

National Aluminium Company Limited

BOARD OF DIRECTORS

Shri C. Venkataramana
Shri S. K. Banerjee - (upto 31.08.2004)
Shri G. Upadhyaya
Shri Harbhajan Singh - w.e.f. 30.08.2004
Shri Prashant Mehta
Shri G. P. Gupta
Shri B. N. Jha
Shri S. C. Chhatwal

EXECUTIVE DIRECTORS

Shri S. K. Misra
Shri N.K. Jain
Shri K. K. Mallick
Shri C.R. Pradhan
Shri B.S. Singh Deo
Shri A. Ray

COMPANY SECRETARY

Shri K.N. Ravindra

BANKERS

State Bank of India

REGISTERED & CORPORATE OFFICE

NALCO BHAWAN
Plot No. - P/1, Nayapalli
Bhubaneswar - 750 013 (Orissa)
Tel: 2301988-99
Fax: 0674-2300470/2300580/2300677/2300740
Website: www.nalcoindia.com

STATUTORY AUDITORS

SRB & Associates
Chartered Accountants
5th Floor, IDCO Tower
Janpath, Bhubaneswar - 751 022

SECRETARIAL AUDITOR

K K A & Associates
401, 4th Floor
Janpath Towers
Ashok Nagar
Bhubaneswar - 751 009

COST AUDITORS

Niran & Company
Cost Accountants
440, Saheed Nagar
1st Floor
Bhubaneswar - 751 007

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**(23rd Annual General Meeting - Tuesday, the 28th September, 2004 at 11.00 A.M.
at NALCO BHAWAN, Plot No. P/1, Nayapalli, Bhubaneswar - 751 013)**

The Year at a Glance - 2003-04

PHYSICAL

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

FINANCIAL

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

* Inclusive of sale out of trial operation from expansion.



Port Facilities at Visakhapatnam



C. Venkataramana



Prashant Mehta



G.P. Gupta

BOARD OF DIRECTORS



G. Upadhyaya



Harbhajan Singh



B.N. Jha



S.C. Chhatwal



K.N. Ravindra
Company Secretary



960 MW Captive Power Plant after expansion, with 8th Unit Control Room (inset)

EXECUTIVE DIRECTORS



S.K. Misra



N.K. Jain



K.K. Mallick



C.R. Pradhan



B.S. Singh Deo



A. Ray

5 years performance at a glance - Physical

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

5 years performance at a glance - Financial

(Rs. in crore)

Sl. No.	Particulars	2003-04	2002-03	2001-02	2000-01	1999-00
A.	Income Statement :					
1.	Exports	1,717.27	1,500.65	1,205.32	1,314.20	1,031.64
2.	Domestic Sales	1,621.60	1,239.02	1,180.10	1,094.40	1,110.68
3.	Gross Sales (1+2)	3,338.87	2,739.67	2,385.42	2,408.60	2,142.32
4.	Less : Excise Duty	224.50	175.37	160.64	147.13	155.00
5.	Net Sales (3-4)	3,114.37	2,564.30	2,224.78	2,261.47	1,987.32
6.	Other Income :					
7.	Operating	131.16	186.55	129.39	130.56	96.91
8.	Non-operating	69.61	44.05	21.83	29.42	31.28
9.	Operating expenses	1,712.70	1,577.66	1,420.42	1,185.45	1,088.08
10.	Operating Profit (5+7-9)	1,532.83	1,173.19	933.75	1,206.58	996.15
11.	Earning before interest, dep. & taxes (EBIDT) (10+8)	1,602.44	1,217.24	955.58	1,236.00	1,027.43
12.	Interest & Financing charges	103.41	105.66	116.90	97.61	63.43
13.	Earning before dep. & taxes (EBDT) (11-12)	1,499.03	1,111.58	838.68	1,138.39	964.00
14.	Depreciation and Amortisation	446.27	360.15	313.07	295.02	283.00
15.	Profit before Tax (PBT) (13-14)	1,052.76	751.43	525.61	843.37	681.00
16.	Provision for Tax	315.39	230.51	116.26	187.54	169.47
17.	Net Profit (PAT) (15-16)	737.37	520.92	409.35	655.83	511.53
B.	Balance Sheet :					
18.	Equity Capital	644.31	644.31	644.31	644.31	644.31
19.	Reserves & Surplus	3,112.36	2,665.73	2,580.93	2,928.06	2,556.19
20.	Networth (18+19)	3,756.67	3,310.04	3,225.24	3,572.37	3,200.50
21.	Loans Outstanding	654.39	1,324.44	1,563.45	801.53	663.54
22.	Net Fixed Assets	3,903.48	3,712.95	2,889.62	2,140.06	2,251.99
23.	Net Current Assets	126.23	(5.10)	419.25	199.04	517.99
24.	Capital Employed (22+23)	4,029.71	3,707.85	3,308.87	2,339.10	2,769.98
C.	Ratios :					
25.	Operating Profit Margin (OPM) (%) (10/5*100)	49.22	45.75	41.97	53.35	50.13
26.	Net Profit Margin (%) (17/5*100)	23.68	20.31	18.40	29.00	25.74
27.	Return on Capital Employed (ROCE) (%) (17/24*100)	18.30	14.05	12.37	28.04	18.47
28.	Return on Networth (RONW) (%) (17/20*100)	19.63	15.74	12.69	18.36	15.98
29.	Debt Equity (21/20)	17.00	40.00	48.48	22.44	20.73
D.	Others :					
30.	Book value per share of Rs.10/- each (in Rs.)	58.31	51.37	50.06	55.44	49.67
31.	Earnings per share (in Rs.)	11.44	8.08	6.35	10.18	7.94
32.	Dividend declared (%)	40.00	60.00	40.00	40.00	20.00

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

(Rs. in crore)

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



New Casting Facilities at Smelter



Directors' Report

To

The Members,

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

Performance Highlights

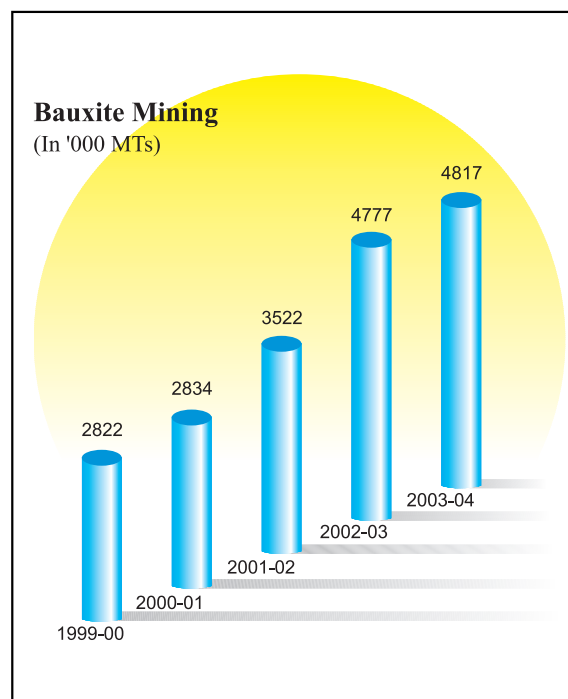
You will be pleased to know that your Company has posted excellent performance records encompassing all spectrums.

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

Mines

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

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



Biju Patnaik Park developed by NALCO at Bhubaneswar

Inauguration by Shri Naveen Patnaik, CM, Orissa

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

Alumina Refinery

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

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

Smelter Plant

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

The Metal purity & pot productivity during the year has also increased to 99.74% and 1.375 MT/pot/day respectively from 99.72% and 1.367 MT/Pot/day achieved last year. Zero Discharge of industrial effluents was achieved in the year.

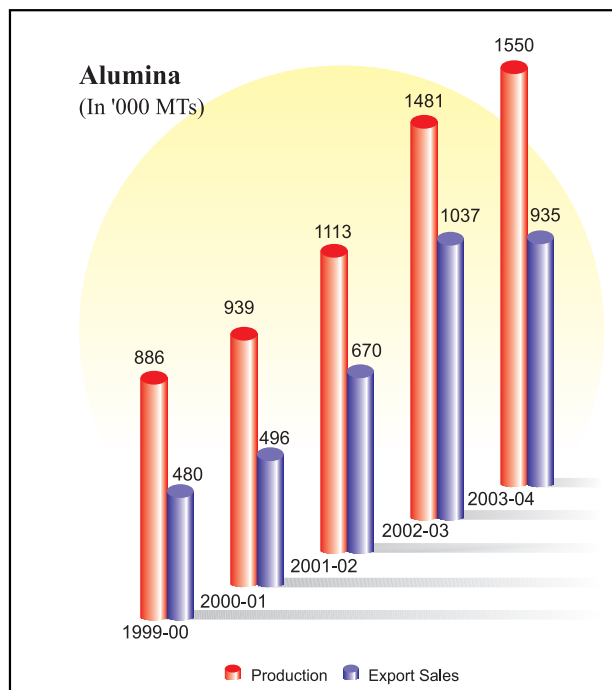
Captive Power Plant (CPP)

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

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

Port Facilities

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



Marketing

Alumina & Chemicals

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

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



New Compressor Unit at Smelter



Rodding Shop, Smelter

Aluminium

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

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

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

Finance

You will be pleased to know that because of increased production and sales performance on all fronts, the net

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

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

Re-payments of loan

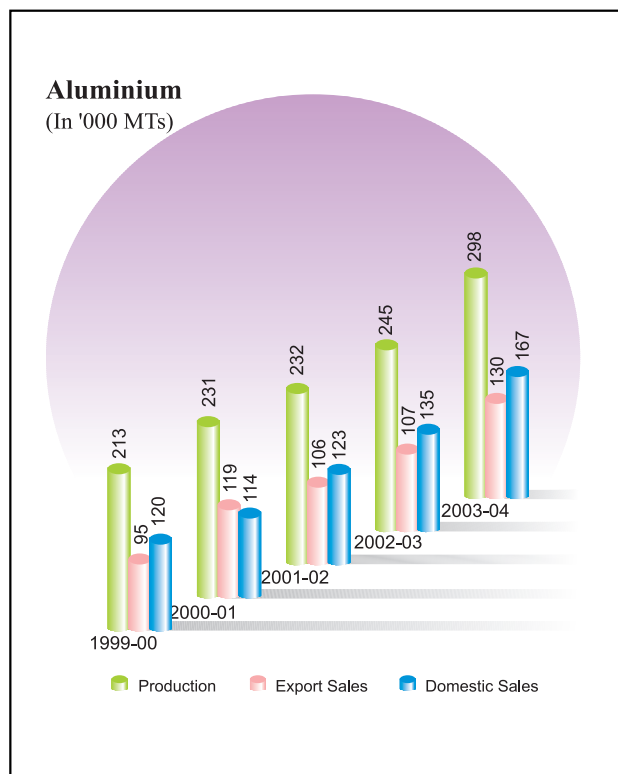
Out of Rs.428.33 crore 14.5% Non-convertible Redeemable Secured Debentures outstanding as on 31.03.2003, an amount of Rs.213.94 crore was redeemed by your Company during the year. The entire short term borrowing of Rs.456.11 crore outstanding as on 31.03.2003 was repaid during the year. The outstanding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

Dividend and appropriations

Keeping in view the funds requirement for expansion projects, your Directors are pleased to recommend a dividend rate of 40% for 2003-04 amounting to Rs.257.72 crore. In addition, Rs.33.02 crore is payable by the Company towards dividend tax on proposed dividend. Thus, dividend and dividend tax constitutes 39.43% of Profit After Tax. It is proposed to transfer Rs.106.97 crore from Debenture Redemption Reserve to Profit and Loss Account. It is also proposed to transfer Rs.550 crore to General Reserve Account from Profit and Loss Account.

Risk Management

As a part of strategic business policy, your Company gives due importance to the process of risk



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

Human Resources

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

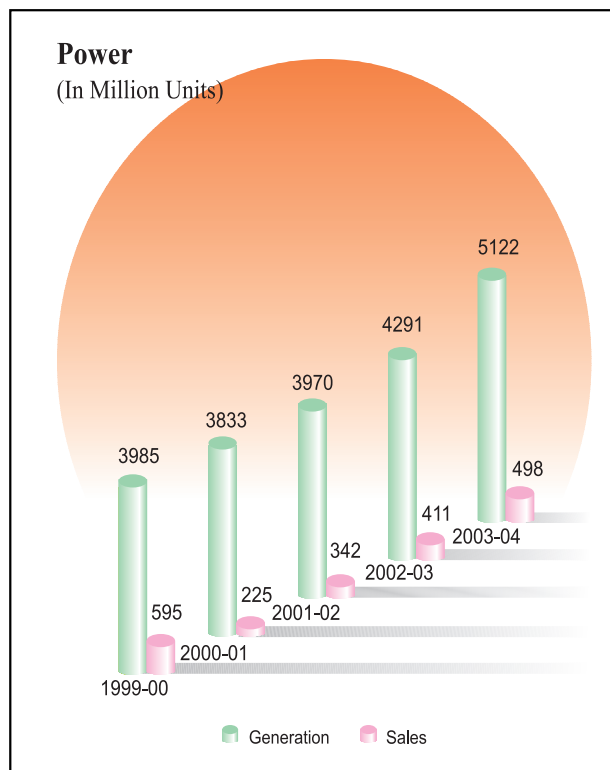
	As on 31.03.2004	As on 31.03.2003
Executives	1,702	1,607
Supervisors	814	798
Skilled/Highly skilled	3,064	3,111
Unskilled/Semiskilled	1,122	1,138
Total	6,702	6,654



CAPEXIL Export Award for 16th time in succession

Training and Development

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



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

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

Emerging out of various thrust areas identified for training, some specialized training programmes were conducted



State Export Award

on Strategy for Corporate Excellence, HIV – AIDS: Prevention and Control, Developing Personal Competency Model, Internal Faculty Development Programme, Mentoring and Coaching for building Employee Relationship Accounting Standards and Finance for Non-Finance executives.

Presidential Directives

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

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

Industrial Relations

The urge for achievement of targets and enhancement of image of the Company has become the core thrust of individual employees in general and Unions in particular. The collaborative approach in industrial relations front has kept the performance level of the Company high irrespective of the constraints on availability of required manpower and inter-union rivalry in a multi-union scenario. There has been structured and continuous interaction with the recognized Unions on the matter of production, productivity, discipline, work culture besides on resolution of various demands and employee related issue both at

Unit, Corporate and also at the Chief Executive level. The revision of the canteen subsidy reimbursement was done at bi-partite level at all the units of the Company and later registered with the statutory authority for a legal sanction.

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

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

Visit by Parliamentary Committees

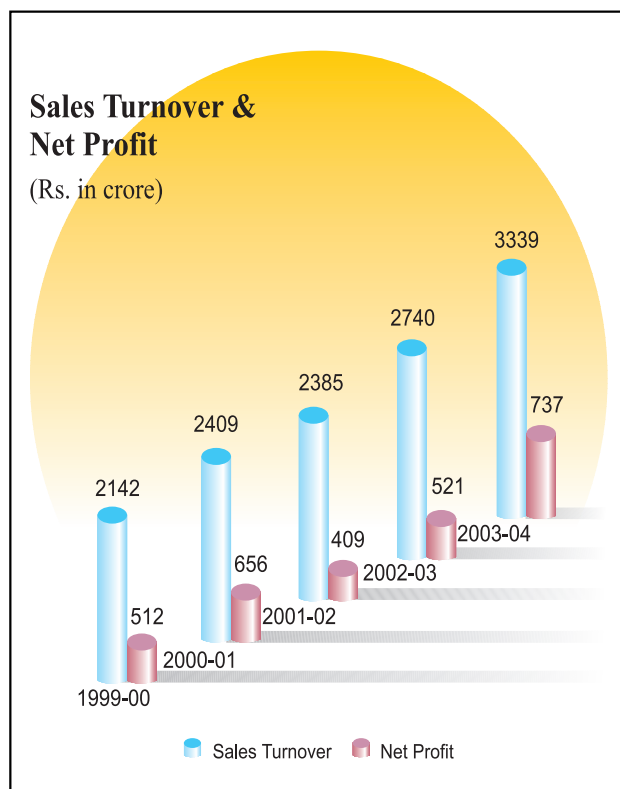
Parliamentary Sub-Committee for Scheduled Castes and Scheduled Tribes, New Delhi, led by Shri Dillip Singh Bhuria, Chairman, visited on April 24-25.

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

Social Sector/Peripheral Development Activities

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

During the year, your Company completed





Prof. Yash Pal at NALCO Foundation Lecture-III

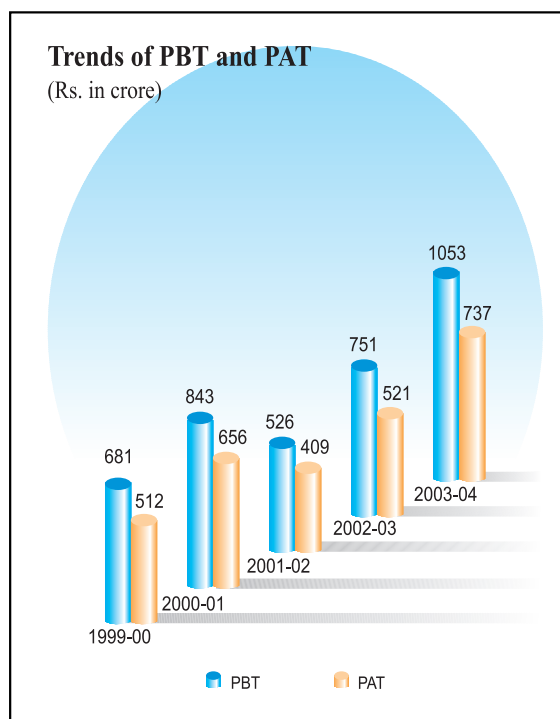
construction of 53 primary school buildings in super cyclone area in Orissa under Prime Minister's Relief Programme.

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

Awards & Recognitions

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

1. The prestigious Niryat Shree Award for Excellence in Export for the years 2000-01 and 2001-02, instituted by the Federation of Indian Export Organisations (FIEO).



2. The highest export award of CAPEXIL for the year 2002-03 for the record 16th time in succession.
3. The prestigious Quality Award of Indian Institute of Metals (IIM) for the year 2003.
4. The EEPC (Eastern Region) Export Award for the 4th time in succession.
5. The Excellent Performance Award in the National Convention of Quality Circles-2003, held in December 4-7, 2003 at Madurai.

Expansion & Diversification

Expansion of Smelter and Power Complex

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



NALCO contributing Rs. 50 lakh for Afro-Asian Games

Financial Status of S&P Expansion Project

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

2nd Phase Expansion of Integrated Aluminium Complex

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

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

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

Rolled Products Unit

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

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

Business Development

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

MOU Performance

Your Company's performance based on actual performance has been provisionally rated "Excellent" in the evaluation of the Memorandum of Understanding (MOU) signed with Government of India for the year 2003-04. MOU for 2004-05 with a target of 101% capacity utilization in Smelter and 100% capacity utilization in Alumina Refinery has been signed.

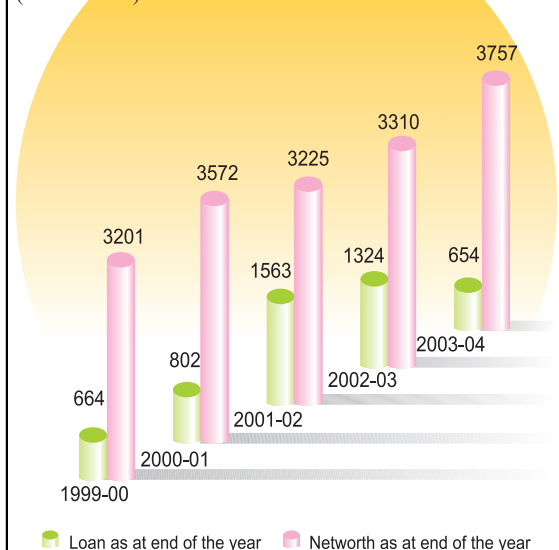
Corporate Planning

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

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

Total Loan Vs. Networth

(Rs. in crore)



Computerisation Activities

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

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

Quality Management

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

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

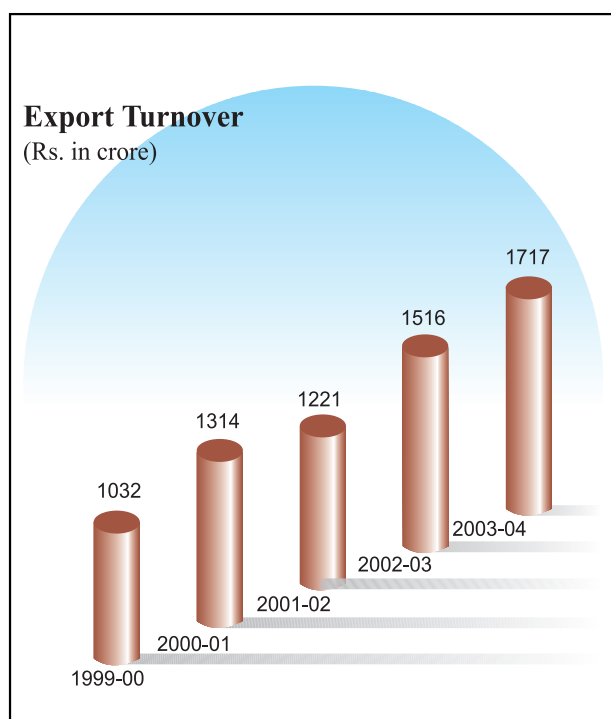
Training and development in the field of Total Quality was continued during the year. While the main thrust was on Training programmes on TPM, programmes focussing on Facilitation Skills, Quality System Auditing, Daily Routine Activity Management etc. were also conducted during the year.

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

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

Highlights of Safety, Health & Environment Management

During the year under review, the performance of the Company with respect to Pollution Control, Safety, Health & Environment Management, Forest & Plantation activities has been satisfactory. Apart from normal activities, the Company adopted new process technology in Pot line-III which has reduced Aluminium Fluoride consumption by 40% as compared to old Pot lines. The dry fly ash collection system for Captive Power Plant & Refinery has been commissioned and 1,00,979 tonnes of fly ash has been utilized in different activities. The Company is in process of implementing OHSAS-18001 (Occupational Health & Safety Assessment Series)



for all its units. The EIA/EMP study for abandoned coal mine of MCL has been completed to proceed for other activities in order to fill ash in the voids of coal mines. Application for lease over Gandhamardan Bauxite Mine has been submitted to State Government Authorities.

Ancillary Development

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



His Excellency Shri M.M. Rajendran, Governor of Orissa, watching NALCO Tableau

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

Rajbhasha

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

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

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

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

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

Vigilance

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

Sports

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

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

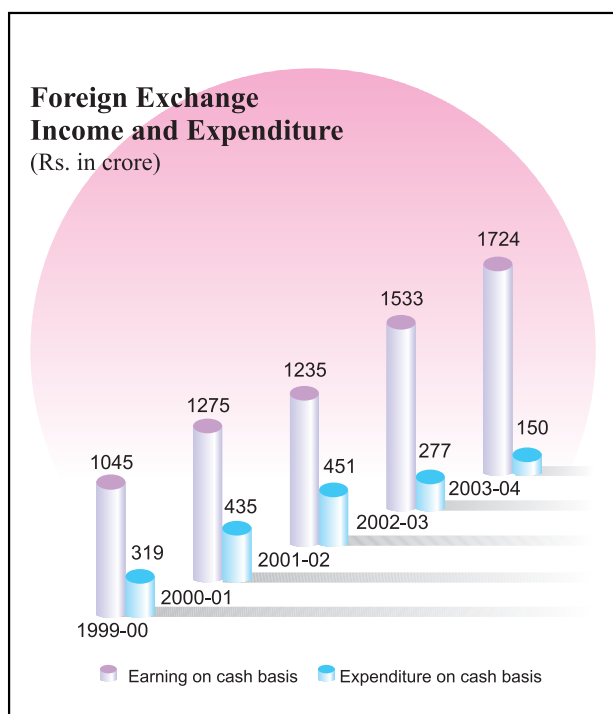
Shri S.P. Das, Sr. Accountant, represented Orissa in the All India Rajiv Gandhi Memorial Badminton Tournament for the Physically Challenged and bagged gold in men's doubles (in below knee category). Subsequently, he also represented India in the 4th Israel Open Badminton Championship for the Disabled,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

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

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

Particulars of Employees

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





The ash ponds of NALCO, spread over an area of 800 acres, are virtual reservoirs of water, evolving aquatic life and attracting thousands of birds.

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

Information in accordance with provisions of Section 217(1)(e) of the Companies Act, 1956, regarding

Conservation of Energy, Research & Development and Technology Absorption is placed at Annexure-I to this report.

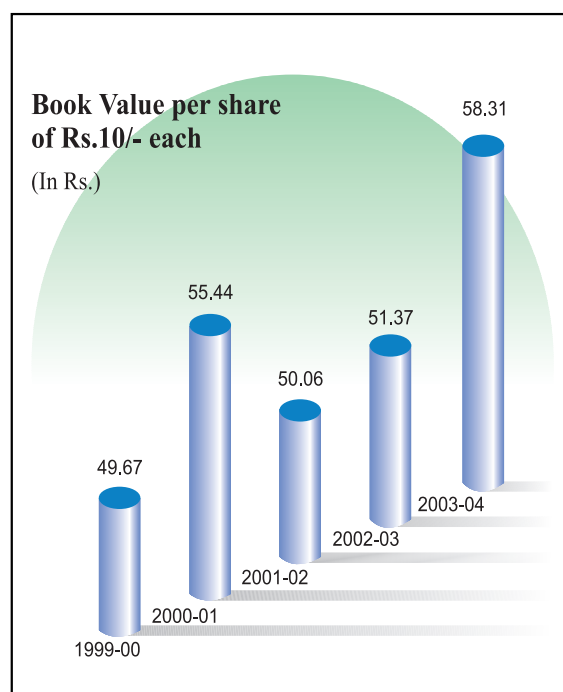
Status of listing in Stock Exchanges

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

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

Delisting of Securities

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



reports/documents etc. required to be sent as per Listing Agreement to these two Stock Exchanges w.e.f. 01.04.2004.

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

Foreign Exchange Earnings and outgo (on Cash Basis)

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

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

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

Your Directors confirm ;

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

Corporate Governance

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

Management Discussion & Analysis Report

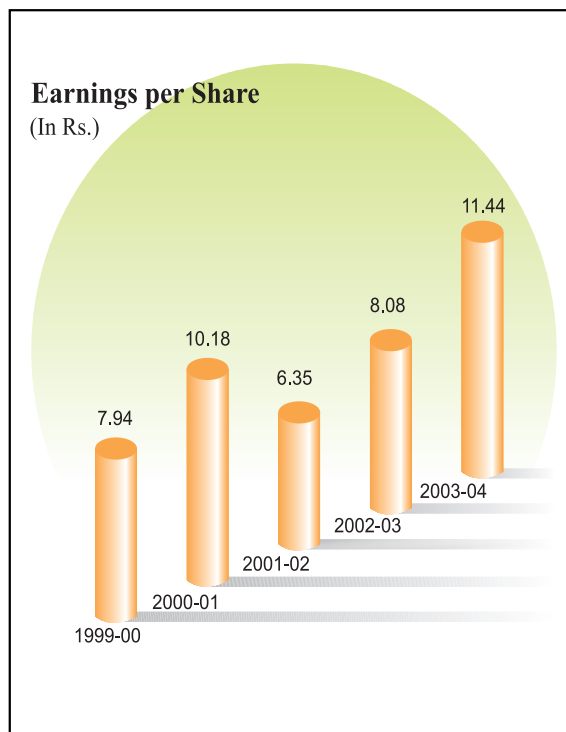
Management Discussion & Analysis Report is placed at Annexure-IV to this report.

C&AG Comments

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

Deposits

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



Auditors

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

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

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

Directors

Changes in the composition of the Board were as follows:

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

- Shri Vyas Ji, Director, Ministry of Mines was appointed as part time official Director with effect from 02.12.2003 and ceased to be a Director with effect from 26.12.2003.
- Shri S.C.Chhatwal was appointed as Director (Finance) of your Company with effect from 10.03.2004.
- Shri P Mohapatra, ceased to be a Director with effect from 09.06.2004.

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

Acknowledgement


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

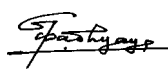
Your Directors also convey their gratitude to the customers, bankers, auditors, solicitors, business associates and shareholders for their co-operation and assistance extended to your Company, during the year. Your Directors wish to place on record their appreciation for the untiring efforts and contributions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

For and on behalf of the Board of Directors

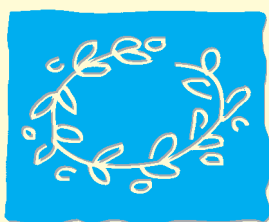
Place : Bhubaneswar

Date : 26.08.2004


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


(G.Upadhyaya)
Director (P&A)

Paving the WAY to



ATHENS 2004



*I*ndian Olympic Association selected a 75-member Indian contingent for the Athens Olympics-2004. To train these sportspersons to compete at the highest level of games, meeting the international qualifying standards, was a tremendous task requiring enormous amount of time, energy and money. For this, all possible resources were mobilized.

As a responsible corporate citizen, NALCO did its bit by contributing Rs. 1 crore to Sports Authority of India.



S.P. Das of NALCO led the Indian Team in Asian Paralympic Badminton Cup