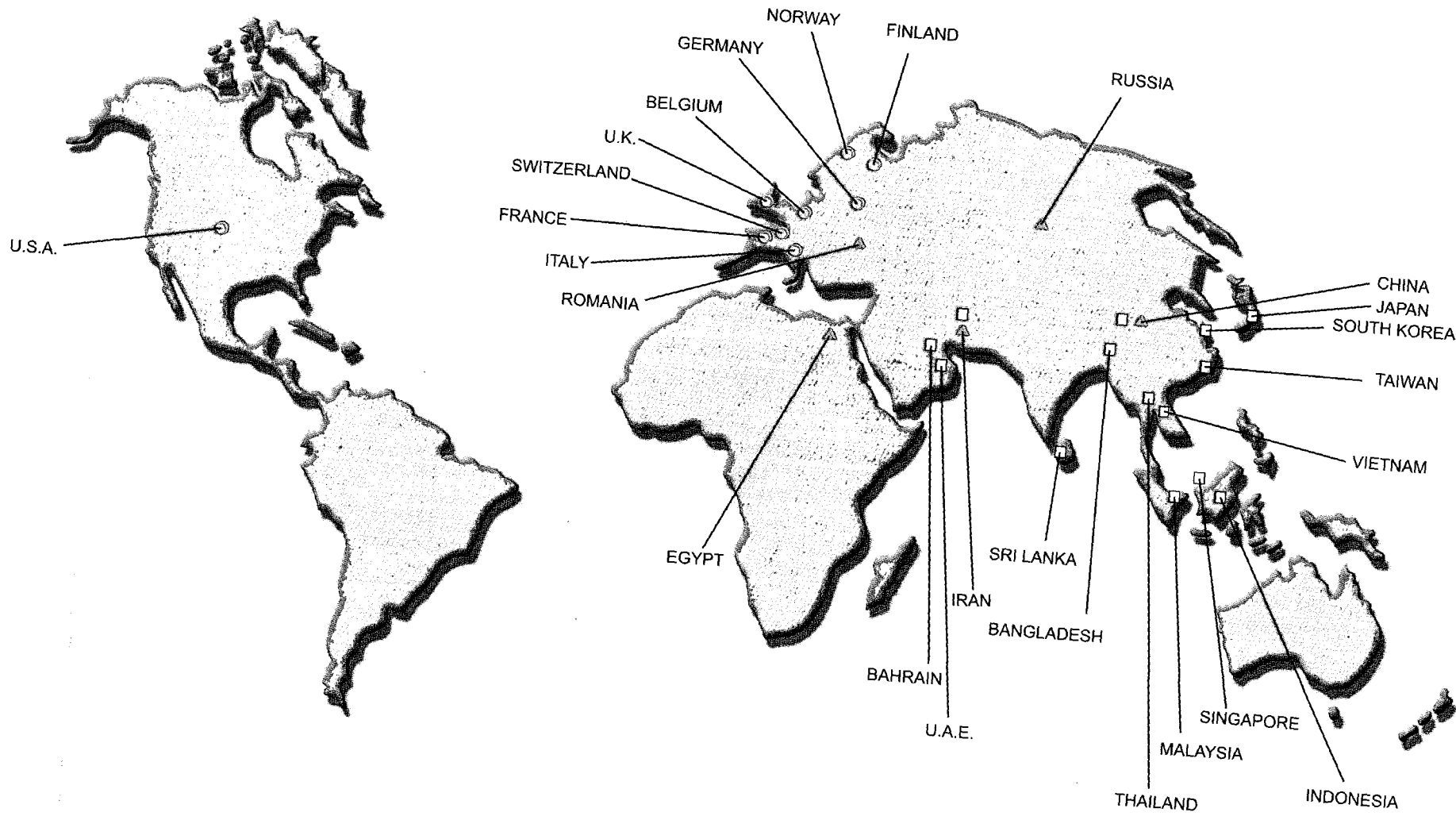
8. Baddi

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 : 01795-5652114/5657114

9. Chennai

National Aluminium Company Limited
NSIC Limited, R.M. Depot.
NSIC Technical Service Centre
Phase-I, B-24, Guindy Indl. Estate
Chennai - 600 032
Phone : 044-22252338

GLOBAL REACH



○ Technology associates

□ Aluminium export

▲ Alumina export

