

## ANNUAL REPORT 2008 - 2009

Dear Shareholder,

As I look at the numbers in the current maelstrom, whilst our revenues and profits have been impacted across businesses, in relative terms, measured against the competition, we have stood our ground. The litmus test we apply is: if a down-turn of this magnitude were to persist for some time, would we be the last man standing, which means, will we be the industry player least likely to be affected?

Without doubt, we are facing our toughest challenge, but we will, all the same, be the 'last man standing' once the dust settles down, as the statistics for our various businesses bear out.

We believe that tough times don't last, tough people do. At a time like this, we constantly remind ourselves, that our collective endeavour as an organization is to build businesses for the long haul. In the past too, there have been sharp swings in business cycles - and there will be more of these in the future, though hopefully not of the magnitude and ferociousness we are seeing today. And each time in the past we have come out of the eye of the storm, we have emerged fitter and stronger.

Here, let me mention the role of our values and beliefs. Our values always guide us, much like the North Star. Our history and heritage as a Group, in one word, stand for trust. Whilst we see a meltdown the world over, not just of economies, but equally of governance, I believe that our demanding standards of governance will set us apart, even more, now, and in the future. Clearly, investors and employees will appreciate and learn to value differentiate between organizations like ours that are honest, ethical, transparent and well-governed, and others, for whom governance is a platitude. This is a huge strength, built over time into our genetic coding. It will always stand us in good stead.

Yours sincerely,

Kumar Mangalam Birla





Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.

We live by their values.

Integrity, Commitment, Passion, Seamlessness and Speed

# THE CHAIRMAN'S LETTER TO SHAREHOLDERS

... contd.



At the business level too we had to grapple with many challenges given the piquant environment. Your Company's consolidated turnover (gross) crossed US\$ 13.5 billion (Rs.65,625 crores) and EBIDTA of US\$ 763 million (Rs.3,665.2 crores). Of the revenues, over US\$ 11.3 billion came from the aluminium business, while copper accounted for US\$ 2.2 billion (Rs.10,760.26 crores).

Your Company has taken major initiatives to ensure to sustain profitable growth. An in-depth presentation of these steps has been detailed in the Management Discussion and Analysis, so I will highlight only the key points.

As part of its strategic growth initiatives, your Company has embarked on a series of expansion projects.

Your Company's Greenfield's projects – Utkal Alumina and Aditya Aluminium in Orissa, Mahan Aluminium in Madhya Pradesh and Jharkhand Aluminium in Jharkhand will go on stream between 2011 and 2013. With these, your Company's smelting capacity will increase from 0.5 million tons to 1.7 million tons with three new projects of 360 ktpa each. Likewise, your Company's refining capacity will increase from 1.7 million tons at present to 6.15 million tons. These expansions will give your Company a greater edge.

*The fundamental reason for which we acquired Novelis – global market leadership, cutting edge technology, going up the value chain in the largest segment of value added products and a highly competent team.*

I would like to add that the liquidity position of Novelis has remained stable despite challenging market conditions. The Company's actions taken to adjust metal intake, reduce production and decrease fixed costs will deliver an estimated \$140 million annualized future savings.

The fundamental reason for which we acquired Novelis – global market leadership, cutting edge technology, going up the value chain in the largest segment of value added products and a highly competent team, remain unchanged. However, Novelis has been impacted negatively, especially due to the falling off of markets in North America and Europe. Our Hindalco/Novelis teams are working double time to take appropriate action. I remain very confident,

that the inherent strengths of Novelis will see us through the next two years. Our commitment to Novelis remains unflinching.

Birla Copper demonstrated outstanding resilience by delivering highest ever PBT in a year when the TcRcs fell by 39% and market volatility was unprecedented. This was achieved through a combination of savvy marketing, innovative cost management and deft leveraging of its business model to maximise value creation. Effort towards significant value unlocking through marketing of waste materials are unrelenting. Birla Copper is today in the top quartile in the global pecking order, in so far as it relates to smelting costs.

### **Outlook**

Your Company will continue to strengthen its leadership position. Substantial increase in capacities, improved cost optimization, higher productivity and strong fundamentals augur well for your Company in the years to come.

*Birla Copper demonstrated outstanding resilience by delivering highest ever PBT in a year when the TcRcs fell by 39% and market volatility was unprecedented.*

I believe our people are our biggest strength. We have further strengthened our endeavour, in these times of slowdown, to aggressively establish a performance – oriented culture that rewards better performance and distinguishes the best performers from the others. I would like to acknowledge all of our performers who deliver results.

### **The Aditya Birla Group: In Perspective**

Today, we manage multinational teams – 1,30,000 employees, comprising 30 nationalities, across 25 countries, anchor our US\$ 29.2 billion meritocratic conglomerate. Our values – Integrity, Commitment, Passion, Seamlessness and Speed, is the thread that strings us together.

Post our Group being declared the “Best Employer” in 2007 by the Hewitt / Economic Times / Wall Street Study, our brand as an employer continues to grow strongly. More than 8,000 leading professionals from India and globally have teamed up with us.

Our rigorous assessment process, inclusive of Development Assessment Centres, assesses our people early in their career on their potential to hold leadership roles. This way, we have ensured that we have a robust bench strength of talent. We also use short term secondments and long term assignments to develop the capability of our people to work across borders. This year over 1,700 colleagues have been job rotated.

Over 80% of our businesses have participated in a compensation benchmarking exercise this year and we have taken significant corrective and proactive measures to stay competitive and attractive. This positioning will further help us to attract and retain the right talent.

We lay great emphasis on continuous learning through our in-house learning university – Gyanodaya. This globally benchmarked institution leverages resources from around

*Today, we manage  
multinational teams –  
1,30,000 employees,  
comprising 30 nationalities,  
across 25 countries,  
anchor our US\$ 29.2 billion  
meritocratic conglomerate.  
Our values – Integrity,  
Commitment, Passion,  
Seamlessness and Speed,  
is the thread that  
strings us together.*

the world to meet the development needs of our people. Over a 1,000 executives have taken courses this year. Additionally, more than 14,000 employees spread across the world, from Farmington Hills in USA to Giza in Egypt to Perth in Australia and Renukoot in Uttar Pradesh have used Gyanodaya's E-learning platform called GVC. GVC prides itself in having a course completion ratio of 90%, which is a world benchmark.

As perhaps many of you may be aware we track the organisational climate every two years. We use the Organisational Health Survey (OHS), as the barometer of

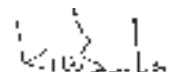
employee engagement at work. It is conducted by Gallup. Over 22,000 executives, across 17 businesses, spanning 25 countries and 750 cities/interiors participated in the OHS6. The participation level at 94%, according to Gallup, is a benchmark. 83% of the employees surveyed in the OHS6 said that they are proud to be an employee of the Aditya Birla Group and get professional satisfaction working here. 67% of our management employees have clearly emphasized their confidence in the ability of the leaders at various levels to successfully manage the emerging challenges that the Group is facing. Almost three-fourths of our employees (73%) have stated that they would definitely advocate our Group as a place to build a meaningful career.

Going forward, I would like to emphasize that the brand of leadership that we seek to build combines the virtues of professionalism with the commanding power of the mind, heart and soul. The mind which has the intellect to perceive the right from the wrong, the heart which has an emotional bond with the organisation that cannot be severed, and a soul that is indomitable. Our biggest strength has been an emotional bonding that our employees have with the Group that makes the paradigm of duty truly boundaryless.

Best Regards,

*Going forward,  
I would like to emphasize  
that the brand of  
leadership that we seek  
to build combines  
the virtues of professionalism  
with the commanding power  
of the mind, heart and soul.*

Yours sincerely,



Kumar Mangalam Birla

# SUPER POWER IN PREMIUM METALS

Hindalco's well-crafted growth and integration hinges on the three cornerstones of



## COST COMPETITIVENESS

Reflected through its strong manufacturing base and operational efficiencies across the value chain

Top Quartile of lowest cost Aluminium producers globally

World leader in Aluminium Rolling (19% market share)

Largest recycler of used aluminium cans

Primary Aluminium and Copper registered on the London Metal Exchange

Star Trading House Status

Awards in Exports, Quality, Design & Innovations



## QUALITY

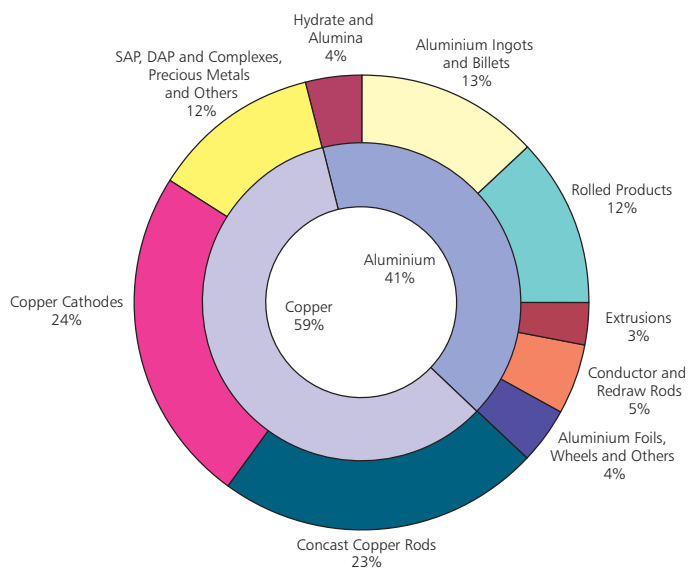
Through its versatile range of products serving core applications for diverse industries; and

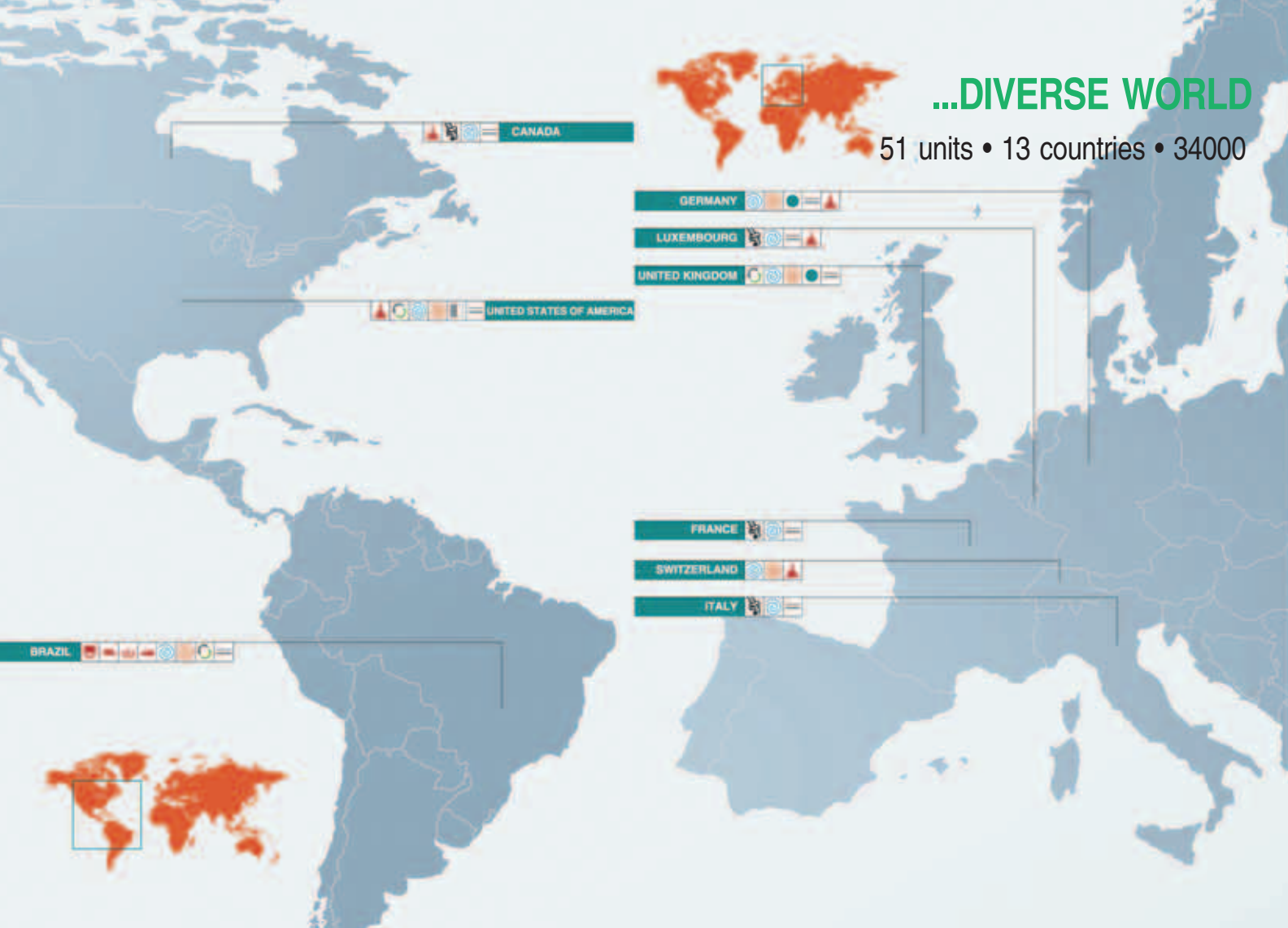


## GLOBAL REACH

Operations in 5 continents. Reaching Customers across more than 50 countries

## SHARE OF NET SALES VALUE





## UNIFIED VALUE CHAIN...

Hindalco's Aluminium units across India encompass the entire gamut of operations, from Bauxite Mining, Alumina Refining, Aluminium Smelting to downstream Rolling, Extrusions, Foils, Alloy Wheels and Recycling.

The integrated facility at Renukoot houses an Alumina Refinery and an Aluminium Smelter, along with facilities for production of semi-fabricated products, namely, Redraw Rods, Sheet and Extrusions. A co-generation power unit and a Captive Power Plant at Renusagar, to ensure continuous supply of power for smelter and other operations, back the Plant.

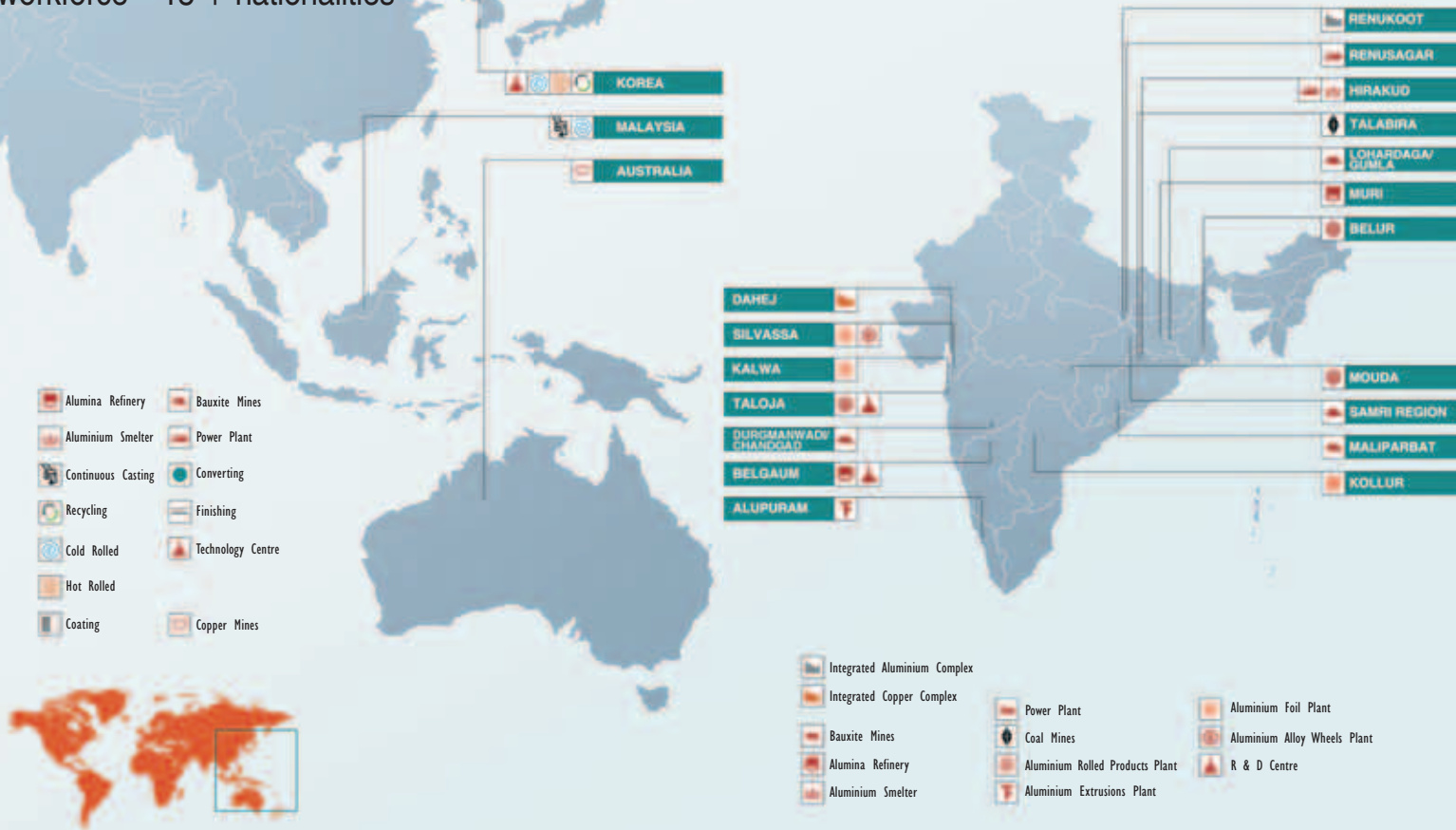
The integrated Copper unit at Dahej comprises copper smelters, backed by a captive power plant, oxygen plants, by-products plants, utilities and a captive jetty. Major products include continuous cast copper rods, copper cathodes along with SAP, PAP, DAP and precious metals.

Hindalco units have the Quality certification of ISO 9001, Environment certification of ISO 14001 as also OHSAS 18001 for Occupational Health & Safety. Several units have adopted the Integrated Management System (IMS) certification, reflecting a combined business excellence model.



# WIDE OPERATIONS

workforce • 15 + nationalities



## HINDALCO THROUGH ITS GLOBAL SUBSIDIARY NOVELIS OPERATES 32 PLANTS IN 11 COUNTRIES

The entry of Novelis into the Aditya Birla Group has provided a defining competitive edge to Hindalco as a global metals player. With its industry-leading assets and expertise, Novelis is the only company able to produce premium aluminium rolled products on all four continents where it operates. As the largest producer of flat rolled aluminium products, it ranks as number one in Europe, South America and Asia and is the second-largest in North America.

In addition to its aluminium rolling activities, Novelis operates bauxite mining, alumina refining, primary aluminium smelting and power generation facilities in Brazil that are integrated with its rolling plants there.

Its technologically sophisticated assets are best-in-class and its manufacturing technology leads the pack. Novelis caters to the top-end technologically advanced market sectors, producing premium sheet and foil products for high-value applications in automotive, transportation, packaging, construction, industrial products and printing.

# DEFINING THE COMPETITIVE EDGE

## TECHNOLOGY... THE ENGINE OF CHANGE

Innovation is what fuels the momentum of growth and development. Hindalco’s R&D tailors applications to suit customer requirements, while assuring quality standards that match global benchmarks. It is the key that culminates into Customer Satisfaction.



- R & D / TECHNOLOGY CENTRES**
- Research and Development Centre  
Belgaum, India
  - Research and Development Centre  
Taloja, India
  - Novelis Global Technology Centre  
Kingston, Ontario, Canada
  - Novelis European Technology Centre  
Goettingen, Germany
  - Novelis European Technology Centre  
Sierre, Switzerland
  - Novelis European Technology Centre  
Dudelange, Luxembourg
  - Novelis Technical Services  
Aurora, Illinois, USA
  - Novelis Solatens Technology Centre  
Spokane, Washington, USA
  - Novelis Korea Technology Centre  
Ulsan, Korea



## CONTENTS

Board of Directors .....	1	Directors’ Report .....	49
Financial Highlights .....	2	Auditors’ Report .....	70
Management’s Discussion & Analysis .....	4	Balance Sheet .....	74
Report on Corporate Governance .....	23	Profit and Loss Account .....	75
Shareholder Information .....	34	Cash Flow Statement .....	76
Environment Report .....	43	Schedules .....	77
Social Report .....	46	Consolidated Financial Statements .....	117

## HINDALCO INDUSTRIES LIMITED

### BOARD OF DIRECTORS

#### Non Executive Directors

Mr. Kumar Mangalam Birla  
*Chairman*

Mrs. Rajashree Birla

Mr. A.K. Agarwala

Mr. E.B. Desai

Mr. S.S. Kothari

Mr. C.M. Maniar

Mr. M.M. Bhagat

Mr. K.N. Bhandari

Mr. N.J. Jhaveri

#### Executive Director

Mr. D. Bhattacharya  
*Managing Director*

### CHIEF FINANCIAL OFFICER

Mr. S. Talukdar  
*Group Executive President & CFO*

### CORPORATE

Mr. R. Ram, *Senior President*  
*(Corporate Project)*

Mr. Vineet Kaul, *Chief People Officer*

### ADVISOR

Mr. R.K. Kasliwal

### COMPANY SECRETARY

Mr. Anil Malik

### KEY EXECUTIVES

#### ALUMINIUM BUSINESS

Mr. R.S. Dhulkhed, *President (Operations)*

Mr. Shashi K. Maudgal, *Chief Marketing Officer*

Mr. Shankar Ray, *President (Business Projects)*

Mr. S.M. Bhatia, *President (Foil & Wheel)*

Mr. Vinod Sood, *Joint President (Chemical & International Trade)*

Mr. Anil Kumar Sinha, *President (Human Resources)*

#### Renukoot Unit

Mr. D.K. Kohly, *Chief Operating Officer*

Mr. Ashok Machher, *Joint President (F&C)*

#### Aditya Aluminium

Mr. S.N. Bontha, *CEO*

Mr. S.N. Jena, *Chief Operating Officer*

#### COPPER BUSINESS

Mr. Dilip Gaur, *Group Executive President*

Mr. Shambhu Sharma, *President & Chief Operating Officer*

Mr. N.M. Patnaik, *Joint President (Finance & Commercial)*

Mr. J.P. Paliwal, *Joint Executive President (Commercial)*

Mr. B.M. Sharma, *Chief Marketing Officer*

### AUDITORS

Singhi & Co., Kolkata

### COST AUDITORS

R. Nanabhoy & Co., Mumbai

Mani & Co., Kolkata

# FINANCIAL HIGHLIGHTS - STANDALONE

	(Rs. in Crores)										
	2008-09	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
	USD in Mn*										
<b>PROFITABILITY</b>											
Net Sales and Operating Revenues	3,576	18,220	19,201	18,313	11,396	9,523	6,208	4,986	2,331	2,275	2,031
Cost of Sales	2,980	15,184	15,800	14,298	8,791	7,247	4,708	3,741	1,337	1,223	1,091
Operating Profit	596	3,036	3,401	4,015	2,605	2,276	1,500	1,245	994	1,052	940
Depreciation and Impairment	127	645	588	638	521	463	317	264	154	142	135
Other Income	125	637	493	370	244	270	240	218	211	131	139
Interest and Finance Charges	66	337	281	242	225	170	177	136	46	62	60
Profit before Tax and Exceptional Items	528	2,690	3,025	3,505	2,103	1,913	1,246	1,063	1,005	980	884
Exceptional Items (Net)	-	-	-	-	(3)	9	-	163	-	-	23
Profit before Tax	528	2,690	3,025	3,505	2,106	1,904	1,246	899	1,005	980	861
Tax for current year	120	611	705	940	450	575	407	317	319	302	249
Tax adjustment for earlier years (Net)	(30)	(151)	(541)	-	-	-	-	-	-	-	-
Net Profit	438	2,230	2,861	2,564	1,656	1,329	839	582	686	678	612
<b>FINANCIAL POSITION</b>											
Gross Fixed Assets (including CWIP)	2,901	14,783	13,728	12,729	11,251	10,096	7,126	6,470	3,736	3,051	2,759
Depreciation and Impairment	1,080	5,506	4,799	4,246	3,635	3,169	1,918	1,607	1,041	899	758
Net Fixed Assets	1,821	9,277	8,929	8,483	7,616	6,927	5,208	4,863	2,695	2,152	2,001
Investments	3,758	19,149	14,108	8,675	3,971	3,702	3,377	2,648	1,985	1,917	1,133
Net Current Assets	995	5,068	4,051	3,741	4,150	1,958	1,833	1,923	1,303	1,024	1,241
Capital Employed	6,574	33,493	27,088	20,900	15,737	12,587	10,418	9,435	5,984	5,094	4,375
Loan Funds	1,634	8,324	8,329	7,359	4,903	3,800	2,565	2,395	958	715	575
Deferred Tax Liability (Net)	277	1,411	1,323	1,126	1,233	1,130	995	849	444	-	-
Net Worth	4,663	23,758	17,436	12,415	9,601	7,657	6,858	6,191	4,582	4,379	3,799
<b>Net Worth represented by:</b>											
Share Capital	33	170	123	104	99	93	92	92	74	74	74
Share Warrants/ Suspense	-	-	139	-	-	-	-	-	-	-	-
Reserves and Surplus #	4,630	23,588	17,174	12,311	9,502	7,564	6,765	6,099	4,507	4,304	3,725
	4,663	23,758	17,436	12,415	9,601	7,657	6,858	6,191	4,582	4,379	3,799
<b>Dividend</b>											
Preference Shares (including Tax)	0.01	0.03	0.03	-	-	-	-	-	-	-	-
Equity Shares (including Tax)	53	269	265	202	247	212	172	141	101	98	69
<b>RATIOS AND STATISTICS</b>											
	Unit	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Operating Margin	%	16.66	17.71	21.92	22.86	23.90	24.17	24.97	42.64	46.27	46.28
Net Margin	%	12.24	14.90	14.00	14.53	13.96	13.51	11.68	29.42	29.80	30.15
Gross Interest Cover	Times	5.48	6.08	10.50	11.19	12.47	8.77	7.51	13.50	14.92	17.76
Net Interest Cover	Times	10.90	13.88	18.09	12.65	14.98	9.82	10.72	26.43	19.14	18.08
ROCE	%	9.04	12.21	17.93	14.79	16.55	13.66	12.71	17.56	20.46	21.56
ROE	%	9.39	16.41	20.66	17.24	17.36	12.23	9.40	14.97	15.49	16.12
Basic EPS \$	Rs.	14.82	22.23	25.52	16.79	13.48	8.53	5.92	8.67	8.57	7.74
Diluted EPS \$	Rs.	14.82	22.11	25.52	16.79	13.48	8.53	5.92	8.67	8.57	7.74
Cash EPS \$	Rs.	19.10	26.80	31.87	22.07	18.18	11.76	8.61	10.62	10.37	9.45
Dividend per Share	%	135	185	170	220	200	165	135	135	120	80
Capital Expenditure	Rs. in Crs.	1,121	1,049	1,516	1,188	1,097	669	1,037	701	299	147
Foreign Exchange earning on Export	Rs. in Crs.	5,148	6,434	6,973	3,643	2,605	1,295	1,028	337	376	312
Debt Equity Ratio	Times	0.35	0.48	0.59	0.51	0.50	0.37	0.39	0.21	0.16	0.15
Book value per Share \$	Rs.	139.73	142.09	118.97	97.40	82.54	74.16	66.95	61.53	58.81	51.02
Market Capitalisation	Rs. in Crs.	8,850	20,260	13,963	19,196	12,002	11,256	4,943	5,734	5,744	5,474
Number of Equity Shareholders	Nos.	435,064	335,337	520,019	396,766	117,721	117,124	153,606	35,955	37,925	39,769
Number of Employees	Nos.	19,867	19,667	20,366	19,593	19,687	13,675	13,752	12,955	12,892	12,964
Average Cash LME (Aluminium)	USD	2,234	2,623	2,663	2,028	1,779	1,496	1,354	1,395	1,533	1,473
Average Cash LME (Copper)	USD	5,885	7,521	6,985	4,099	3,000	2,046	1,586	-	-	-

\* 1 USD = Rs. 50.95

# Including Employee Stock Options Outstanding but Net of Miscellaneous Expenditure

\$ Figures recomputed for all the years prior to 2005-06 for stock split in the ratio of 10 : 1 (Face value Rs. 10/- to Re. 1/-) effected in 2005-06.

Figures for 2002-03 onwards include figures relating to the copper business of Indo Gulf Corporation Limited acquired pursuant to Scheme of Arrangement with effect from 01.04.2002.

Figures for 2004-05 onwards include figures relating to de-merged Units of Indian Aluminium Company, Limited acquired pursuant to Scheme of Arrangement with effect from 01.04.2004.

Figures for 2007-08 onwards include figures of Indian Aluminium Company, Limited amalgamated pursuant to Scheme of Amalgamation with effect from 01.04.2007.

# FINANCIAL HIGHLIGHTS - CONSOLIDATED

	(Rs. in Crores)								
	2008-09	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
	USD in Mn*								
<b>PROFITABILITY</b>									
Net Sales and Operating Revenues	12,880	65,625	60,013	19,316	12,120	10,105	8,223	6,401	3,565
Cost of Sales	12,296	62,648	53,378	14,886	9,275	7,675	6,268	4,899	2,365
Operating Profit	584	2,977	6,635	4,431	2,845	2,431	1,956	1,502	1,201
Depreciation and Impairment	596	3,038	2,488	865	796	632	514	371	218
Other Income	135	688	656	409	281	278	280	241	238
Interest and Finance Charges	242	1,232	1,849	313	301	216	235	190	81
Profit before Tax and Exceptional Items	(119)	(605)	2,954	3,662	2,028	1,860	1,486	1,182	1,141
Exceptional Items (Net)	-	-	-	-	(2)	13	1	161	7
Profit before Tax	(119)	(605)	2,954	3,662	2,030	1,847	1,485	1,020	1,133
Tax for current year	(158)	(805)	1,189	958	440	623	487	350	355
Tax adjustment for earlier years (Net)	(29)	(149)	(548)	0	(0)	(72)	1	(0)	-
Profit before Minority Interest	68	349	2,313	2,703	1,590	1,296	997	670	779
Minority Interest	(34)	(172)	219	16	11	11	4	5	30
Share in Profit/ (Loss) of Associates (Net)	7	35	(100)	1	-	-	-	-	-
Net Profit	95	485	2,193	2,686	1,580	1,285	993	666	749
<b>FINANCIAL POSITION</b>									
Gross Fixed Assets (including CWIP)	9,650	49,169	44,569	16,188	14,484	12,592	10,970	9,554	5,559
Depreciation and Impairment	2,827	14,404	7,405	5,035	4,600	3,906	3,041	2,495	1,608
Net Fixed Assets	6,823	34,765	37,164	11,153	9,883	8,685	7,929	7,060	3,950
Investments	2,047	10,431	14,008	7,874	3,163	2,956	1,866	1,187	1,241
Net Current Assets	591	3,011	4,254	4,257	3,967	2,161	2,249	2,305	1,607
Capital Employed	9,461	48,207	55,426	23,285	17,014	13,802	12,043	10,552	6,798
Loan Funds	5,556	28,310	32,352	8,443	6,279	4,931	3,724	3,304	1,395
Minority Interest	253	1,287	1,615	857	130	86	93	36	199
Deferred Tax Liability (Net)	541	2,757	4,172	1,172	1,228	1,134	1,195	1,026	598
Net Worth	3,111	15,853	17,286	12,814	9,377	7,651	7,031	6,186	4,606
<b>Net Worth represented by :</b>									
Share Capital	33	170	123	104	147	142	141	131	74
Share Warrants/ Suspense	-	-	140	-	-	-	-	11	-
Reserves and Surplus #	3,078	15,683	17,023	12,709	9,230	7,510	6,889	6,044	4,531
	3,111	15,853	17,286	12,814	9,377	7,651	7,031	6,186	4,606
<b>Dividend</b>									
Preference Shares (including Tax)	0.01	0.03	0.03	-	-	-	-	-	-
Equity Shares (including Tax)	53	271	268	204	249	213	173	141	101
<b>RATIOS AND STATISTICS</b>									
	<b>Unit</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>
Operating Margin	%	4.54	11.06	22.94	23.47	24.05	23.78	23.47	33.67
Net Margin	%	0.74	3.65	13.90	13.03	12.71	12.08	10.40	21.01
Gross Interest Cover	Times	2.97	3.30	9.91	8.87	10.32	8.60	6.89	11.41
Net Interest Cover	Times	2.97	3.94	15.44	10.37	12.54	9.53	9.16	17.81
ROCE	%	1.30	8.67	17.07	13.69	15.04	14.29	13.00	17.97
ROE	%	3.06	12.69	20.96	16.85	16.79	14.13	10.76	16.26
Basic EPS \$	Rs.	3.22	17.04	26.73	16.02	13.03	10.11	6.77	9.46
Diluted EPS \$	Rs.	3.22	16.95	26.73	16.02	13.03	10.11	6.77	9.46
Cash EPS \$	Rs.	23.41	36.38	35.33	24.09	19.44	15.33	10.54	12.21
Capital Expenditure	Rs. in Crs.	2,452	2,989	2,349	1,758	1,565	1,177	1,256	793
Debt Equity Ratio	Times	1.79	1.87	0.66	0.67	0.64	0.53	0.53	0.30
Book value per Share \$	Rs.	93.24	140.86	122.79	95.14	82.47	76.03	66.89	61.86

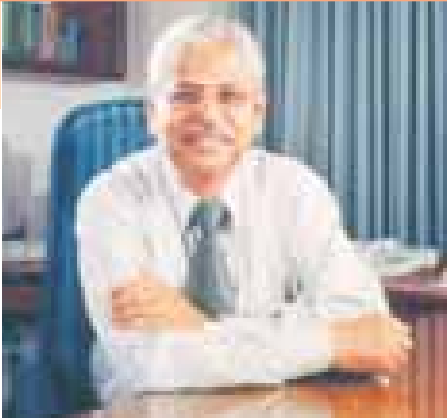
\* 1 USD = Rs. 50.95

# Including Employee Stock Options Outstanding but Net of Miscellaneous Expenditure

\$ Figures recomputed for all the years prior to 2005-06 for stock split in the ratio of 10 : 1 (Face value Rs. 10/- to Re. 1/-) effected in 2005-06.

Figures for 2003-04 onwards include the figures of Bihar Caustic and Chemicals Limited which has become subsidiary of the Company with effect from 07.05.2003.

Figures for 2007-08 onwards include the figures of Novelis Inc., a foreign subsidiary, acquired by the Company on 16.05.2007 through its wholly-owned overseas subsidiaries.



**D. Bhattacharya**  
Managing Director

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Business Overview:

The global economy witnessed an unprecedented turmoil in the 2008-09. What started as a sub prime crisis in the US, soon spread across the global financial system with several venerated banking institutions failing in a short span of less than 6 months. The ensuing credit crisis and liquidity trap took its toll on the global stock markets. This was followed by the crash in the commodity prices.

The base metal prices which were around their all time highs in mid 2008 collapsed by over 50% in less than 6 months. The speed of this fall caught everyone unaware.

Indeed this has been a tumultuous year for your Company as well and the Company once again proved its mettle and delivered creditable financial performance under extremely challenging circumstances.

The second half of the year witnessed unprecedented demand destruction both in the global and domestic markets. The US and the European economies went into recession, while the growth slow down was drastic in the emerging markets.

Consolidated sales grew from Rs. 60,013 crores in FY08 to Rs. 65,625 crores. The PBIT stood at Rs. 627 crores which includes a non-cash unrealized derivative loss of around Rs. 2,381 crores (USD 519 Million) vis-a-vis Rs. 12 crores (USD 3 million) last year. These derivatives are used to hedge exposures to aluminium, primarily related to customer fixed-price contracts, other commodities and currency. The magnitude of the mark-to-market loss on the company's derivative portfolio primarily reflects the dramatic downward movement in the LME price of aluminium. Aluminium business revenue was Rs. 54,306 crores and PBIT at Rs. (425) crores, primarily on account of non-cash unrealized derivative loss of around Rs. 2,381 crores while Copper stood at Rs.10,760 crores with a PBIT of Rs.374 crores.

The performance of the Aluminium business segment of Hindalco standalone during FY09 was severely impacted due to a sharp fall in LME and in downstream product demand. Average LME was lower by 15% than the previous year. However, to some extent, depreciation of INR by 14% was beneficial resulting in a 9% drop in domestic average rupee realization per tonne of primary metal as compared to FY08. The demand for downstream value added products dropped sharply and the sales were significantly lower by 17% compared to the previous year.

These adversities were mitigated in part through :

- Higher volumes, mainly in primaries. This emphasizes the benefits of the brown-field expansions and our asset sweating strengths.
- Improved plant efficiencies.
- Better working capital management.

We increased aluminium business top-line by producing more metal both through asset sweating, brownfield expansion of the Hirakud smelter and de-bottlenecking at Renukoot. We produced 523 KT of hot metal against 478 KT in the previous year. The Company recorded highest ever primary aluminium production this year and became the first Indian company to produce more than 0.5 Mn tonnes in a year. The turnover in the aluminium business grew by 6.4 per cent to Rs. 7,604 crores vis-à-vis Rs. 7,145 crores in the corresponding period of the previous year, on the back of the highest ever metal volumes.

To mitigate the impact of sharp fall in realizations, several cost control initiatives were successfully adopted. Energy efficiency was improved across the board, which along with falling crude derivative prices, helped achieve lower cost of production.

The EBIT margin of our Aluminium business is amongst the highest, relative to domestic and global peers, which underlines our strategic thrust and commitment to combine cost leadership and portfolio de-risking. As a result, our EBIT margin is relatively less impacted by LME compared to pure play aluminium companies.

The Copper business significantly improved its underlying operating performance despite tightness in the concentrate market and sharply escalating input costs. Although Tc/Rc, the key profit driver for toll-smelting operations at Dahej, plummeted to near all time lows, the underlying operating performance improved sharply. However, reported EBIT was lower due to charging of non cash notional forex realignment losses on account of forex volatility. The steep depreciation of the Indian Rupee against the US Dollar notionally impacted Copper business by an estimated Rs. 156.6 crores on account of restatement of net foreign currency exposure as on 31<sup>st</sup> March, 2009 as per AS 11 requirement.

### Novelis

Novelis also delivered a creditable performance in the midst of very challenging circumstances. Severe demand destruction in two of its major markets, US and Europe led to a fall in shipments. Novelis' sales



**WORLD LEADER IN ALUMINIUM ROLLING AND RECYCLING**

<b>NOVELIS UNITS</b>	<b>North America</b> 11 Rolled products Facilities including 2 recycling facilities
	<b>Europe</b> 13 Rolled products Facilities and 1 recycling facility
	<b>Asia</b> 3 Rolled products Facilities
	<b>South America</b> 2 Smelters and 2 Rolled products Facilities

declined due to decrease in the average LME price as well as a reduction in demand for flat rolled products in most regions during the last six months of fiscal 2009. However, the conversion premium has improved even in these difficult times. Your Company has taken several initiatives, which will lead to cost savings in FY 10. These include realignment of product line to the revised demand scenario, closure of some of the capacities and prudent inventory management. Our efforts to reduce overheads are bearing fruit and we shall continue to reduce overheads going forward.

The IT subsidiary of Novelis in Pune, Novelis India Infotech Ltd. is now up and running smoothly and will cater to most IT and ERP requirements of Novelis globally.

The large proportion of beverage cans, the segment which was relatively unaffected by this downturn and has a strong presence in emerging markets also helped Novelis weather the storm better than its peers in the FRP space.

The liquidity position of Novelis has remained stable despite challenging market conditions. The integration activities are proceeding smoothly.

### **Projects**

Our projects continue to follow the strategic plan which we have set for ourselves. The benefits of brownfield expansions and earlier inorganic acquisitions have been the major factors which helped us tide over the macroeconomic adversities in FY09. We are working on five greenfield sites in difficult terrain and uncertain regulatory environment. Site work on all greenfield projects has gained momentum and is in various stages of progress.

### **Business Reconstruction Reserve**

The Company has formulated a scheme of financial restructuring to deal with various costs associated with its organic and inorganic growth plan. The recent economic downturn particularly in the commodity space is also expected to result in impairment / diminution in value of certain assets/ investments. Accordingly, as per a Scheme of Arrangement under sections 391 to 394 of the Companies Act 1956 ("the Scheme") between the Company and its equity shareholders approved by the High Court of judicature of Bombay, a separate reserve account titled as Business Reconstruction Reserve ("BRR") has been created by transferring balance standing to the credit of Securities Premium Account of the Company for adjustment of certain expenses as prescribed therein. Accordingly, Rs. 8,647 crores have been transferred to BRR and Rs. 67 crores in standalone accounts and Rs. 4,617 crores in Consolidated accounts have been adjusted against the same as per the Scheme during the year.

### **Corporate**

Treasury yields improved and effective tax rate came down sharply due to higher proportion of exempt income. The basic Earning per Share was at Rs.14.8 per share in FY09 as compared with Rs. 22.2 per share in FY08.



## BUSINESS PERFORMANCE REVIEW:

### Aluminium Business

#### Aluminium Industry Review

In FY09, the sub prime crisis had a cascading effect on the global credit markets and suddenly the world started facing a significant credit crunch. The slowdown in the US was followed by a decline in the economic growth in Europe. By the last quarter of CY 2008, the emerging economies also suffered.

In FY09, Indian economy grew at 6.7% against close to 9% growth achieved in FY08. The financial markets witnessed a sharp reversal in the last few years' trend as capital outflows to safe heavens pulled down the markets sharply.

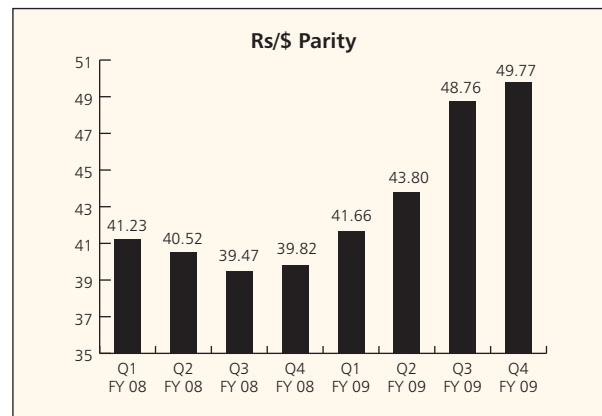
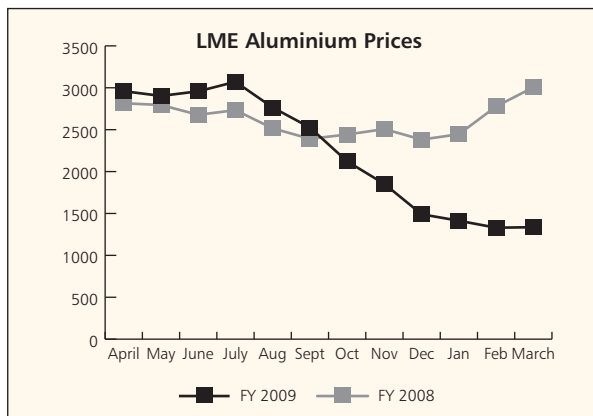
#### Demand and Market:

In CY 2008, the world aluminium consumption stood at around 38 Mn tonnes against production of 40 Mn tonnes. The consumption growth declined at -0.6% against a growth of 10% in the preceding year. China, which grew at a phenomenal 37.7% in CY 2007, trudged along at 4.4% post Olympics, while the developed economies witnessed a sharp drop in consumption. If the second half of CY 2008 witnessed a global slowdown, the first quarter of CY 2009 was easily one of the worst quarters for the commodities sector across the globe.

India too, witnessed a sharp slowdown in FY2009, as the GDP growth moderated to 6.7%. Slowdown in the end user segments such as auto (commercial vehicles), Industrial sectors and Infrastructure and Construction affected the aluminium industry growth. The demand for downstream products such as FRP and Extrusion was severely affected.

In FY09, LME aluminium prices declined to sub USD 1,500 levels after touching highs of USD 3,292 in July 2008. The depreciating rupee helped domestic aluminium producers partially as the prices are dollar denominated.

Globally, Aluminium production declined as the producers tried to cope with the sharp fall in the aluminium LME to the levels that made existing operations unsustainable. However, the production cuts failed to match the decline in demand, and as a result global inventory increased to historical peaks. At a median price of USD 1,600/tonne, over 50% of global smelters are expected to make cash losses.



The primary aluminium production for the year was around 40 Mn tonnes. China again led the production in 2008, producing around 14 Mn tonnes.

The cost of production of aluminium declined due to fall in input costs such as alumina and power. Alumina costs declined in line with the aluminium prices, while for some producers power costs declined on account of sharp fall in coal prices, however, caustic prices remained high on account of lower chlorine demand.

**Operational Review**

Against this backdrop, your Company’s performance was commendable and its performance was amongst the best in the industry.

The aluminium business operational performance was exceptional and recorded highest ever production of aluminium metal.

- the first Indian company to produce over 0.5 Million tonnes aluminium in a year.

**Alumina**

In alumina, we made conscious efforts to produce more of specialty alumina. We increased the domestic sale of specials from 52% of the total special sales during last year to 58%. Overall alumina sales however, declined on account of higher captive consumption.

**TAILOR-MADE SOLUTIONS FOR BUSINESSES WORLDWIDE**

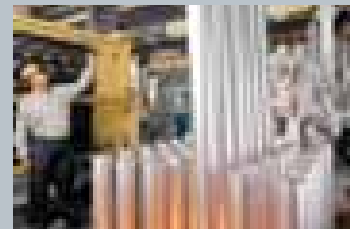
<b>O U R C A P A C I T Y</b>	<b>Alumina</b> 1.50 million tpa
	<b>Refineries</b> Renukoot 700,000 tpa Belgaum 350,000 tpa Muri 4,50,000 tpa
	<b>Bauxite Reserves</b> <b>JHARKHAND</b> Lohardaga/Gumla
	<b>MAHARASHTRA</b> Durgmanwadi/Chandgad
	<b>ORISSA</b> Maliparbat
	<b>CHATTISGARH</b> Samri

**Primary Metal**

Primary aluminium production increased to 523,453 MT, up 10% over the previous year. This increase in production growth was possible through brownfield expansion of Hirakud smelter facility that led to 35% production growth from 99,570 Mt to 134,301 Mt, and through continued efforts to debottleneck the Renukoot capacity, which yielded around 11,000 tonnes of incremental production.

## METAL & POWER

Pig Ingots, Cast Slabs, Extrusion Billets and Wire Rods are strategic to Hindalco's success as a leader in aluminium. The Company enjoys a predominant market position in primary aluminium in India and Hindalco metal is accepted under the high-grade aluminium contract on the London Metal Exchange (LME) as a registered brand.



### LEADING LOW-COST PRODUCER OF ALUMINIUM

<b>O U R C A P A C I T Y</b>	<b>Primary Aluminium</b>
	Smelting Capacity 4,88,000 tpa
	<b>Smelters</b>
	Renukoot 3,45,000 tpa Hirakud 1,43,000 tpa
	<b>Conductor Redraw Plants</b>
	Renukoot 56,400 tpa
	<b>Captive Power Plants</b>
Renusagar 742 MW Hirakud 367 MW	
<b>Coal Mine</b>	
Talabira	



Aluminium sales volumes increased in line with the production increase, however, sales of value added products such as FRP and Extrusions declined due to demand slowdown.

### Wire Rods

Wire rods production grew by over 4% from 71,798 MT in FY 08 to 74,968 MT in FY 09. The production was increased to cater to growing demand from the power sector.

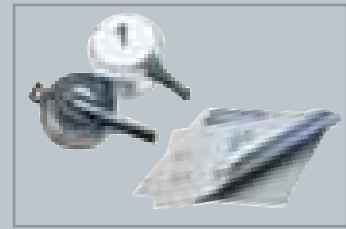
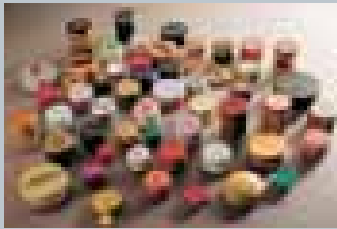
### Value Added Products (VAP)

This remains the key focus area of your company to enhance profitability. This segment was severely affected due to fall in domestic demand and liquidity crunch.

The VAP (i.e. flat rolled products, extrusions and foils) volumes in tonnage terms declined compared to that of last year while downstream revenue stood at Rs. 3,208 crores a drop of 13% over the previous year due to sharp fall in Aluminium LME. The markup in the down stream business has shown a continuous improvement over the years in product mix as well as geographical mix.

## FLAT ROLLED PRODUCTS

As India's largest producer of Flat Rolled Products, Hindalco's Aluminium Sheet is produced from its own cast slabs or continuous cast coils, rolled down to customised thickness, guage and tolerances. Aluminium rolled products find wide application in various segments, such as packaging, transportation, building and construction, electrical, defence and general engineering applications.



### INDIA'S LEADER IN VALUE-ADDED FLAT ROLLED PRODUCTS

#### OUR CAPACITY

##### Rolling Capacity

2,05,000 tpa

##### Sheet Rolling Plants

Renukoot 80,000 tpa

Belur 45,000 tpa

Taloja 50,000 tpa

Mouda 30,000 tpa

## Flat Rolled products

The FRP production decreased to 181,784 MT, in line with declining demand. The demand declined primarily in construction, industrial and automobile sectors.

## Foils

The Foil production volume was lower by 20% as compared to last year at 22.05 Kt. The Foil business continues to be affected by capacity overhang in the domestic market. The low priced import from China also had an impact on the business. We are continuing with the efforts to improve the product mix which will help us improve profitability.



Hindalco's house foil brands include Superwrap, Freshwrapp and Freshpakk semi-rigid containers - convenient and popular with consumers

## Extrusions

Extrusion segment demand also suffered as the economy slowed down. A sharp decline in the fortunes of housing and automobile sectors resulted in a sharp demand drop for extruded products. Extrusion production was lower at 35,895 MT in FY09 as compared with 43,315 MT in FY08. Extrusions sales volume declined to 35,668 in FY09.



**INDIA'S PREMIER SOURCE OF WORLD-CLASS EXTRUSIONS**

<b>OUR CAPACITY</b>	<b>Extrusions Capacity</b> 31,000 tpa
	<b>Extrusion Plants</b> Renukoot 23,000 tpa Alupuram 8,000 tpa

## Wheels

The Alloy Wheel production at 141,030 Pcs was 19% lower than last year. The future of this business is being evaluated considering that it is a non core business to your Company.

## Financial Performance

The turnover of the aluminium business grew by 6.4 per cent to Rs. 7,603.84 crores vis-à-vis Rs. 7,144.94 crores for the corresponding period in the previous year, on the back of the highest ever metal volumes. However, the lower LME coupled with the shrinkage in the domestic demand for value added products which have better margins, in turn reduced the gains from a weaker rupee.

Earnings before Interest and Taxes (EBIT) declined by 11% to Rs. 2,157.76 crores due to pressure on realization and lower sales of value added downstream products. The costs however came down with the fall in crude prices. Aluminium producers across the globe experienced a sharp fall in EBIT margins, most of them turning into losses. The decline in the case of your Company was amongst the lowest in the industry. This was possible primarily on account of higher production and sales volumes as discussed earlier.

The other cost management measures that helped in containing the fall in EBIT were:

- Improvement in operational efficiency in power consumption, carbon consumption etc.
- Cost effective sourcing of key raw materials.

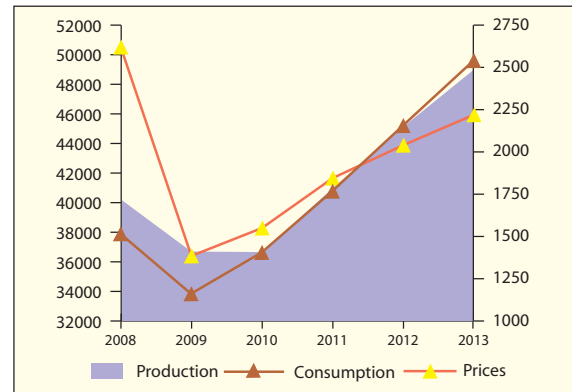
The sustainability of your Company's profitability is reflected in healthy EBIT margins of 28% despite all the adversities.

## Aluminium Outlook

In 2009, the global aluminium demand is expected to shrink by over 10%. CRU expects the demand to decline by over 4 million tonnes. The Chinese demand is expected to be stagnant after a phenomenal run during last several years. The US demand weakness will continue.

In India, the demand is expected to taper in line with the GDP growth. Over medium term, thrust on power sector spending will spur the aluminium demand.

Aluminium production is expected to decline in line with fall in demand. With unprecedented demand destruction towards later part of FY2009, the prices of aluminium fell very sharply by over 50% in less than 4 months. As a result, many of the high cost smelters have become unviable. It was estimated that over 50% of global smelters were making cash losses at a price of USD 1,500. Several smelters have announced production curtailments since then. The total curtailments announced so far have been close to 17% of 2008 global capacity.



The cost push witnessed by the industry in the last few years has eased considerably with the sharp fall in crude prices from the recent highs. Most input costs such as fuel oil, coal tar pitch have declined sharply along with the freight costs. Globally, third party alumina costs have also come down significantly.

The prices are expected to continue to stay depressed over the short term with a large inventory overhang. Aluminium inventories across the globe are near all time highs as supply cuts are still ineffective in the wake of severe demand destruction. However, the long term fundamentals are strong and the surplus is expected to reduce significantly by FY 10 end.

## Business Outlook

Your Company has demonstrated its mettle in the wake of severe macroeconomic adversities. The ferocity and the velocity of the turmoil surprised the industry. But by leveraging its fundamental strengths and through robust business model, your Company proved its mettle.

Your Company has adopted a consistent strategy to achieve global size and scale through the acquisition of Novelis. This complements its ongoing brownfield and greenfield expansion plans in the upstream aluminium business. This will also guard your Company against the commodity meltdown in future.

## Brownfield Expansions

- The expansion of Muri Alumina Refinery from 110,000 tpa to 450,000 tpa is complete and currently the operations are under ramp up.
- The Hirakud Smelter and Power expansions from 100,000 tpa to 143,000 tpa are complete. Further expansion from 143,000 tonnes to 155,000 tonnes is under progress and is expected to be completed by August 2009.
- In Hirakud, work is on to expand the capacity further to 206,600 tonnes, through addition of 80 pots. Pre-project activities have started and we expect to complete this by June 2011.
- Plans to extend the Alumina refining capacity at Belgaum from 350,000 tpa to 650,000 tpa are on hold awaiting government approvals relating to bauxite mines.

Hindalco's aggressive growth plans will enable it to scale new heights, drawing it into the top-10 league of global alumina and aluminium players.



### **Greenfield Projects**

Greenfield Projects have made significant progress:

- Utkal Alumina, 1.5 million tpa alumina refining, is progressing well.
  - Detailed engineering will be fully completed by Sep'09.
  - All necessary statutory approvals are in place for construction of Project.
  - Team is in place for the execution of the project.
  - Almost all long delivery orders have been placed.
  - Contractors are fully mobilized for civil and structural work.
  - Environment Clearance – MoEF Clearance received for 3 million TPA.
  - Mechanical Completion Date – Jan' 2011.
- Your Company's integrated aluminium project, Aditya Aluminium, comprising 1.5 million tpa alumina refinery, 359,000 tpa aluminium smelter and 900MW captive power plant is well on course.
  - Technology - agreement with Aluminium Pechiney (AP) signed. SIA clearance from Government received. Alumina Technology tie up with ALCAN signed.
  - Basic Engineering is 100% complete and overall Engineering is 23% complete and is ahead of schedule.
  - Major turnkey packages like BTG, Conversion substation and propriety equipments orders finalized.
  - Plans to finalize major orders for Transformers, GTC, FTC and GAP by end July'09.
  - Land acquisition is at an advance stage. 1500 acres registered in the name of the company. Application for 295 acres of forest land has been forwarded by State to Centre.
  - Soil testing is 95% complete. Boundary wall is under construction and R and R colony planning is going on.
  - Water : Agreement signed for drawal of water.
  - Coal Block: JV Company MNH Shakti Ltd. Registered office opened at Burla. Forest clearance proposal in progress.

- Expected date of Smelter Project completion (first metal) : October 2011.
- The refinery should be mechanically completed by June 2013.
- Railways: Rail layout plan approved by East Coast Railways. Project management consultancy job awarded to VCC, New Delhi.
- Your company has been progressing well on the proposed captive power plant (900MW) and smelter (359,000 tpa) project Mahan Aluminium Project.
  - Land: Private land of 2770 acres - Section 9(1) for two villages completed on 5th January, 2009, 3rd village on 21st February, 2009 and 4th village on 14th May, 2009. Cash distribution has commenced and transfer of land to commence by July 2009.
  - Process for govt. land of 500 acres to be completed at District Headquarters in July 2009.
  - Coal: Coal block allotted. Production of Coal likely to start in FY 10.
  - Environmental, Rail and Water clearances have been obtained.
  - Basic Engineering is 100% complete and ahead of schedule.
  - Overall Engineering work by EIL is 26% complete and ahead of schedule.
  - Major turnkey packages like BTG, Conversion substation and propriety equipments orders finalized. Plans to finalize major orders for Transformers, GTC , FTC and GAP by end July 2009.
  - Site work is expected to start by end July 2009.
  - R and R Colony : Consultant engaged for designing of R and R colony.
  - Milestones :  
First Metal by July 2011  
First TG unit by March 2011
- Your Company has been allotted Tubed coal block of Auranga Coal Fields in Jharkhand in JV with Tata Power. It plans to construct a 900 MW captive power plant and 359,000 tpa aluminium smelter. Your Company has taken steps towards this objective.
  - Joint venture formed between Tata power and Hindalco. JV agreement in progress.
  - Water Allocation – awaiting clearance from GoJ for 70 MCM water from Subernrekha basin.
  - Land Acquisition: 7,000 acres of land earmarked till date and Topographic, Demographic and Socio-economic surveys have been completed.
  - CSR activities have been ramped up.
  - Water – Clearance received from GoJ for 55 MCM water from Subernrekha basin. Water drawal system will be finalized in July'09.
  - Consultant for EIA clearance already finalized and Consultant for Railway Siding has been approved.
  - Expected Commissioning date ( extended): June 2013.
- Hindalco- Almex JV for Aerospace Project
  - The HAAL project is located at SEZ, Shendra, Aurangabad in 20 acres of land. The facility has started production and has successfully casted India's largest aluminium billet (42" dia) so far.

The financing plan for the projects is already in place. These projects will significantly enhance the scale of operations of your Company. These will further improve the cost competitiveness of your Company and will firmly establish it as one of the lowest cost global alumina and aluminium producer.



## COPPER BUSINESS REVIEW

### Industry Review

Global refined copper consumption declined from 18 million tonnes in 2007 to 17.7 million tonnes in 2008. The consumption as was the case with most metals, declined as most of the developed world entered recession. The demand declined by 9.5% (-1.5% in 2007) in North America and by 5.6% (-3.7% in 2007) in Europe.

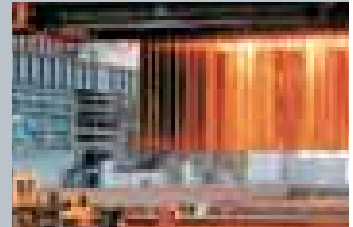
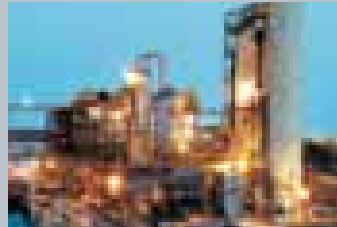
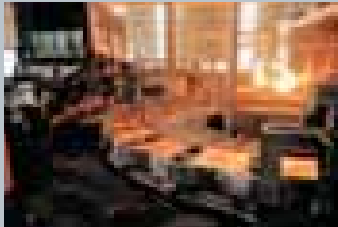
The major demand influencer was once again China, where demand growth declined significantly from 15.8% in 2007 to 4.6% in 2008.

In FY 09, the domestic copper demand grew at around 14% vis-a-vis 31% in FY 08. Domestic copper market witnessed strong growth in second half of FY 09, spurred by sharp decline in LME, lower scrap availability and reduction in excise duty.

Globally, the situation turned from deficit to surplus as supply adjustments could not match the severity and speed of demand destruction.

The global copper industry fortunes changed drastically as severe demand destruction, liquidity crunch and bankruptcy of iconic financial majors led to a sharp fall in the copper prices. The prices, which were ruling at historical highs halved within a short span of 6 months.

The mines supply could not keep pace with smelters requirement for concentrate due to delay in commissioning of new projects, cost and time over runs etc. In the first half of CY2008, the demand and prices for copper were strong with concentrate market remaining in deficit. As the long term contracts are negotiated in the month of January, the TC/RC contracts went in favour of miners and the LT TCRC were close to bottom at around 45/4.5. However buoyant by product demand and attractive prices during first half of FY 09 helped copper smelters offset the impact of lower TCRC.



### LARGEST CUSTOM COPPER SMELTER AT A SINGLE LOCATION

O U R C A P A C I T Y	<b>Smelting</b>
	500,000 tpa
	<b>Copper Cathodes</b>
	500,000 tpa
	<b>Continuous Cast Copper Rods</b>
	97,200 tpa
	<b>Sulphuric Acid</b>
	16,70,000 tpa
	<b>Phosphoric Acid</b>
	180,000 tpa
	<b>DAP &amp; Complexes</b>
	400,000 tpa
<b>Gold</b>	
15 tpa	
<b>Silver</b>	
150 tpa	
<b>Mines (Australia)</b>	
Nifty	
Mount Gordon	



Towards the later part of FY 09, by product credits dried up with sharp fall in sulphuric acid demand and prices, which affected most of the global smelters during second half of, FY 09.

### Company Performance

The Copper business performed well despite adverse, macroeconomic environment and lower Tc/Rcs.

Your Company recorded creditable production performance not with standing bi-annual shutdowns in both its smelter (75 smelter day).Your company however managed its market mix well to improve overall copper realizations despite lower volumes.

This was achieved by growing the CC rod's production, lucrative duty paid rates by 30% and enhancing the value added CC Rod production by 4%.

The operations at copper smelter –II continue to be suspended.

Production	Units	Year ended 31 March 09	Year ended 31 March 08
Copper cathodes	MT	297,797	323,884
CC rods	MT	145,542	139,682

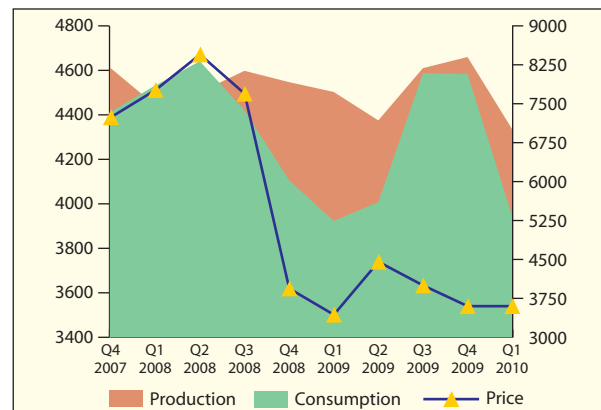
Significant improvements were achieved in operating performance.

- Copper anode production was lower by 6 % mainly on account of bi-annual shutdown. However, Continuous cast Rod production was increased by 4% through full use of our own capacities and judicious outsourcing.
- In the month of March, post shutdown, highest ever monthly production was achieved.
- Higher mark ups, driven by improved product and market mix – duty paid sales rose by 30% over FY 08.
- Sharp improvement in by-product realization by negotiating attractive sulphuric prices in spot market, and enhancing fertilizer output by 14%.
- Significant value unlocking through sales of waste products like phospho gypsum, on copper slag and fly ash at better realizations.
- Sharp reduction in conversion cost even in nominal terms driven by much better operating efficiencies especially in the areas of captive power generation and energy consumption.

### Financial

The sharp fall in LME coupled with decline in sales volumes led to lower revenues. However, for custom smelters like your Company, copper prices are just a pass through and the margins are largely determined by Tc/Rc and as a result a decline in LME copper prices did not have any impact on the profitability.

The adverse impact of lower Tc/Rc was largely offset through improved operating efficiencies, higher by product contribution and better working capital management leading to delivery of robust performance and improvement in cash flows.

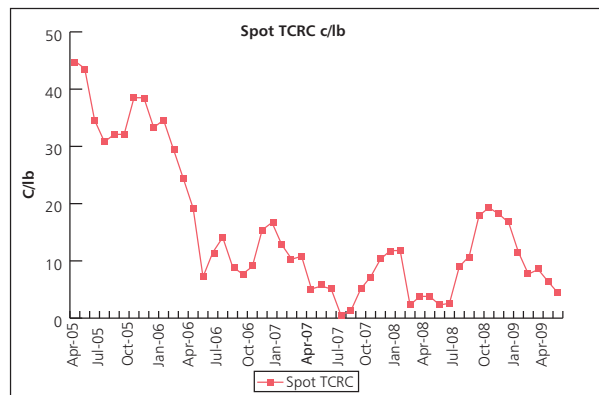


## Copper Outlook

The global refined copper demand is expected to contract by around 4% in CY2009. Weak western world consumption, with a slowdown in demand from emerging economies will keep overall demand depressed. The surplus will continue over the short term and supply overhang will remain. China will be a large determinant for the market as has been the case in the recent past.

The long term TcRc contracts for the year were significantly higher than CY2008 due to depressed demand for refined copper and temporary surplus in concentrate availability at the time of negotiations.

However, the Spot Tc Rcs declined to historical lows driven by tight concentrate availability on account of delays in the expected new mine capacities, rising project costs and associated risk / socio-political factors. Higher capital costs, declining ore grades and labour related issues in some of the major copper producing countries are expected to restrict the availability of concentrate and put further pressure on spot TCRCs.



Over the short term, Indian refined copper consumption is expected to decline marginally as real estate and construction sectors growth take a pause.

However, long term fundamentals are strong and the copper consumption is expected to increase with renewed thrust on power sector reforms and urban housing.

The copper consumption in India is relatively low. The per capita copper consumption stands at less than a Kg as compared to 7 Kgs in the US, or even 3.6 Kgs in China, and hence the growth potential is enormous.

## Business Outlook

Your Company is confident of weathering this storm and continues to make steady progress on the planned growth track. Your Company will continue to strive to improve operating efficiencies and reduce conversion costs. Your Company's production flexibility with respect to various value added byproducts will increase the available options for profit and cash flow improvements.

## Financial Review and Analysis

### Net Sales and Operating Revenues

Standalone Net Sales and Operating Revenues for the year 2008-09 declined by 5% YOY due to sharp fall in both aluminium as well as copper LME, which declined substantially. To a large extent, this decline was offset by producing higher volumes in aluminium. The depreciating rupee also helped us in containing the fall in Revenues.

Consolidated Revenues increased from Rs. 60,013 crores to Rs. 65,625 crores, an increase of 10%, primarily on account of weaker rupee vis a vis USD. This includes Novelis's full year sale as compared to 10.5 months sales last year.

### Other Income

Other Income at Rs. 637 crores was higher by 29.2% over the previous year largely due to higher pre tax treasury yield and dividend from ABML.

## Interest

Your Company's working capital requirement increased on account of higher copper prices due to higher LME in the first half of the year. Softening interest rates resulted in lower average cost of borrowing which declined from 7.5% in FY 08 to 7.3% this year.

Interest charges in consolidated accounts declined sharply from Rs. 1,849 crores to Rs.1,232 crores due to sharp decline in debt after the takeout of the bridge loan for Novelis.

## Depreciation

Depreciation charges were at Rs. 644 crores in FY09 against Rs. 588 crores in FY08.

## Taxes

The provision for tax was lower due to lower PBT. Effective tax rate declined from 23% in FY07 to 22.3% in FY08 on account of proportionately higher exempt income in FY09.

## Profit

Net Profit declined by 22% to Rs 2,230 crores reflecting the decline in the commodity markets.

## CASH FLOW ANALYSIS:

(Rs. in Crores)

Particulars	FY08	FY09	%
<b>SOURCE OF CASH</b>			
Cash from operations	2,140	3,171	23%
Non-operating income	619	691	5%
Net debt Inflows	964		
Equity Raised	2,424	4,426	32%
Other Treasury investments (Net)		5,507	40%
<b>Total</b>	<b>6,147</b>	<b>13,795</b>	<b>100%</b>
<b>APPLICATION OF CASH</b>			
Net capital expenditure	888	967	7%
Investment in subsidiaries	2,970	11,004	84%
Other Treasury investments (Net)	2,124		
Net debt Outflows		193	2%
Interest & Finance Charges	668	669	5%
Dividend payout		266	2%
<b>Total</b>	<b>6,650</b>	<b>13,099</b>	<b>100%</b>
Increase / (Decrease) in Cash and Cash Equivalents	(503)	696	

## Sources of Cash

### Cash from operations

Lower realisations for Aluminium and Lower TcRc affected cash profits however robust working capital management resulted in higher cash flow from operations compared to last year.

### **Non-operating income**

Cash from non-operating income increased to Rs. 691 crores as compared to Rs. 620 crores in last year. The increase is on account of higher dividend and other income on investments.

### **Equity**

Your Company raised Rs. 4,426 crores (net of issue expenses) from rights issue for take-out of the bridge loan taken for Novelis acquisition.

### **Other Treasury investments (net):**

Treasury investments were liquidated for take-out of the bridge loan taken for Novelis acquisition.

### ***Application of Cash***

#### **Capital Expenditure**

Your Company spent Rs. 967 crores on various expansion and efficiency improvement projects. Going forward, this amount is slated to rise considerably as per planned investments in Brownfield and Greenfield projects.

#### **Investment in Subsidiaries**

Aggregate investments, including Loans & Advances to Subsidiaries, amounted to Rs. 11,004 crores. Your company infused Rs. 10,400.37 crores into A V Minerals (Netherlands) B.V., a SPV created for acquisition of Novelis Inc. and this amount was used by A V Minerals (Netherlands) B.V. for takeout of the bridge loan taken for Novelis acquisition and servicing of debts on its balance sheet. Investment (including loans and advances) in Utkal Alumina rose by Rs. 317 crores.

#### **Interest**

Interest & Finance charges paid for the year was almost same as in last year. Interest charged to profit and loss account is only Rs. 337 crores net of interest capitalized.

#### **Dividend**

Dividend paid including tax on dividend is Rs. 266 crores.

We have put in place a permanent capital structure to support our strategic business plan. We successfully took out the bridge of US\$ 3.03 billion in November 2008 amidst hostile and turbulent macro economic environment. We managed to preserve our balance sheet strength to grow by reducing our leverage while doing so.

#### **Risk Management**

In addition to the risks inherent in its operations, your Company has got significant exposure to commodity prices. Hindalco's financial performance is significantly impacted by fluctuations in the prices of Aluminium, Alumina, Copper, Gold and Silver, exchange rates and interest rates. The company takes a very structured approach to the identification and quantification of each such risk and has a comprehensive risk management policy.

Clearly defined policies and management controls govern all risk management activities. Transactions in financial instruments for which there is no underlying exposure to the company are prohibited. All of the

commodity, interest rate and foreign currency contracts are used to mitigate uncertainty and volatility and to cover underlying exposures.

### **Commodity Price Risk**

The Company's commodity hedging activities can be divided into following:

- Timing mismatch risk: This is the price risk arising due to timing mismatch of purchases of copper concentrate, which is priced based on copper, gold and silver content and sale of copper products, gold and silver. We use various spread risk management tools to hedge this risk.
- Absolute price risk: We have a price risk on metals that we produce. We use various derivative tools for hedging this risk from time to time.

### **Foreign Currency Exchange Risk**

Exchange rate movements, particularly between the Indian Rupee (INR) and United States Dollars (USD) have an impact on Hindalco's cost and revenues. Since the company is long in USD (inflow greater than outflow), the company will benefit from weakening of the INR against USD and conversely, is disadvantaged if the rupee appreciates. In order to hedge this risk, your Company uses various tools such as foreign currency borrowings, currency forward and option contracts.

### **Interest Rate Risk**

Your Company uses interest rate swaps to help maintain a strategic balance between fixed and floating-rate debts and to manage overall financing costs. Most of the long term loans are at fixed rate currently.

### **Project Execution Risk**

Your Company is in the process of setting up 4 greenfield projects in difficult terrain. The project execution is contingent upon several external factors including but not limited to land acquisition, project management skills, timely delivery of equipments, etc. Any delay in these activities could result in change in implementation schedule and affect the financial performance of the company. Your Company is continuously monitoring the progress to ensure that the implementation schedules are adhered.

### **Internal Control**

A strong internal control culture is pervasive throughout our Group. Regular internal audits at all our locations are undertaken to ensure that the highest standards of internal control are maintained. The effectiveness of a business' internal control environment is a component of senior management performance appraisals. The principal aim of the system of internal control is the management of business risks, with a view to enhancing shareholders' value and safeguarding the Group's assets. It provides a reasonable assurance on the internal control environment and assurance against material misstatement or loss.

The Group operates a comprehensive annual planning, financial reporting and forecasting process. The Board formally approves a strategic plan and the annual budget. The Group's performance is monitored against the budget on a monthly and quarterly basis by the Executive Committee; significant variances are reviewed. The audit observations are reported and discussed by the senior management and the important ones are also presented to the Audit Committee of the Board. The audit observations are discussed and the appropriate feedback is conveyed to the relevant managers.

## **Material developments in human resources / industrial relations front, including number of people employed**

In 2007, our Group was adjudged as the Best Employer in India by Hewitt. Our culture and reputation as a business leader in the industry enables us to recruit and retain the best available talent in India.

### **Human Capital**

Our professionals are our most important assets. We are committed to remaining among the industry's leading employers. We have a pool of around 19,800, employees in our fold. The Group has a well laid talent development plan that ensures attracting the best talent and provides for nurturing and enhancement of talent.

### **Training and Development**

Our training, continuing education and career development programs are designed to ensure that our professionals enhance their business skills. Our Group initiatives and our learning campus provide continuous learning opportunities. Our in house faculty conducts integrated training for our new employees. Leadership development is a core part of our training program.

### **Conclusion**

To summarise the achievements in the financial year, your Company recorded a commendable performance in an extremely difficult year that witnessed an unprecedented upheavals in the financial and commodity markets. This performance is testimony to the sound business models of our Aluminium and Copper businesses, the underlying strength of business operations and project management capabilities, stable and capable processes, and successful implementation of a well thought out strategic plan for quantum growth supported by a strong balance sheet and robust cash flows from existing operations.

Global economy is expected to revive slowly and overall growth could remain subdued. The upstream aluminium industry will continue to face pricing pressure on account of large inventories and low demand growth, while copper business will continue to face challenges on account of poor concentrate availability and low TcRcs. Key macro-economic value drivers will continue to remain depressed over the short term.

FY 10 will be a challenging year:

- We have successfully put in place a permanent capital structure by taking out the bridge loan of US\$ 3.03 billion raised for Novelis acquisition in extremely challenging conditions. We have reduced our leverage in the process through deploying the proceeds of rights issue and using our treasury. The challenge is now to grow in the market where credit is scarce and we are successfully progressing on the intended path.
- The brownfield expansions at Muri and Hirakud have been commissioned and will deliver the targeted cash flows to help finance our growth aspirations.
- We are working on five greenfield sites in difficult terrain and have put in place the necessary organization to keep these projects on track.

The key focus will be to

- Maintain profitability in the depressed demand and pricing scenario
- Maximise Free Cash Flow from existing operations
- Leverage economies of scale and cutting edge technology in greenfield upstream projects and high-end downstream products.
- Your Company is progressing well to realise its aggressive growth plans

These plans will enable your Company to grow in a steady and robust manner and continue to outperform its peers. Several cost reduction measures across the businesses, and your Company's inherent strengths will help us to sharpen its focus further and become even more competitive in the near future.

**CAUTIONARY STATEMENT**

*Statements in this "Management's Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in the Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.*

Mumbai

Dated the 30th Day of June, 2009.



# CORPORATE GOVERNANCE REPORT

## GOVERNANCE PHILOSOPHY

**The Aditya Birla Group** is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are a product of self-desire reflecting the culture of the trusteeship i.e. deeply ingrained in our value system and reflected in our strategic thought process. At a macro level, our governance philosophy rests on five basic tenets viz., Board accountability to the Company and shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all shareholders as well as superior transparency and timely disclosure.

### **Compliance with Corporate Governance Guidelines**

The Company is fully compliant with the requirements of the prevailing and applicable corporate governance code and is committed to ensure compliance with any proposals for modifications, well ahead of their implementation timelines. Your Company's compliance with requirements is presented in the subsequent sections of this Report.

## BOARD OF DIRECTORS

### ***Composition of the Board***

Your Company's Board comprises of 9 Non-Executive Directors with considerable experience in their respective fields. Of these, 6 Directors are Independent Directors. Clause 49 of the Listing Agreement as amended in April 2008, requires that if the Non-Executive Chairman of our Company is the promoter then at least half of the Board of Directors of such Company should consist of Independent Directors and we are in compliant with the above requirement of Clause 49 of the Listing Agreement.

None of the Directors on the Board is a Member of more than 10 Committee or a Chairman of more than 5 Committee (as specified in Clause 49), across all the Company in which he/she is a Director. All the Directors have intimated periodically about their Directorship and Membership in the various Board Committees of other companies, which are within permissible limits of the Companies Act, 1956 and Corporate Governance Code.

The details of the attendance of each Director at the Board Meetings held during the year and directorships, Membership/Chairmanship in Board Committees of other Companies are as follows:

Director	Category	No. of Board Meetings attended	Attendance at last AGM	No of other Directorships Held <sup>3</sup>		No. of other Companies' committee Positions Held <sup>4</sup>	
				Public	Private	Member	Chairman
Mr. Kumar Mangalam Birla	Non Executive	7	Yes	9	13	—	—
Mrs. Rajashree Birla	Non Executive	5	Yes	6	12	—	—
Mr. A. K. Agarwala	Non Executive <sup>2</sup>	7	Yes	5	—	—	—
Mr. E. B. Desai	Independent	7	Yes	8	2	2	4
Mr. S. S. Kothari	Independent	1	No	—	1	—	—
Mr. C. M. Maniar	Independent	7	Yes	14	4	6	1
Mr. M. M. Bhagat	Independent	7	Yes	4	—	1	1
Mr. K. N. Bhandari	Independent	7	Yes	10	—	1	1
Mr. N. J. Jhaveri	Independent	6	Yes	12	2	3	5
Mr. D. Bhattacharya	Managing Director	7	Yes	8	1	1	—

1. Independent Director means a director defined as such under Clause 49 of the Listing Agreement.
2. Mr. A. K. Agarwala was an Executive Director till 10<sup>th</sup> September, 2003. Thereafter, he has moved to other responsibilities in the Aditya Birla Group.
3. Excludes Directorship held in Foreign Companies and Companies incorporated under Section 25 of the Companies Act, 1956.
4. Represents only membership/chairmanship of Audit Committee and Shareholders' / Investors' Grievance Committee of Indian Public Limited Companies.

### **Board's functioning and Procedure**

Hindalco's Board of Directors play the primary role in ensuring good governance and functioning of the Company. All statutory and other significant and material information including information as mentioned in Annexure IA to Clause 49 of the Listing Agreement is placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the shareholders. The Company has procedure to inform board members about risk assessment & minimisation procedure. The procedure is reviewed by the board to ensure that the company manages risks through means of a properly defined framework. The Board also reviews periodically the compliance of all applicable laws. The Members of the Board have complete freedom to express their opinion and decisions are taken after detailed discussion. The details of Board meetings held during FY 2008-2009 are as outlined below:

Date of Board Meeting	City	No. of Directors Present
30 <sup>th</sup> April,2008	Mumbai	8 out of 10
20 <sup>th</sup> June,2008	Mumbai	9 out of 10
28 <sup>th</sup> July,2008	Mumbai	9 out of 10
19 <sup>th</sup> September,2008	Mumbai	9 out of 10
31 <sup>st</sup> October,2008	Mumbai	7 out of 10
30 <sup>th</sup> January,2009	Mumbai	10 out of 10
14 <sup>th</sup> February,2009	Mumbai	9 out of 10

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted Committees of Directors to deal with matters and to monitor the activities falling within the terms of reference as follows:

### AUDIT COMMITTEE

#### Constitution of Audit Committee and its functions:

Your Company has an Audit Committee at the Board level which acts as a link between the Management, the Statutory and Internal Auditors and the Board of Directors and oversees the financial reporting process. The Committee presently comprises of four Non-Executive Directors, all of whom are Independent Directors. During the year, the Audit Committee met 6 times to deliberate on various matters and the details of the attendance by the Committee members are as follows:

<i>Name of Director</i>	<i>No. of Meetings</i>	
	<i>Held</i>	<i>Attended</i>
Mr. M. M. Bhagat	6	6
Mr. C. M. Maniar	6	6
Mr. E. B. Desai	6	6
Mr. N. J. Jhaveri	6	5

1. The Chairman of the Audit Committee, Mr. M.M. Bhagat was present at the last Annual General Meeting of your Company held on 19<sup>th</sup> September, 2008.
2. Mr. D. Bhattacharya, Managing Director and Mr. S. Talukdar – Group Executive President & CFO, the representative of the Statutory Auditor, Head of the Internal Audit are permanent invitees of the Audit Committee. The representative of the Cost Auditors are invited to the Audit Committee Meetings whenever matters relating to cost audit are considered.
3. Mr. Anil Malik, Company Secretary, acted as Secretary to the Committee.

#### The Audit Committee is endowed with the following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other independent professional advice.
4. To secure attendance of outsiders with relevant experience and expertise, if it considers necessary.

#### The role of the Committee includes the following:

1. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment of fees for any other services rendered by the statutory auditors.
4. Reviewing, with the management the annual financial statements before submission to the Board for approval, focussing primarily on :
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.

- c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any Related party transactions.
  - g. Qualifications in draft audit report.
5. Reviewing, with the management, the quarterly financial results before submission to the board for approval.
  6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  8. Discussion with internal auditors on any significant findings and follow up there on.
  9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  11. Looking into the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditor, if any.
  12. Reviewing the following information :
    - Management discussion and analysis of financial condition and results of operations;
    - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
    - Management letters / letters of internal control weaknesses issued by the statutory auditors;
    - Internal audit reports relating to internal control weaknesses;
    - The appointment, removal and terms of remuneration of the Chief internal auditor;
    - Risk Management Framework.
  13. Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act and other statutes, as amended from time to time.

## **SHAREHOLDER'S GRIEVANCES COMMITTEE**

The Company has an "Investor Grievance Committee" at the Board level to deal with various matters relating to redressal of shareholders and investor grievances, such as transfer and transmission of shares, issue of duplicate shares, non-receipt of dividend/notices/ Annual Reports, etc. In addition, the Committee looks into other issues including status of dematerialisation / rematerialisation of shares and debentures, systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.

The Composition of the Committee is as follows:

Mr. E. B. Desai - Chairman

Mr. C. M. Maniar - Member

During the year under review, the Committee met once to deliberate on various matters referred above. Details of attendance by Directors for the Committee meetings are as follows:

<b>Name of Director</b>	<b>No. of Meetings</b>	
	<b>Held</b>	<b>Attended</b>
Mr. E.B. Desai	1	1
Mr. C.M. Maniar	1	1

Mr. Anil Malik, Company Secretary, acts as Secretary to the Committee.

The Company's shares are compulsorily traded and delivered in the dematerialised form in all Stock Exchanges. To expedite the transfer in the physical segment, necessary authority has been delegated to certain officers, who are authorised to transfer up to 10,000 shares under one transfer deed.

Mr. Anil Malik, Company Secretary is Compliance Officer of the Company.

*Details of complaints received, disposed off and pending during the year, number of shares transferred during the year, time taken for effecting these transfers and the number of share transfers pending are furnished in the "Shareholder Information" section of this Annual Report.*

#### **Non Executive Directors' compensation and disclosure**

All fees/compensation including sitting fee paid to the non-executive directors of the Company are fixed by Board of Directors within the limits approved by the shareholders. Details of sitting fees/compensation paid including stock options, if any, to them are given at the respective places in the report.

#### **Remuneration of Directors and others**

Since the company has one Executive Director, your Company does not have a Remuneration Committee. The Board of Directors decides the remuneration of the Managing Director.

The Company has a system where all the directors or senior management of the Company are required to disclose all pecuniary relationship or transactions with the Company. No significant material transactions have been made with the Non- Executive Directors vis- a vis the Company during the year.

Besides sitting fees @ Rs. 5000/- per meeting of the Board or Committee thereof, the Company also pays Commission to the Non- Executive Directors.

For FY- 2008-09, the Board has approved payment of Rs.7.50 Crores (Previous Year Rs.9.84 Crores) as Commission to the Non- Executive Directors of the Company pursuant to the authority given by the shareholders at the Annual General Meeting held on 28<sup>th</sup> July, 2006 to pay commission, not exceeding 1% of the net profits of the Company, to the Non-Executive Directors of the Company. The Amount of Commission payable is determined after assigning weightage to attendance and the type of meeting.

Executive Director is paid remuneration within the limits envisaged under Schedule XIII of the Companies Act, 1956. The said remuneration payable is approved by the Board as well as the Shareholders of the Company.

**The details of Remuneration package, fees paid etc. to Directors for the year ended 31st March, 2009**

**(a) Paid to Non- executive Directors :**

Name of Director	Sitting Fees Paid	Commission payable	Total Payments Paid / Payable in 2008-09
	(In Rs.)	(Rs in Lacs)	(Rs in Lacs)
Mr. Kumar Mangalam Birla	35,000	678.92	679.27
Mrs. Rajashree Birla	25,000	27.63	27.88
Mr. E. B. Desai	1,35,000	9.80	11.15
Mr. A. K. Agarwala	90,000	4.05	4.95
Mr. M. M. Bhagat	70,000	8.82	9.52
Mr. C. M. Maniar	1,35,000	9.80	11.15
Mr. K. N. Bhandari	35,000	3.17	3.52
Mr. S. S. Kothari	5,000	0.40	0.45
Mr. N.J. Jhaveri	55,000	7.41	7.96

*Notes:*

1. No Director is related to any other Director on the Board, except Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are son & mother respectively.
2. Your Company has a policy of not advancing any loan to its Directors except to Executive Director in the course of normal employment.
3. The Company had obtained shareholders' approval for payment of commission to its Non-Executive Directors & Independent Directors, not exceeding 1% of net profit of the Company.
4. Stock Options were not granted to any Non-Executive Directors.

**(b) Paid to Executive Director**

Executive Director	Relationship with other Directors	Business relationship with the Company	Remuneration paid during 2008-09			
			All elements of remuneration package i.e. salary, benefits, bonuses, pension, etc.	Fixed component & performance linked incentives, alongwith performance criteria	Service contracts, notice period, severance fee	Stock option details, if any
Mr. D. Bhattacharya	None	Managing Director	Rs. 11,09,39,510	See note (a)	See note (b)	See Note (c)

- a) Mr. D. Bhattacharya was paid a sum of Rs. 3,60,00,000 towards performance bonus linked to achievement of targets.
- b) The appointment is subject to termination by three months notice in writing on either side. Mr. Bhattacharya has been re-appointed for a further period of 5 years w.e.f. 1st October, 2008. For revised terms of his remuneration, members' approval is being sought at the ensuing Annual General meeting. No severance fee is payable to the Managing Director.
- c) 2,70,100 stock options were granted on 23rd August, 2007 and 7,00,000 stock option were granted 25th January, 2008 at an exercise price of Rs.98.30 and Rs.150.10 respectively. 67,525 Options vested on 22nd August, 2008 were exercised by Mr. D. Bhattacharya.

**Employee Stock Option Scheme – 2006:**

In accordance with applicable SEBI Guidelines, ESOS Compensation Committee of the Board of Directors of the Company, on 23<sup>rd</sup> August, 2007 granted 1,940,250 stock options at a price of Rs. 98.30 per share (1<sup>st</sup> Tranche) and on 25<sup>th</sup> January, 2008 granted 1,033,140 stock options at a price of Rs. 150.10 per

share (2<sup>nd</sup> Tranche), to the eligible employees including Managing Director, Mr. D. Bhattacharya. Each option is convertible into one equity share of the Company upon vesting/exercise.

Details of Stock Options granted to Mr. D. Bhattacharya, Managing Director is as under:

Name of Director	1st Tranche			2nd Tranche		
	No. of Options Granted	Vesting Date / %	Exercise Period	No. of Options Granted	Vesting Date / %	Exercise Period
Mr. D. Bhattacharya	2,70,100	23.08.08 (25%)	Within 22.08.2013	7,00,000	25.01.09 (25%)	Within 24.01.2014
		23.08.09 (25%)	Within 22.08.2014		25.01.10 (25%)	Within 24.01.2015
		23.08.10 (25%)	Within 22.08.2015		25.01.11 (25%)	Within 24.01.2016
		23.08.11 (25%)	Within 22.08.2016		25.01.12 (25%)	Within 24.01.2017

All directors have disclosed their shareholding in the Company. None of the Directors are holding any debentures of the Company.

Details of shareholding of Directors as on March 31, 2009 is as follows:

Name of the Directors	Shares (Re.1 paid up)
Mr. Kumar Mangalam Birla	8,65,740
Mrs. Rajashree Birla	6,12,470
Mr. A.K. Agarwala	1,23,148
Mr. C. M. Maniar	47,565
Mr. E. B. Desai	2,74,128
Mr. M. M. Bhagat	5,000
Mr. S. S. Kothari	44,829
Mr. K. N. Bhandari	3,571
Mr. N. J. Jhaveri	5000
Mr. D. Bhattacharya	70,740

#### Code of Conduct.

Hindalco's Code of Conduct, as adopted by the Board of Directors, is applicable to all Directors, Senior management and employees of the Company. The Code is available on the Company's website.

For the year under review, all Directors and senior management personnel of the Company have confirmed their adherence to the provisions of the said Code.

Declaration as required under Clause 49 of the Listing Agreement

We hereby confirm that:

All Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31<sup>st</sup> March 2009.

Place: Mumbai

Dated the 30<sup>th</sup> Day of June, 2009.

D. Bhattacharya  
Managing Director

## **CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

As part of Aditya Birla Group, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company has a Code of Conduct for Prevention of Insider Trading in the Shares and Securities of the Company for its Directors and Designated employees. This Code of Conduct was amended during the year in line with the amended Securities and Exchange Board of India (SEBI) Regulations in this regard.

## **SUBSIDIARY COMPANIES**

Your Company does not have any material non-listed Indian Subsidiary Company. The Audit Committee reviews once in a year the financial statements and investments made by unlisted subsidiary companies. The minutes of the Board meeting as well as statements of all significant transactions of the unlisted subsidiary companies are placed before the Board of Directors for their review.

## **DISCLOSURES**

### **(A) Basis of related party transaction**

All the related party transactions are strictly done on arm's length basis. The Company places all the relevant details before the Audit Committee from time to time. Attention of the Members is drawn to the disclosures of transactions with the related parties set out in Notes of Accounts forming part of the Annual Report.

### **(B) Non-compliance /strictures/penalties imposed**

No non-compliance / strictures / penalties have been imposed on the Company by Stock Exchange(s) or the SEBI or any statutory authority on any matters related to capital markets during the last three years.

### **(C) Disclosure of Accounting treatment**

During the year, the Company has formulated a Scheme of financial restructuring to deal with various costs associated with its organic and inorganic growth plan. As per the Scheme of Arrangement under Sections 391 to 394 of the Companies Act 1956 ("the Scheme") between the Company and its Equity shareholders approved by the High Court of Judicature of Bombay, a separate reserve account titled as Business Reconstruction Reserve ("BRR") has been created by transferring balance standing to the credit of Securities Premium Account of the Company for adjustment of certain expenses as prescribed in the Scheme. Such adjustments being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to accounts in Standalone and Consolidated Annual Report.

### **(D) Risk Management**

Risk evaluation and management is an ongoing process within the Organisation. Your Company has comprehensive risk management policy and it is periodically reviewed by the Board of Directors. During the period under review, a detailed exercise on Risk Management was carried out covering the entire gamut of operation of the Company.

### **(E) Proceeds from public issues, right issues, preferential issues etc**

The Company discloses to the Audit Committee, the uses/applications of proceeds/funds raised from rights issue, preferential issue, etc., as part of quarterly review of financial results. The Company also places the Monitoring report submitted by the Monitoring Agency, on a half yearly basis, for review by the Audit Committee.

### **F) Management**

Management Discussion and Analysis Report is prepared in accordance with the requirements laid out in Clause 49 of the Listing Agreement and forms part of this Annual Report.



No material transaction has been entered into by the Company with the Promoters, Directors or the Management, their subsidiaries or relatives, etc., that may have a potential conflict with interests of the Company.

### **(G) Shareholders**

The Company has provided the details of new Directors and Directors seeking re-appointment in the Annual General Meeting notice attached with the Annual Report.

Quarterly Presentations on the Company results are available on the website of the Company ([www.hindalco.com](http://www.hindalco.com)) and the Aditya Birla Group website ([www.adityabirla.com](http://www.adityabirla.com)).

### **CEO/CFO CERTIFICATION**

*The Managing Director and the CFO have certified to the Board that :*

- (a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;*
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.**
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's code of conduct.*
- (c) They accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.*
- (d) They have indicated to the auditors and the Audit committee;
  - (i) significant changes in internal control during the year;*
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and*
  - (iii) instances of significant fraud of which they have become aware and the involvement therein, of an employee having a significant role in the company's internal control system.**

### **REPORT OF CORPORATE GOVERNANCE**

*A separate section on Corporate Governance forms part of the Annual Report. Certificate from the Statutory Auditors confirming compliance with all the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement of the Stock Exchanges in India forms part of this report.*

#### **Status of compliance of Non mandatory requirement**

1. The Company maintains a separate office for the Non-Executive Chairman. All necessary infrastructure and assistance are available to enable him discharge his responsibilities effectively.
2. Your Company does not have a Remuneration Committee. The Board of Directors fixes the remuneration of the Managing Director.
3. During the period under review, there is no audit qualification in the financial statement. The Company continues to adopt best practices to ensure unqualified financial statements.

4. During the duration of the Audit and Board Meetings, the management and the executive Director give extensive briefings to the Board members on the business model of the Company. The Company has also formed a Risk Management Board comprising of Directors and Executives of the Company which meets periodically to review Commodity and Foreign Exchange exposures of the Company.
5. All the Aditya Birla Group Companies have common "Corporate Principles & Code of Conduct", applicable to all the employees. Inter alia, it provides for mechanisms to enforce and report violations of the principles and the code.

## GENERAL BODY MEETINGS

Details of Annual General Meetings:

Location and time, where Annual General Meetings (AGMs) in the last three years were held:-

Year	AGM	Location	Date	Time
2007-08	AGM	Ravindra Natya Mandir	19 <sup>th</sup> September, 2008	3.30 p.m.
2006-07	AGM	Ravindra Natya Mandir	31 <sup>st</sup> July, 2007	3.30 p.m.
2005-06	AGM	Birla Matushri Sabhagar	28 <sup>th</sup> July, 2006	3.30 p.m.

In the last three years special resolution as set out in the respective notices for AGM's were passed by shareholders.

During the year three special resolutions were passed through postal ballot, details of which are as follows:

Resolution No. 1: Special Resolution for increase in the Authorised Share Capital from Rs.150 Crores to Rs. 200 Crores.

Resolution No. 2: Special Resolution for Alteration of the Capital Clause of the Memorandum of Association of the Company for increasing Authorised Share Capital from Rs. 150 Crores to Rs. 200 Crores.

Resolution No. 3: Special Resolution for Alteration of Article 4(i)(a) of the Articles of Association of the Company for increasing Authorised Share Capital from Rs. 150 Crores to Rs. 200 Crores.

### Procedure for postal ballot:

The postal ballot process was undertaken in accordance with the provision of Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot), Rules 2001.

Person who conducted the postal ballot exercise: Mr. Brijesh Mathur, a Practicing Chartered Accountant, Mumbai was appointed as the Scrutineer for conducting the postal ballot process.

### Details of Voting Pattern:

Particulars	Item No. 1	Item No. 2	Item No. 3
Number of valid postal ballot forms received.	6,709	6,709	6,709
Percentage Votes in favour of the Resolution.	99.99%	99.98%	99.98%
Percentage Votes against the Resolution.	0.01%	0.02%	0.02%
Number of invalid postal ballot forms received.	113	113	113

### Date of Declaration of results of postal ballot :

The Chairman announced the result of the postal ballot process on 6<sup>th</sup> August, 2008. All the statutory formalities relating to the change have been complied with.

## MEANS OF COMMUNICATION

Quarterly results:

### Newspaper in which normally Financial Results are published in:

Newspaper	Cities of Publication
Punya Nagari (Marathi)	Mumbai Edition only
Financial Express (English)	All editions
Navshakti (Marathi)	Mumbai Edition only
Free Press Journal	Mumbai Edition only

Any website, where displayed [www.hindalco.com](http://www.hindalco.com)  
[www.adityabirla.com](http://www.adityabirla.com)

Whether the Company Website displays

All official news releases : Yes

Presentation made to Institutional Investors/Analysts : Yes

Besides that, Annual report, Quarterly Results, Shareholding Pattern Statement etc. are posted on the Corporate Filing and Dissemination System as per the requirements of Clause 52 of the Listing Agreement.

### General Shareholder Information

Provided in the 'Shareholders Information' section of the Report and Accounts.

# SHAREHOLDER INFORMATION

1. Annual General Meeting
  - Date and Time : 18<sup>th</sup> September, 2009, at 3.30 p.m.
  - Venue : Ravindra Natya Mandir  
P. L. Deshpande Maharashtra  
Kala Academy, Prabhadevi  
Mumbai - 400 025.
2. Financial Year
  - Financial reporting for the quarter ending June 30, 2009 : End July, 2009
  - Financial reporting for the half year ending September 30, 2009 : End October, 2009
  - Financial reporting for the quarter ending December 31, 2009 : End January, 2010
  - Financial reporting for the year ending March 31, 2010 : End June, 2010
  - Annual General Meeting for the year ended March 31, 2010 : End September, 2010
3. Dates of Book Closure : 14<sup>th</sup> September, 2009 to  
18<sup>th</sup> September, 2009  
(Both days inclusive)
4. Dividend Payment Date : After 18<sup>th</sup> September, 2009
5. Registered Office : Century Bhavan, 3<sup>rd</sup> Floor,  
Dr. Annie Besant Road,  
Worli, Mumbai - 400 030.  
Tel: (91-22) 6662 6666  
Fax: (91-22) 2422 7586 / 24362516  
E-Mail: a.malik@adityabirla.com  
Website: www.adityabirla.com

## 6(a) Listing Details:

Equity Shares	Global Depository Receipts (GDRs)	Non-Convertible Debentures
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001	Societe de la Bourse de Luxembourg Societe Anonyme, RC B6222, B.P.165, L-2011, Luxembourg	National Stock Exchange of India Limited "Exchange Plaza", Bandra Kurla Complex Bandra (East), Mumbai 400 051.
National Stock Exchange of India Limited "Exchange Plaza", Bandra Kurla Complex Bandra (East), Mumbai 400 051.		

*Listing fees has been paid to all the stock exchanges as per their schedule.*

6(b) Overseas Depository for GDRs : J.P. Morgan Chase Bank  
60 Wall Street, New York, NY 10260  
Tel.: 1-302-552 0253 Fax: 1-302-552 0320

6(c) Domestic Custodian of GDRs : Citibank N.A.  
Custody Services, 77 Ramnord House,  
Dr. Annie Besant Road, Worli,  
Mumbai – 400 018  
Tel.: 91-22- 24921224/40296205  
Fax: 91-22-24978060/67/26532235

7. ISIN Fully paid up equity share: ISIN INE038A01020  
GDR : ISIN US4330641022 CUSIP No. 433064300

Stock Code:

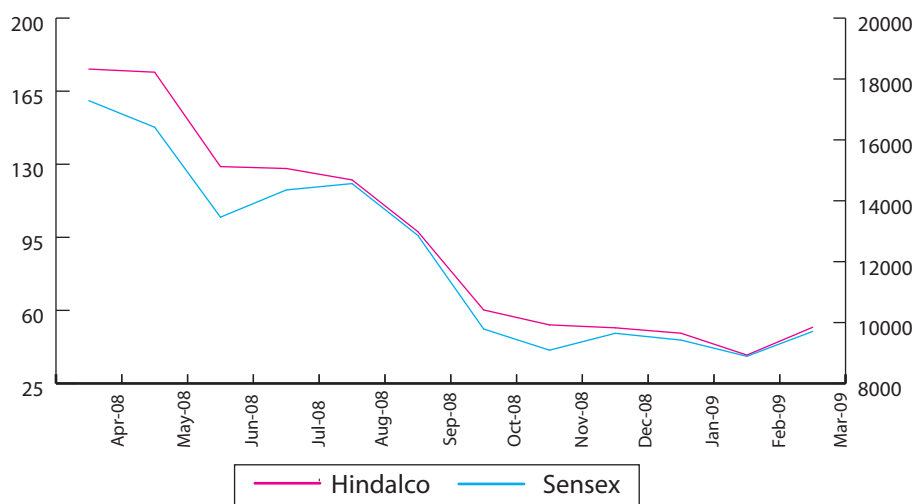
Stock Code	Scrip code
Bombay Stock Exchange	500440
National Stock Exchange	HINDALCO

Stock Exchange	Reuters	Bloomberg
Bombay Stock Exchange	HALC.BO	HN DL IN
National Stock Exchange	HALC.NS	NHNDL IN
Luxembourg Stock Exchange (GDRs)	(GDRs)	HD CD LI

## 8. Stock Price Data

	Bombay Stock Exchange				National Stock Exchange				Luxembourg Stock Exchange		
	High	Low (In Rs.)	Close	Volume (In Nos.)	High	Low (In Rs.)	Close	Volume (In Nos.)	High	Low (In US\$)	Close
<b>Apr-08</b>	182.65	149.18	175.58	12,532,538	182.20	139.84	175.80	41,036,248	4.84	4.12	4.80
<b>May-08</b>	187.14	152.00	174.08	22,040,356	187.18	152.00	174.40	81,922,692	4.79	4.18	4.59
<b>Jun-08</b>	175.53	125.20	128.87	15,635,220	174.89	125.56	129.05	49,832,653	4.40	3.29	3.29
<b>Jul-08</b>	145.01	120.16	127.96	20,182,971	145.01	120.25	128.19	60,492,377	3.63	3.14	3.31
<b>Aug-08</b>	133.68	113.36	122.50	16,979,434	133.22	114.50	122.40	65,511,441	3.46	2.82	2.82
<b>Sep-08</b>	127.50	94.00	97.70	13,305,121	128.80	90.00	98.25	64,628,928	2.83	2.08	2.08
<b>Oct-08</b>	99.90	38.05	60.20	89,299,497	100.00	38.00	60.50	246,090,116	2.13	0.81	1.21
<b>Nov-08</b>	68.75	47.25	53.05	71,665,759	68.80	47.00	52.95	173,611,936	1.32	1.02	1.06
<b>Dec-08</b>	58.75	48.05	51.65	72,416,539	58.75	48.10	51.40	147,038,432	1.18	1.00	1.06
<b>Jan-09</b>	60.95	41.85	49.05	45,240,637	60.95	41.85	48.95	108,732,665	1.17	0.89	1.00
<b>Feb-09</b>	49.80	38.05	38.60	31,881,893	49.85	37.00	38.60	80,782,709	0.94	0.74	0.74
<b>Mar-09</b>	55.65	36.90	51.90	47,085,212	55.75	36.75	52.05	148,398,391	1.07	0.71	0.99

## 9. Stock Performance



## 10. Stock Performance over the past few years:

	Absolute Returns (in %)			Annualised Returns (in %)			
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	
<b>Hindalco</b>	<b>(65.20)</b>	<b>(68.60)</b>	<b>(49.90)</b>	<b>Hindalco</b>	<b>(65.20)</b>	<b>(32.00)</b>	<b>(12.90)</b>
BSE Sensex	(37.94)	(13.93)	73.66	BSE Sensex	(37.94)	(4.88)	11.67
NSE Nifty	(36.19)	(11.22)	70.49	NSE Nifty	(36.19)	(3.89)	11.26

11. Registrar and Transfer Agents : The Company has in-house Investors Service Department Registered with SEBI as Category II Share Transfer Agent vide Registration no INR 000003910

### **Hindalco Industries Limited**

Ahura Centre, 1<sup>st</sup> floor, B Wing  
Mahakali Caves Road  
Andheri (East), Mumbai- 400 093.

Tel: (91-22) 6691 7000 /11/ 19

Fax: (91-22) 6691 7001

E-mail: hilinvestors@adityabirla.com

mahesh.bhomia@adityabirla.com

12. Share Transfer System : Share transfer in physical form are registered and returned within a period of 15 days of receipt, if the documents are clear in all respects. Officers of the Company have been authorized to approve transfers up to 10,000 Shares in physical form under one transfer deed and one Director of the Company has been authorized to approve the transfers exceeding 10,000 shares under one transfer deed.

The total number of shares transferred in the physical form during the year was 864,453.

Transfer period (in days)	2008-2009			2007-2008		
	No. of Transfers	No. of Shares	%	No. of Transfers	No. of Shares	%
1-10	834	520,738	56.63	1,526	682,073	65.14
11-15	406	214,495	27.56	535	159,422	22.83
16-20	110	64,810	7.46	136	334,592	5.80
21-30	123	64,410	8.35	146	65,876	6.23
<b>Total</b>	<b>1,473</b>	<b>864,453</b>	<b>100.00</b>	<b>2,343</b>	<b>1,241,963</b>	<b>100.00</b>

13. Investor Services :

a) Complaints received during the year

Nature of complaints	2008-2009		2007-2008	
	Received	Cleared	Received	Cleared
Relating to Transfers, Transmissions Dividend, Interest, Redemption, Demat – Remat, Rights Issue and Change of Address etc.	120	120	76	76

b) Shares pending for transfer as on 31st March, 2009 : Nil

14. Distribution of Shareholding of as on 31st March:

No. of equity Shares held	2009				2008			
	No. of Share Holders	% of Share Holders	No. of Shares held	% Share holding	No. of Share Holders	% of Share Holders	No. of Shares held	% Share holding
1-1000	404,237	92.64	65,980,811	3.88	310,817	92.69	46,116,881	3.76
1001-2000	14,326	3.42	20,917,727	1.23	10,748	3.20	15,482,104	1.26
2001-5000	9,745	2.33	31,068,983	1.83	7,920	2.36	25,278,276	2.06
5001-10000	3,661	0.87	25,917,559	1.52	3,129	0.93	21,997,788	1.79
10001-50000	2,497	0.60	48,154,900	2.83	2,168	0.65	41,331,549	3.37
50001-100000	221	0.05	15,468,306	0.91	200	0.06	13,617,026	1.11
100001 and above	377	0.09	1,492,762,521	87.80	355	0.11	1,063,306,568	86.65
<b>Total</b>	<b>435,064</b>	<b>100.00</b>	<b>1,700,270,807</b>	<b>100.00</b>	<b>335,337</b>	<b>100.00</b>	<b>1,227,130,192</b>	<b>100.00</b>

15. Dematerialisation of Shares and Liquidity : Around 96.5% of outstanding shares have been dematerialized. Trading in Hindalco Shares is permitted only in the dematerialized form from 5<sup>th</sup> April, 1999 as per notification issued by The Securities and Exchange Board of India.

16. Details on use of public funds obtained in 3 yrs : The Company raised Rs. 2,223.29 crores from Rights Issue in January, 2006. The issue was made to part finance various brownfield and Greenfield projects.

The proceeds of the Rights Issue aggregating to Rs. 2,223.29 crores have been utilized for the purpose of defraying issue related expenses of Rs. 36.60 Crores and Subscription to shares of a subsidiary company to the extent of Rs. 504.06 Crores. Further, in the Annual General Meeting held on 19<sup>th</sup> September, 2008 the shareholders of the Company have approved, under Section 61 of the Companies Act, 1956, utilization of the rights issue proceeds for the purpose of repayment of bridge loan taken for acquisition of Novelis Inc. and other general corporate purpose, in addition to the utilization of issue proceeds as discussed in the rights

issue letter of offer dated 25<sup>th</sup> November, 2005. The entire unspent amount of Rights Issue proceeds amounting to Rs.1682.63 Crores has been utilized for the purpose of repayment of bridge loan taken for acquisition of Novelis Inc.

The Company had raised Rs. 4,545 crores from the rights issue in October, 2008 of Re. 1 each at a premium of Rs. 95 per equity share. The objective of the rights issue was to fund part of the repayment of bridge loan availed by A.V. Minerals (Netherlands) B.V an overseas subsidiary of the Company for the acquisition of Novelis Inc, Canada. The fund raised has been utilized for the above envisaged purpose.

17. Outstanding GDR/ Warrants/Convertible Bonds : 17,26,95,679 GDR's are outstanding as on 31<sup>st</sup> March, 2009. Each GDR represents one underlying equity share.

18. Plant Locations:

Aluminium & Power	Copper	Chemicals	Sheets, Foil, Wheel, Packaging & Extrusions
<p><b>Renukoot Plant *</b> P.O. Renukoot -231217 Dist Sonbhadra Uttar Pradesh. Tel : (05446) 252077-9 Fax: (05446) 252107/426</p> <p><b>Renusagar Power Division</b> P. O. Renusagar Dist. Sonbhadra, Uttar Pradesh. Tel : (05446) 277161-3/ 278592-5 Fax: (05446) 277164/278596</p> <p><b>Alupuram Smelter</b> Alupuram P.B. No. 30 Kalamassery 683 104 Dist: Ernakulam, Kerala Tel: (0484) 2532441-48 Fax: (0484) 56525802</p> <p><b>Hirakud Smelter</b> Hirakud 768 016 Dist: Sambalpur Orissa Tel: (0663) 2481307/1452 Fax: (0663) 2481356</p> <p><b>Hirakud Power</b> Post Box No.12 Hirakud 768 016 Dist: Sambalpur, Orissa Tel: (0663) 2481307 Fax: (0663) 2481342/342/365</p>	<p><b>Birla Copper Division</b> P.O. Dahej, Lakhigam Dist. Bharuch – 392 130 Gujarat Tel: (02641) 256004-06, 251009 Fax: (02641) 251003</p>	<p><b>Muri Alumina</b> Post Chotamuri-835 101 Dist: Ranchi, Jharkhand Phone: (06522) 244253/334 Fax: (06522) 244342</p> <p><b>Belgaum Alumina</b> Village Yamanapur Belgaum 590 010 Karnataka Tel: (0831) 2472716 Fax: (0831) 2472728</p> <p><b>Mines</b> <b>Chandgad Mines</b> At Post: Chandgad 416509 Dist: Kolhapur Maharashtra Tel/Fax: (02320) 213342</p> <p><b>Durgmanwadi Mines</b> At Post Radhanagri Dist: Kolhapur, Maharashtra - 416 212 Tel: (02321) 2371008 Fax: (02321) 237478</p> <p><b>Lohardaga Mines</b> Dist: Lohardaga 835 302 Jharkhand Tel/ Fax: (06526) 224112</p> <p><b>Talabira Mines</b> Talabira-1, Coal Project Qrs. No. A6/1 Saraswati Vihar P.O. Sankarma Dist. Sambalpur, Orissa Tel: (0663) 2230573 Fax: (0663) 2541642</p> <p><b>Samari Mines</b> P.O.: Kusumi 497 222 Dist: Sarguja Chhattisgarh Tel/Fax: (07778) 274325</p>	<p><b>Foils &amp; Wheels Division</b> Village Khutli, Khanvel, Silvassa-396 230 U.T. of Dadra &amp; Nagar Haveli Tel: (0260) 2677021 - 4 Fax: (0260) 2677025</p> <p><b>Belur Sheet</b> 39, Grand Trunk Road Belurmath 711 202 Dist: Howrah, West Bengal Tel: (033) 2654 7210/12 Fax: (033) 2654 9982/5740</p> <p><b>Taloja Sheet</b> Plot 2, MIDC Industrial Area Taloja A.V., Dist : Raigad Navi Mumbai - 410 208 Maharashtra Tel: (022) 2741 2261 66292929 Fax: (022) 2741 2430/31</p> <p><b>Kalwa Foil</b> Thane Belapur Road Kalwa, Thane 400 605 Maharashtra Tel: (022) 25321141 Fax: (022) 25348798</p> <p><b>Alupuram Extrusions</b> Alupuram, P.B. No.30 Kalamassery - 683 104 Dist: Ernakulam, Kerala Tel: (0484) 2532441-48 Fax: (0484) 2532468</p> <p><b>Mouda Unit</b> Village Dahali Ramtek Road, Mouda Nagpur – 441 104 Tel: (07115) 660777/786</p> <p><b>Kollur Works</b> Village- Kollur Re Puram Mandal, Via Mutangi, Medak Dist Andhra Pradesh – 502 300 Tel: (08413) 234300 23420405 Fax: (08455) 288829</p>

\* Renukoot works has also manufacturing facilities of Chemicals, Sheets and Extrusions.



## 19. Investor Correspondence

: The Company Secretary  
Hindalco Industries Limited  
Century Bhavan, 3<sup>rd</sup> floor, Dr. Annie Besant Road,  
Worli, Mumbai - 400 030.  
Tel: (91-22) 6662 6666  
Fax: (91-22) 2422 7586 / 2436 2516  
Email: a.malik@adityabirla.com

20. Categories of Shareholding (as on 31<sup>st</sup> March) :

Category	2009				2008			
	No. of Share holders	% of Share holders	No. of Shares held	% Share holding	No. of Share holders	% of Share holders	No. of Shares held	% Share holding
Promoters	21	0.00	613,797,188	36.09	22	0.00	385,607,204	31.42
Mutual Funds & UTI	282	0.06	44,434,415	2.62	245	0.07	45,169,460	3.68
Banks/ Financial Institutions/Ins/Govt	119	0.04	272,124,529	16.00	110	0.04	140,374,786	11.44
FIs	234	0.05	175,416,190	10.33	234	0.07	160,070,447	13.04
Corporates	4,762	1.09	155,630,446	9.17	3,184	0.95	136,126,211	11.09
Individuals/(Shares in Transit)	422,098	97.03	223,048,405	13.11	3,24,328	96.72	172,689,596	14.07
NRIs/ OCBs	7,547	1.73	43,123,955	2.53	7213	2.15	52,369,306	4.28
GDRs	1	0.00	1,72,695,679	10.15	1	0.00	134,723,182	10.98
<b>Total</b>	<b>435,064</b>	<b>100.00</b>	<b>1,700,270,807</b>	<b>100.00</b>	<b>335,337</b>	<b>100.00</b>	<b>1,227,130,192</b>	<b>100.00</b>

## 21. Per share data:

	2008-09	2007-08	2006-07	2005-06	2004-05
Net Earnings (Rs. in Crores)	2,230	2,861	2,564	1,656	1,329
Cash Earnings (Rs. in Crores)	2,875	3,449	3,202	2,177	1,792
EPS (Rs.)	14.82	22.23	25.52	16.79	13.48
CEPS (Rs.)	19.10	26.80	31.87	22.07	18.18
Dividend per share (Rs.)	1.35@	1.85	1.70	2.20	2.00
Dividend pay out (%)	12.0@	9.3	7.9	14.9	16.0
Book Value per share (Rs.)	139.73	142.09	118.97	97.40	82.54
Price to earning (x)*	3.5	7.4	5.1	10.9	9.0
Price to cash earning (x)*	2.7	6.2	4.1	8.3	6.7
Price to Book Value (x)*	0.4	1.2	1.1	1.9	1.6

\*Stock Prices as on 31<sup>st</sup> March.

@ Proposed dividend

## 22. OTHER USEFUL INFORMATION FOR SHAREHOLDERS

Shareholders who have not yet encashed their dividend warrants for the years 2002-2003 to 2007-2008 may approach the Company for revalidation / issue of duplicate dividend warrant quoting reference of their Ledger Folio numbers / DP & Client ID.

Shareholders of 6% Cumulative Redeemable Preference Shares who have not yet encashed their dividend warrants for the years 2007-2008, 2008-2009 and Redemption warrant may approach the Company for revalidation / issue of duplicate dividend warrant quoting reference of their Ledger Folio numbers / DP & Client ID.

22.1 In terms of Section 205A of the Companies Act 1956, unclaimed equity dividend for the financial year(s) up to 1994-95 has been transferred to the General Revenue Account of the Central Government. Shareholders who have so far not claimed or collected their dividend for the said financial year(s), may claim the same from the Registrar of Companies - Maharashtra by submitting an application in the prescribed form.

22.2 The Unclaimed dividend for the financial year 1995-96 has been transferred by the Company to the Investor Education & Protection Fund constituted by the Central Government under Section 205A & 205C of the Companies Act, 1956.

Shareholders are advised that dividends for the financial year ended 2002-2003 onwards which remains unpaid/unclaimed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205A & 205C of the Companies Act, 1956. Shareholders who have not claimed the dividend for this period are requested to lodge their claim with the Company, as under the amended provisions of Section 205B of the Act, no claim shall lay for the unclaimed dividends from IEPF by the Members.

As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978, the then IGCL has transferred all unclaimed dividend up to FY 1994-95 to the General Revenue Account of the Central Government. Members who have so far not claimed or collected their dividend for the said financial year(s), may claim the same from the Registrar of Companies, Uttar Pradesh, Westcott Building, The Mall, Kanpur-208 001 (U.P.) by submitting an application in the prescribed form.

Upon effectiveness of the Scheme of Arrangement under the Companies Act, 1956 between Indian Aluminium Company, Limited (Indal) and Hindalco Industries Limited (Hindalco) all unpaid dividend amounts of the then Indal for FY 2000-01 and FY2001-02 have been taken over by the Company.

As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978, the then Indal has transferred all unclaimed dividend up to FY 1994-95 to the General Revenue Account of the Central Government. Members who have so far not claimed or collected their dividend for the said financial year(s), may claim the same from the Registrar of Companies, West Bengal, Nizam Palace, 234/4, A J C Bose Road, Kolkata 700 020 by submitting an application in the prescribed form.

In case of any query contact –

Investor Service Department  
Hindalco Industries limited  
1, Prafulla Chandra Sen Sarani  
Kolkata 700 071  
Tel.: (033) 2281 2534  
Email ID: hilinvestor@adityabirla.com

### 22.3 ECS Facility

The Company is providing facility of “*Electronic Clearing Service*” (ECS) for payment of dividend to shareholders residing in selected cities. Shareholders holding shares in physical form are requested to provide details of their bank account for availing ECS facility. However, if the shares are held in dematerialised form, the ECS mandate has to be communicated to the respective Depository Participant (DP). Changes, if any, in the details furnished earlier may also be communicated to the Company or DP, as the case may be.

## 23. INVESTOR SERVICES

- 23.1 Equity Shares of the Company are under compulsory demat trading by all investors, with effect from 5<sup>th</sup> April, 1999. Considering the advantages of scrip less trading, shareholders are requested to consider dematerialisation of their shareholding so as to avoid inconvenience in future.
- 23.2 Shareholders/Beneficial Owners are requested to quote their Folio No./DP & Client ID Nos., as the case may be, in all correspondence with the Company. All correspondences regarding shares & debentures of the Company should be addressed to the Investor Service Department of the Company at Ahura Centre, 1<sup>st</sup> Floor, ‘B’ Wing, Mahakali Caves Road, Andheri (East), Mumbai - 400 093 and not to any other office(s) of the Company.
- 23.3 Shareholders holding shares in physical form are requested to notify to the Company, change in their address/Pin Code number and Bank Account details promptly by written request under the signatures of sole / first joint holder. Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc. directly to their DP.
- 23.4 To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account Details (if not provided earlier) to the Company (if shares are held in physical form) or to DP (if shares are held in demat form), as the case may be, for printing of the same on their dividend warrants.
- 23.5 Non-resident members are requested to immediately notify:-
- change in their residential status on return to India for permanent settlement;
  - Particulars of their NRE Bank Account with a bank in India, if not furnished earlier.
- 23.6 In case of loss/misplacement of share certificate, investors should immediately lodge a FIR/ Complaint with the police and inform to Company along with original or certified copy of FIR/acknowledged copy of the complaint.
- 23.7 For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. wherever applicable registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
- Further, please note that Securities and Exchange Board of India (SEBI), vide its Circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009, has made it mandatory for the transferee(s) to furnish the copy of the PAN Card to the Company for registration of physical transfer of shares.
- Investors, therefore, are requested to furnish the self-attested copy of PAN card, at the time of sending the physical share certificate(s) for transfer, to the Company.
- 23.8 Shareholders are requested to keep record of their specimen signature before lodgment of shares with the Company to obviate possibility of difference in signature at a later date.
- 23.9 Shareholders(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificates in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.

23.10 Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in companies. Shareholders, in particular those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Nomination Form.

23.11 Shareholders are requested to give us their valuable suggestions for improvement of our investor services.

23.12 Shareholders are requested to quote their E-mail Ids, Telephone/Fax numbers for prompt reply to their communication.

#### 24. INFORMATION FOR DEBENTURE HOLDERS

Interest Payment Date	Frequency of Interest payment	% of Interest & Series No.	ISIN No.	Date of Maturity	Face Value per Deb. (in Rs.)	Name & Address of Debenture Trustee
6 <sup>th</sup> Sept.	Annually	6.5% (Series 2004 - I)	INE038A07209	06-Sep-09	10 Lacs	State Bank of India, New Issues & Securities Service Division, Mumbai Main Branch, Mumbai Samachar Marg, Fort, Mumbai – 400 023. ("SBI")
15 <sup>th</sup> Sept.	Annually	6.39% Series	INE038A07225	15-Sep-09	1 Crore	

# ENVIRONMENT REPORT

We, as a Group, are committed to sustainable development, to meet the needs of the present without in any way jeopardizing the welfare of future generations. Our business strategies consciously factor environment conservation as a major principle. Your Company is continually looking for new ways to preserve the environment and manage resources responsibly.

All of your Company's plants and mines adopt clean technologies and processes that combine both economic progress and sustainable environment. Among these are the integrated Aluminium and Copper complexes at Renukoot, Hirakud and Dahej, the Alumina Plants at Belur, Taloja, Mouda, the Smelter Power complex at Hirakud, the Sheet Rolling plants at Belur, Taloja, Mouda, the Foil Plants at Kalwa, Kollur and Silvassa, the Extrusions Plant at Alupuram and Alloy Wheels facility at Silvassa, as also the Company's Bauxite and Coal Mines in Chattisgarh, Jharkhand and Maharashtra.

At most of your Company's plants, ISO 9001, ISO-14001 and OHSAS-18001 have been combined into the Integrated Management System (IMS).

State-of-the-art automated industrial and domestic effluent plants operate across all of your Company's manufacturing units. The treated effluent and treated domestic water is used for horticulture and irrigation.

A detailed environmental monitoring is conducted by government approved auditors for auditing quality of air, water and solid waste. After exhaustive monitoring and verification of various documents, auditors confirmed the compliance of various statutory norms by the unit. Hindalco does not just operate well within the regulatory standards and norms, but strives to go far beyond it. Hindalco has proactively complied with "Corporate Responsibility for Environment Protection" requirements of MOEF. Your Company continues to make substantive investments towards environment protection. Till date these are in excess of Rs. 62,648.86 lacs and Rs.12,616.61 lacs are in the pipeline at Renukoot and Renusagar.

As part of its efforts for the development of new environment improvement projects on a sustainable basis, Hindalco has taken a number of initiatives. These include capacity addition in old plants within the existing land, reduction in water requirement by upgrading processes, treating wastewater efficiently and recycling/reusing of treated streams, improvement in energy utilisation and conservation through more efficient combustion of fuels, technology upgradation and applying best practices across production circuits.

At Renukoot, an extensive audit was conducted by DNV Auditors at the Power Plant, Mines and the integrated Aluminium complex for re-certification and certification of all three Management System (ISO-14001, OHSAS-18001 and ISO-9001) resulting in their accreditation for all three systems (IMS).

Your Company utilizes all solid wastes in an environment friendly manner such as dry disposal and stacking of Red Mud, recycling of Spent Pot Lining to produce cryolite, and using ETP sludge as a soil conditioner for plantation. The STP sludge is used as manure in the Company's horticulture activities. Dry ash disposal is operational in all our boilers at Renukoot and Renusagar. Hundred per cent of the fly ash

## SECURING THE FUTURE



PROTECTING THE ENVIRONMENT IS CENTRAL TO OUR BUSINESS

**OUR ACHIEVEMENTS**  
Consistently  
winning  
National  
Awards for  
Energy  
Conservation  
Environment  
Management  
and Safety



generated is being given to cement industries, and these units are also working on supplying fly ash in Nepal by Railway rake from Renusagar power plant. At Birla Copper too, granulated slag and fly ash is used as construction material including road construction, and is provided to the brick manufacturers as per the directives of Ministry of Environment and Forests.

Your Company has completed conversion of all HSS pots to PFPB technology at the Hirakud Smelter, leading to a remarkable reduction in fluoride emission and Green House Gas (GHG) emission per ton of aluminium produced. For your Company, the basis of environment conservation is captured in three words – “Reduce, Reuse and Recycle”.

During the year, several steps were taken by your Company to reduce fresh water consumption at the units. At the Hirakud Smelter, a state-of-the-art Effluent Treatment Plant has been put up, by which the entire treated water is being recycled back in the process leading to substantial reduction in fresh water consumption. The plant is first of its kind in the aluminium industry in the country.

The Belgaum unit has taken up a project for comprehensive effluent management that includes construction of a new effluent holding pond, a process ETP, a rain water harvesting pond and a Reverse Osmosis Plant. The Muri unit too has taken steps to maximize effluent recycling and achieve zero discharge during dry weather, aimed at reducing water consumption substantially.

A unique waste exchange programme between Belgaum Alumina refinery and Alupuram Extrusion unit, located more than 1,500 kms away has been established. The Alupuram Extrusion generates spent caustic as a waste, which is being used by the Belgaum Alumina refinery as one of the raw materials. The exchange started working after all regulatory clearances were obtained by both the units. This has helped

the Alupuram extrusion unit to dispose its waste safely, and at the same time, recover the valuable resource in the waste as a raw material for the Belgaum Alumina refinery.

Hindalco's units at Alupuram and Hirakud have taken initiatives to develop an economical process for pre-treatment and co-incineration of Spent Potlining (SPL), a waste generated in the Aluminium smelter in cement and steel industry. This is expected to help our current smelters and proposed greenfield aluminium projects in sustainable reuse of this waste.

At Birla Copper, about 2,92,000 trees give a green look to our smelter complex, which is watered mainly with treated effluent from the ETP and treated sewage from the Sewage Treatment Plant. Phosphogypsum is being used as an additive in cement manufacturing as well as a soil conditioner. Its usage in the green belt of Birla Copper has shown encouraging results.

Environmental monitoring is the main thrust of Birla Copper. A separate Environment Management division has been set up with a dedicated Environmental laboratory. Apart from this, online analyzers are installed in the plants at several locations. Efforts are made not only to control and monitor emission quality at source, but a constant check for ambient air quality is kept by setting up four permanent stations in and around the smelter complex.

India is a signatory to the Kyoto protocol on Green House Gas (GHG) reduction. Your Company has welcomed the opportunity to gain additional value from reduction in GHG emission in its conversion cum expansion project at Hirakud Smelter. Its project has received the Host Country Approval and is in an advanced validation stage. Once completed, a registration request to UNFCCC and verification of Certified Emission Reduction (CER) for trading in the international carbon market will follow. This CDM project is first of its kind in the Aluminium Industry in the world.

In recognition of its efforts in environment protection Hindalco, Renukoot has bagged various prestigious awards during the year including the Gold Award in Metal and Mining Sector for outstanding achievement in Environment Management for the year 2008, CII National Award on Excellence in Water Management, 2008 and the Greentech Gold Award for outstanding safety performance 2008.

Hirakud Power bagged the First Prize for Best Practices in Environment, Safety and Health (ESH) for the year 2008 from CII – Eastern Region, Orissa. Muri Unit received the GreenTech Silver Award – 2008 for Excellence in Environment Management.

Our endeavours to be as eco-efficient as possible are unrelenting.

# SOCIAL REPORT

“India lives in its villages” was what Mahatma Gandhi had said, early in the 20th century. Today, in the 62nd year of our independence 70% of our 1 billion plus people continue to live in over 6 lakh villages in the hinterland of our country.

Much progress has been made to ensure that villagers live a life of dignity. Much more needs to be done. In thousands of hamlets, poverty still stalks them.

We endeavour to mitigate it in our own small way. Under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, our focus has been and continues to be largely in rural development.

Our Centre is led by Mrs. Rajashree Birla, your Director.

Here is a snapshot of your Company’s work:

## WINNING SMILES... TOUCHING HEARTS



### FULFILLING SOCIETAL NEEDS THROUGH SUSTAINABLE DEVELOPMENT

**Across India, in over 570 villages, Hindalco fulfils its Corporate Social Responsibility**

**Winner of:**

**The CII National Award for Water Management**

**The Asian Corporate Social Responsibility Award**

**FICCI-SEDF Social Responsiveness Award**





### **Health Care:**

- Reached out to 2,96,000 villagers at the 1,534 rural medical camps organized for general health check-ups and 37,108 villagers in the remotest areas through our rural mobile medical van services.
- Over 4,35,000 patients were treated at the Company's hospitals.
- At the eye camps conducted by us, 2,089 villagers underwent cataract surgeries and intra ocular lenses were fitted.
- At the medical camps conducted for the physically challenged, 32 people were provided with artificial limbs fitment and 72 persons underwent reconstructive surgery.
- Programmes organized on HIV / AIDS awareness reached out to 26,306 adults.
- 627 patients were diagnosed and treated for tuberculosis.

### **Mother and Child Care:**

- We immunized 8,04,697 children against polio.
- More than 55,516 women took advantage of the anti-natal, post-natal, mass immunization, nutrition and escort services for institutional delivery as part of the Reproductive and Child Health programmes.
- As a result of our intensive motivation drives towards responsible family raising, 18,636 villagers opted for planned families.
- Awareness camps on sexually transmitted diseases (STD) were attended by more than 20,340 people, of which, 8,756 women were treated for STD and reproductive tract infections.

### **Education:**

- Over 15,049 children have been enlisted at our Balwadis.
- To encourage the spirit of excellence, 3,832 students from the adopted rural schools were awarded scholarships.
- Over 4,438 men and women were reached out to through our adult literacy classes.
- More than 35,934 children were supported by us in various Government schools through educational aids such as school bags, books, stationery and utensils for mid-day meal.
- Career counseling programmes and training in different trades has benefited 6,843 students.

### **Sustainable Livelihood:**

- Self-employment opportunities were created for 10,613 youth.
- At the Aditya Birla Rural Technology Park, more than 253 programmes were conducted on repair and maintenance of diesel pump sets, electronic goods, hand pumps, bags, rope making, tailoring and knitting.
- To boost agricultural productivity and help farmers reap a rich harvest, various exposure trips and training programmes were conducted on issues such as high yielding variety seeds, organic farming, vermicompost, integrated pest management, post harvest technology and fodder management, benefiting 21,579 farmers.

- Watershed development projects ensure optimal use of land and water resources. The projects include installation of lift irrigation projects, construction of check dams, water channels and digging of wells. These projects have benefited 16,498 farmers.

**Women Self Help Groups:**

- Over 1,695 Self Help Groups have enabled the empowerment of 22,218 women who are now engaged in a series of income generating activities. These women have taken to tailoring, weaving, knitting, crafting bamboo baskets, mushroom cultivation, making pickles and spices, running grocery stores, among other activities.

**Infrastructure Development:**

- On-going community support in the form of better roads, potable water systems, biogas plants, building of community centres, animal sheds, construction of dry toilets, provision of street lights and electricity, subsidizing houses, reach out to over 1,46,157 people.
- Panchayat meeting halls, school buildings and community halls have also been maintained by your Company.
- Of the 105 villages that we have committed for conversion into model villages, 17 have been already transformed this year.

Our Board of Directors, our Management and all of our employees subscribe to the philosophy of compassionate care and to the upliftment of our rural societies.

---

# DIRECTORS' REPORT TO THE SHAREHOLDERS

---

## **Dear Shareholders,**

Your Directors are pleased to present the 50th Annual Report along with the Audited Annual Accounts for the year ended 31st March, 2009.

As all of you are aware this financial year has witnessed an unforeseen economic crisis, however your Company has not only successfully navigated through this economic turbulence but also has achieved many milestones, some of which are:

1. Takeout financing of Novelis debt in adverse market conditions.
2. Increase in Hot metal production by around 10%.

## **Financial Performance**

Your Company's Consolidated Revenues crossed 14.3 USD billion mark during the year. The Consolidated EBIDTA was at USD 1.3 billion i.e. Rs. 6,046 Crores before adjusting non cash unrealised derivative loss of Rs. 2,381 crores at Novelis.

The Company's performance has been adversely affected by the global economic environment. In Aluminium business, the lower LME and spiraling input costs squeezed the margin, coupled with the shrinkage in the domestic demand for value added products which have better margins. This in turn reduced the gains from a weaker rupee, while Copper business was impacted by lower TcRc.

## **Standalone Results**

The Company has posted a Net Profit of Rs. 2,230.27 crores for the year ended March 31, 2009 as compared to Rs. 2,860.94 crores for the year ended March 31, 2008. Total Income has decreased from Rs. 19,693.97 crores for the year ended March 31, 2008 to Rs. 18,856.30 crores for the year ended March 31, 2009.

## **Consolidated Results**

The Group has posted a Net Profit of Rs. 485.31 crores for the year ended March 31, 2009 as compared to Rs. 2,193.32 crores for the year ended March 31, 2008. Total Income has increased from Rs. 60,668.86 crores for the year ended March 31, 2008 to Rs. 66,312.98 crores for the year ended March 31, 2009.

The result includes a non-cash unrealized derivative loss of around Rs. 2,381 crores (USD 519 Million) which was only Rs. 12 crores (USD 3 Million) last year. These derivatives are used to hedge exposures to aluminum, primarily related to customer fixed-price contracts, other commodities and currency.

The magnitude of the mark-to-market loss on the company's derivative portfolio primarily reflects the dramatic downward movement in the LME price of aluminum.

(Rs. in Crores)

Financial Results for the year ended	Standalone		Consolidated	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Net Sales and Operating Revenues	18,219.65	19,201.03	65,625.15	60,012.83
Profit before Tax	2,690.32	3,025.61	(604.92)	2,953.74
Provision for Current Tax	478.11	606.36	872.53	973.87
Provision for Deferred Tax	121.40	87.58	(1,689.36)	202.74
Provision for Fringe Benefit Tax	11.37	11.40	12.19	12.26
Tax adjustment for earlier years (Net)	(150.83)	(540.67)	(149.11)	(548.09)
Profit before Minority Interest	2,230.27	2,860.94	348.83	2,312.96
Minority Interest	-	-	(171.78)	219.43
Share in (Profit)/ Loss of Associates (Net)	-	-	35.30	(99.79)
Net Profit	2,230.27	2,860.94	485.31	2,193.32
<b>Appropriations:</b>				
Debenture Redemption Reserve	5.00	5.00	5.00	5.00
Capital Reserve	-	-	1.50	-
Capital Redemption Reserve	0.41	-	0.41	-
Special Reserve	-	-	0.92	0.94
Dividend on Preference Shares	0.02	0.02	0.02	0.02
Dividend Tax on Preference Shares	0.01	0.01	0.01	0.01
Proposed Dividend on Equity Shares	229.58	226.89	231.16	228.48
Tax on Proposed Dividend	39.02	38.56	39.61	39.16
Transfer to General Reserve	1,956.23	2,561.07	1,958.55	2,562.90

### Dividend

The Directors have recommended a dividend of Rs.1.35 per share (last year Rs. 1.85 per share). This will be paid in line with the applicable regulations. The total outgo including tax on dividend would be Rs. 268.60 crore (Last Year: Rs. 265.45 crore). The confirmation of the members' shall be sought during the ensuing Annual General Meeting.

### Growth plans underway in Aluminium

Your Company is aggressively pursuing various brownfield and greenfield growth opportunities in Aluminium as described below:

#### Brownfield Expansion projects

##### Hirakud

The Phase II of the expansion of smelting capacity from 100,000 tpa to 143,000 tpa was completed on time. Its expansion to 155 KTPA is at an advanced stage and will be completed by Aug- 09. The power generation capacity has been raised from 267.5 MW to 367.5 MW. All the units have been commissioned. The Smelter expansion from 155 KTPA to 206.6 KTPA has also begun and will be commissioned in FY12. It will use advanced pot technology of 235 KA with prebaked anodes and will need an additional 100 MW power plant.

##### Belgaum

The specials alumina production from Belgaum will be ramped up to 316 KTPA from 138 KTPA. On completion, this project will catapult Hindalco to one of the largest specials alumina producer in the

world. A cogen power plant (steam and power production) and a railway siding facility etc. are also being taken up as a part of the project, it will reduce the cost of production substantially. This is expected to be completed by end 2011.

### **Greenfield Projects**

**Utkal Alumina** is an Alumina refinery coming up in Raygada, Orissa. The project consists of 1.5 million tpa refinery, with a 90 MW Cogen plant and 2 million TPA Bauxite mining facility. The construction of the refinery is currently in full swing. All the land required for the project has been acquired. Around 70% of the project cost has already been committed. The mechanical completion of the plant is expected by January 2011 and the first alumina is slated for production around July 2011.

**The Mahan Aluminium**, Project coming up in Bargwan, MP, will have a smelter capacity of 359,000 TPA and a captive 900 MW Power Plant (6 x 150 MW). The land acquisition for the project will be completed in Q2 FY10. All the major clearances have been obtained. Major orders have been placed for both the smelter and the power plant. BHEL has been given the order for the Boiler – Turbine – Generator packages for the Power Plant. Orders for Cranes, Cathode Blocks, Rectifiers and Substation for the Smelter have also been placed. Nearly 40% of the total project cost has been committed so far. The first metal from the smelter would roll out by July 2011.

**Aditya Aluminium**, is an integrated Aluminium project coming up in Orissa, with a 1.5 million tpa alumina refinery, 359,000 TPA Aluminium smelter, and 900 MW captive power plant. A large portion of the land required for the project has been acquired. Forest clearance for the rest of the land is under progress. Key clearances have been obtained. As is in the case of Mahan, a number of major orders have been placed for the smelter and power plant. The first metal from the smelter is slated for October 2011. The refinery should be mechanically completed by June 2013.

**Jharkhand Aluminium** is an Aluminum smelter coming up in Sonahatu, Jharkhand, with a capacity of 359,000 TPA. A 900 MW captive power plant will also be a part of the project. The plant will be located in Sonahatu which is 20 kilometers from Muri and 55 kilometers from Ranchi. The land acquisition process has already started. The Government of Jharkhand has given the water allocation clearance for 55 mcm of water from the Subernrekha basin. The Tubed coal mine has been allotted jointly with Tata Power. The first metal from the smelter is expected by June 2013.

### **Finance**

#### **Issue and utilisation of Right issue proceeds**

As mentioned in the previous report, in Feb-06, the Company has raised Rs. 2,223 crores by way of Right issue and the money was raised in three tranches, Application money (25%), by way of 1<sup>st</sup> call (25%) and by way of final call (50%).

In the Annual General Meeting held on 19th September, 2008 the shareholders of the Company have approved, under Section 61 of the Companies Act, 1956, utilization of the previous rights issue (of January, 2006) proceeds for the purpose of repayment of bridge loan of US\$ 3.03 billion taken for acquisition of Novelis Inc. and other general corporate purpose, in addition to the utilization of issue proceeds as discussed in the rights issue letter of offer dated 25th November, 2005. Accordingly, the balance amount of Rs. 1,682.63 crores has been utilised to repay the bridge loan in November, 2008.

As per the SEBI (Disclosure & Investor Protection) Guidelines, 2000, Audit Committee of the Company has reviewed the half yearly Monitoring Report for the period ended 31st December, 2008 prepared by the Monitoring Agency i.e IDBI.

#### **Preference Shares**

The Company has allotted 20,32,734 Preference Shares of Rs.2/- each to the Shareholders of Indal as per the Scheme of Amalgamation between the Company and Indal. The said Preference Shares are entitled to fixed dividend @ 6% per annum. As per the terms of the issuance of the Preference Shares, these Preference Shares were due for redemption on 1.4.2009. Accordingly, 20,32,734 Preference Shareholders has been redeemed and paid Dividend @ 6% on 01.04.2009.

### **Fresh Right Issue**

The Company had issued equity shares of Re. 1 each on rights basis at a price of Rs. 96 per share in the ratio of 3:7 in September, 2008 aggregating to 525,802,403 shares. Against a total amount receivable of Rs. 5,047.70 crores, the Company has received Rs. 4,545 crores against which 473,398,534 equity shares have been allotted on fully paid-up on 23rd October, 2008. Out of this amount received, an amount of Rs. 124.90 crores has been spent on related expenses of the rights issue and the balance amount has been utilized to repay the bridge loan taken for acquisition of Novelis.

### **USD Loan in AV Minerals**

The Company has reached an agreement and received lenders consent on revised terms including covenant relaxations relating to USD 982 million bank loan. The new terms allow the Company significant flexibility to plan its future business and pursue its capital expenditure aspirations going forward. Under the new agreement, banks have agreed to waive requirement to test covenants on consolidated financials.

### **Preferential Issue**

With reference to the allotment of 80,000,000 Warrants made by the Company on April 11, 2007 on a preferential basis to IGH Holdings Pvt. Ltd. in pursuance of the approval accorded by the Members of the Company at the EGM held on February 25, 2007 and in respect of which in principle approval was granted by the Stock Exchanges. The holder of each warrant was entitled to apply for and obtain allotment of one Equity Share against each Warrant at the rate of Rs. 173.87 per share. The Company had received Rs. 17.387 against each Warrant on April 11, 2007.

As per the provisions of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, the Warrant Holder can exercise the right for conversion of Warrant into Equity Shares within 18 months from the date of the allotment i.e. within 18 months from April 11, 2007 by paying the balance amount.

IGH Holdings Pvt. Ltd. has not exercised its right for conversion of the Warrants into shares within the time stipulated under the preferential guidelines. Accordingly, the aforesaid Warrants now stands lapsed.

### **Scheme of Arrangement**

The Company has formulated a scheme of financial restructuring to deal with various costs associated with its organic and inorganic growth plan. The recent economic downturn particularly in the commodity space is also expected to result in impairment / diminution in value of certain assets/ investments. The Board of Directors of the Company at its meeting held on 14th February, 2009 had approved said Scheme of Arrangement. Accordingly, as per the Scheme of Arrangement under Sections 391 to 394 of the Companies Act 1956 ("the Scheme") between the Company and its equity shareholders approved by the High Court of Judicature of Bombay, a separate reserve account titled as Business Reconstruction Reserve ("BRR") has been created by transferring balance standing to the credit of Securities Premium Account of the Company for adjustment of certain expenses as prescribed therein. Accordingly, Rs. 8,647 crores has been transferred to BRR and Rs. 67 crores in standalone accounts and Rs. 4,617 crores in Consolidated accounts have been adjusted against the same as per the Scheme during the year.

### **Consolidated Financial Statements**

In accordance with Accounting Standards 21, 23 and 27 issued by the Institute of Chartered Accountants of India, your Company is presenting its consolidated financial statements. These Consolidated Financial Statements form part of the Annual Report.

### **Management and Discussion Analysis Report**

The Management & Discussion Analysis Report forming part of Directors' Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s) forms part of Annual Report. The report provides the strategic direction and a more detailed analysis on the performance of individual businesses and their outlook.

## **Corporate Governance**

Your Directors reaffirm their commitment to the corporate governance standards as prescribed by the Securities and Exchange Board of India (SEBI). A separate section on Corporate Governance together with a certificate from the Auditors of the Company regarding full compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchange(s) forms part of Annual Report.

## **Directors' Responsibility Statement**

Your Directors affirm that the audited accounts containing financial statements for the financial year 2008-09 are in full conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These statements are audited by the statutory auditors M/s. Singhi & Co.

Your Directors further confirm that:

- 1) In the presentation of the Annual Accounts, applicable Accounting Standards have been followed. However, the deviation from the accounting standard has been carried out with reference to the Scheme of arrangement explained earlier, which is as per the court approved scheme. Refer Note to Accounts for details of the same.
- 2) That the accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year.
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 4) The Directors have prepared the Annual Accounts on a going concern basis.

Your Company's internal Auditors have conducted periodic audits to provide reasonable assurance that established policies and procedures have been followed.

## **Subsidiaries / Joint Venture**

The Company has invested a total amount of Rs. 12,933.09 crores as on 31 March, 2009 in A V Minerals (Netherlands) B.V. Out of this, Rs. 1,911.43 crores (equivalent to US\$ 450 million) has been invested towards initial equity contribution in A V Minerals for the purpose of acquisition of Novelis. Subsequently, as part of repayment of bridge loan of US\$ 3.03 billion, a further sum of Rs. 10,087.90 crores has been remitted as equity in November, 2008. The balance amount of Rs. 933.76 crores has been funded as equity towards payment of interest on initial bridge loan and on subsequent loan equivalent to US\$ 981.80 million.

The Company has entered into a joint venture agreement with Mahanadi Coalfields Limited (MCL, a subsidiary company of Coal India Limited) and Neyveli Lignite Corporation Limited (NLCL) and has formed MNH Shakti Limited for mining of coal. Both Hindalco and NLCL hold 15% stake in the company by severally acquiring 15,000 equity shares of Rs 10 each and MCL holds 70% stake in the company by acquiring 70,000 equity shares of Rs 10 each. In absence of any control or significant influence by the Company, the amount spent for acquiring shares as stated earlier has been accounted for as investment.

The Company has entered into a Memorandum of Understanding with Dubai Aluminium Company Limited (Dubal) and Hydromine, Inc (Hydromine) for development of an Alumina Project in Cameroon. The Company along with its partners, Dubal and Hydromine, is developing an alumina project through a joint venture company, Hydromine Global Minerals GMBH Limited incorporated in British Virgin Islands. Hindalco holds 45% stake in the Joint venture and 45% is held by Dubal and the balance 10% is held by Hydromine. The Company has invested a total amount of Rs. 8.30 crores till 31 March 2009.

The Central Government has granted an exemption to your Company vide its order NO. 47/365/2009-CL-III dated 30th June, 2009 issued under Section 212(8) of the Companies Act, 1956 from attaching a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of all the Subsidiary Companies, which will not be attached with the financial statements of your Company. These documents can be requested for the any member, investor of the Company/subsidiary company. Further, in line with the Listing Agreement and in accordance with the Accounting Standards 21(AS-21) Consolidated Financial Statements, being prepared by the Company include financial information of the its subsidiaries. The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the shareholder seeking such information at any point of time. The annual accounts of the Subsidiary Companies will also be kept for inspection by any shareholder in its registered office and that of the concerned subsidiary companies.

### Novelis

The liquidity position of Novelis has remained stable despite challenging market conditions. The comparative shipments for the twelve months ended March 31, 2009, and for the combined twelve months ended March 31, 2008 are as indicated:

	Twelve Months Ended March 31,		May 16, 2007 Through March 31,	April 1, 2007 Through May 15,
	2009	2008	2008	2007
<b>Shipments (kt):</b>	<i>Successor</i>	<i>Combined</i>	<i>Successor</i>	<i>Predecessor</i>
Rolled products	2,770	2,988	2,640	348
Ingot products	173	162	147	15
Total shipments	2,943	3,150	2,787	363

The integration activities are proceeding smoothly. The acquisition is expected to significantly enhance shareholder value in the near future.

The performance of the subsidiaries is covered elsewhere in this Annual Report.

### Employee Stock Option Scheme

Under the Employee Stock Option Scheme - 2006 (ESOS - 2006), the Company has granted 29,73,390 Options to its eligible employees in two Tranches. Each option when exercised would be converted into one equity share of Re. 1/- each, fully paid-up, of the Company.

During the year, 2,27,454 ordinary equity shares of Re. 1/ each, were issued and allotted during the year upon exercise of 2,27,454 Options, such shares rank pari passu with the existing Ordinary shares of your Company.

Details of the options granted upto 31st March, 2009 and other disclosure in compliance with Clause 12 of Securities and Exchange Board of India (Employees Stock Option Scheme) Guidelines 1999, are set out in Annexure A to this report.

The Company's Auditors, Messrs. Singhi & Co. have Certified that the Company's "Employee Stock Option Scheme - 2006" (ESOS-2006), have been implemented in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme) Guidelines 1999, and the resolutions passed by the Members in this regard.



## **Particulars as per Section 217 of the Companies Act, 1956**

The information relating to the conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under section 217 (1)(e) of The Companies Act, 1956, is set out in a separate statement attached to this report (Annexure B).

In accordance with the provisions of sections 217 (2A), read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the directors report, as an addendum thereto. However, as per the provisions of section 219 (1) (b)(iv) of the Companies Act, 1956, the report and accounts, as therein set out, are being sent to all members of the company excluding the aforesaid information about employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the Registered Office of the company.

## **Directors**

In accordance with Article 146 of the Articles of Association of the Company, Mrs. Rajashree Birla, Mr. K.N. Bhandari and Mr. N.J. Jhaveri retire from office by rotation, and being eligible, offer themselves for reappointment.

The term of appointment of Mr. D Bhattacharya as Managing Director had expired on 1<sup>st</sup> October, 2008. The Board has re-appointed him as Managing Director for the further period of 5 years w.e.f. 1<sup>st</sup> October 2008. The approval of members in ensuing Annual General Meeting would be sought for his reappointment.

## **Awards & Recognitions**

Several accolades have been conferred upon your Company, in recognition of its contribution in diverse fields. A selective list:

1. Renukoot Unit was awarded with "Greentech gold Award 2008" in Metal & Mining Sector for outstanding achievement in Environment Management" by Greentech Foundation.
2. Renukoot Unit was awarded the prestigious Greentech Gold Safety Award - 2009 in Mining Sector for outstanding achievement in Safety Management.
3. Bureau of Indian Standard awarded Renukoot Unit with Rajiv Gandhi National Quality Award-2007, Silver Trophy in large scale manufacturing industries-metallurgy category on 10<sup>th</sup> April 2008.
4. CII has awarded, Renukoot Unit with prestigious "National Award for Excellence in Water Management - 2008" in " Beyond the Fence" category.
5. Renukoot Unit was awarded "Pegasus CSR Star Award for 2008" by "Reader's Digest" for exemplary Rural Development work. Award was received by Mrs. Rajashree Birla, Chairperson, Aditya Birla Centre for Community Initiatives and Rural Development from Mr. Arun Jaitly, Member Rajya Sabha on 21<sup>st</sup> January 2009 at New Delhi.
6. Hindalco, Renusagar Power Division won the prestigious Ramakrishna Bajaj National Quality Award Trophy, 2008 in service category.
7. Hindalco Renusagar Power Division won the prestigious Golden Peacock National Quality Award 2008 in Service Category.
8. Hirakud Unit and Renukoot Unit have been awarded the First Prize and the Second Prize respectively with the "National Awards for Energy Conservation" instituted by the Ministry of Power, Government of India for the year 2008.
9. Hirakud Power Received the first Prize for Best Practices in Environment, Safety & Health (ESH) for the year 2008 from CII - Eastern Region, Orissa.
10. Muri Unit received the Greentech Silver Award - 2008 for Excellence in Environment Management.

11. HiraKud Smelter was awarded National Safety Award (Runners Up) for Lowest Average Frequency and accident free year of performance, 2006 (presented in September 2008) by the Ministry of Labour & Employment, GOI.
12. Birla Copper, Dahej was awarded the Silver Award from Greentech Foundation for remarkable and outstanding achievement in "Environment Management" in September 2008.

### **Environment Protection and Pollution Control**

Your Company is committed to sustainable development. Your company is a signatory to the Global Compact and subscribes to the principle of triple-bottom line accountability.

A separate chapter in this report deals at length with your Company's initiatives and commitment to environment conservation.

### **Auditors**

The observations made in the Auditors' Report are self-explanatory and do not call for any further comments under Section 217 (3) of the Companies Act, 1956. Further the internal control issues highlighted in the Annexure to Audit Report has been appropriately addressed.

M/s. Singhi & Company, Chartered Accountants and Auditors of the Company, retire, and being eligible, offer themselves for appointment.

### **Appreciation**

Your Directors place on record their sincere appreciation for the assistance and guidance provided by the Honourable Ministers, Secretaries and other officials of the Ministry of Mines, Ministry of Coal, the Ministry of Chemicals and Fertilizers and various State Governments. Your Directors thank the Financial Institutions and Banks associated with your Company for their support as well.

Your Company's employees are instrumental in your Company scaling new heights, year after year. Their commitment and contribution is deeply acknowledged.

Your involvement as Shareholders is greatly valued. Your Directors look forward to your continuing support.

For and on behalf of the Board

Mumbai  
Dated the 30th Day of June, 2009



Chairman

## ANNEXURE 'A' TO THE DIRECTORS' REPORT

Disclosure pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999

	Nature of Disclosure	Particulars
a)	Options Granted	2,973,390
b)	The pricing Formula	Tranche I The exercise price was determined by averaging the daily closing price of the Company's equity shares during 7 days immediately preceding the date of grant and discounting it by 30%. (Exercise price- Rs. 98.30 Per option) Tranche -II The exercise price was the closing market price, prior to the date of grant. (Exercise price - Rs. 150.10 per option).
c)	Options vested	594,726
d)	Options Exercised	227,454
e)	The total number of shares arising as a result of exercise of options	227,454
f)	Options Lapsed	30,643
g)	Variation in terms of options	Nil
h)	Money realised on exercise of options	Rs. 22,358,728
i)	Total number of options in force	2,151,451
j)	Employee-wise details of options granted:	
	i) Senior Managerial Personnel:	Mr. D. Bhattacharya - 970,100
	ii) Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during that year	Nil
	iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil
k)	Diluted Earnings per share	NA
l)	Difference between the employee compensation cost computed using intrinsic value of the stock options, and the employee compensation cost that shall have been recognised, if the fair value of the options was used.	Rs. 3.73 crores

## ANNEXURE 'A' TO THE DIRECTORS' REPORT (Contd.)

	The impact of this difference on profits and on EPS of the Company	<p>The effect of adopting the fair value on the Net Income and Earnings Per Share for 2008-09 is as presented below</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rs. In Crores</th> </tr> </thead> <tbody> <tr> <td><b>Particulars</b></td> <td><b>2008-09</b></td> </tr> <tr> <td>Net Profit as Reported</td> <td>2,230.27</td> </tr> <tr> <td>Less: Dividend on Preference Shares (including Tax)</td> <td>-0.03</td> </tr> <tr> <td><b>Net Profit attributable to Equity Shareholders</b></td> <td><b>2,230.24</b></td> </tr> <tr> <td>Add: Compensation cost under ESOS as per intrinsic value included in the Net Profit</td> <td>2.09</td> </tr> <tr> <td>Less: Compensation cost under ESOS as per fair value</td> <td>-5.82</td> </tr> <tr> <td><b>Proforma Net Profit</b></td> <td><b>2,226.51</b></td> </tr> <tr> <td>Less: Tax adjustment for earlier years</td> <td>-150.83</td> </tr> <tr> <td><b>Proforma Net Profit before Tax adjustment for earlier years</b></td> <td><b>2,075.68</b></td> </tr> <tr> <td>Weighted average number of Basic Equity Shares outstanding</td> <td>1,505,245,463</td> </tr> <tr> <td>Weighted average number of Diluted Equity Shares outstanding</td> <td>1,505,245,463</td> </tr> <tr> <td>Face value of Equity Shares (in Re.)</td> <td>1.00</td> </tr> <tr> <td><b>Reported Earning per Share (EPS):</b></td> <td></td> </tr> <tr> <td>Basic EPS (in Rs.)</td> <td>14.82</td> </tr> <tr> <td>Diluted EPS (in Rs.)</td> <td>14.82</td> </tr> <tr> <td>Basic EPS before Tax adjustment for earlier years (in Rs.)</td> <td>13.81</td> </tr> <tr> <td>Diluted EPS before Tax adjustment for earlier years (in Rs.)</td> <td>13.81</td> </tr> <tr> <td><b>Proforma Earning per Share (EPS):</b></td> <td></td> </tr> <tr> <td>Basic EPS (in Rs.)</td> <td>14.79</td> </tr> <tr> <td>Diluted EPS (in Rs.)</td> <td>14.79</td> </tr> <tr> <td>Basic EPS before Tax adjustment for earlier years (in Rs.)</td> <td>13.79</td> </tr> <tr> <td>Diluted EPS before Tax adjustment for earlier years (in Rs.)</td> <td>13.79</td> </tr> </tbody> </table>	Particulars	Rs. In Crores	<b>Particulars</b>	<b>2008-09</b>	Net Profit as Reported	2,230.27	Less: Dividend on Preference Shares (including Tax)	-0.03	<b>Net Profit attributable to Equity Shareholders</b>	<b>2,230.24</b>	Add: Compensation cost under ESOS as per intrinsic value included in the Net Profit	2.09	Less: Compensation cost under ESOS as per fair value	-5.82	<b>Proforma Net Profit</b>	<b>2,226.51</b>	Less: Tax adjustment for earlier years	-150.83	<b>Proforma Net Profit before Tax adjustment for earlier years</b>	<b>2,075.68</b>	Weighted average number of Basic Equity Shares outstanding	1,505,245,463	Weighted average number of Diluted Equity Shares outstanding	1,505,245,463	Face value of Equity Shares (in Re.)	1.00	<b>Reported Earning per Share (EPS):</b>		Basic EPS (in Rs.)	14.82	Diluted EPS (in Rs.)	14.82	Basic EPS before Tax adjustment for earlier years (in Rs.)	13.81	Diluted EPS before Tax adjustment for earlier years (in Rs.)	13.81	<b>Proforma Earning per Share (EPS):</b>		Basic EPS (in Rs.)	14.79	Diluted EPS (in Rs.)	14.79	Basic EPS before Tax adjustment for earlier years (in Rs.)	13.79	Diluted EPS before Tax adjustment for earlier years (in Rs.)	13.79
Particulars	Rs. In Crores																																															
<b>Particulars</b>	<b>2008-09</b>																																															
Net Profit as Reported	2,230.27																																															
Less: Dividend on Preference Shares (including Tax)	-0.03																																															
<b>Net Profit attributable to Equity Shareholders</b>	<b>2,230.24</b>																																															
Add: Compensation cost under ESOS as per intrinsic value included in the Net Profit	2.09																																															
Less: Compensation cost under ESOS as per fair value	-5.82																																															
<b>Proforma Net Profit</b>	<b>2,226.51</b>																																															
Less: Tax adjustment for earlier years	-150.83																																															
<b>Proforma Net Profit before Tax adjustment for earlier years</b>	<b>2,075.68</b>																																															
Weighted average number of Basic Equity Shares outstanding	1,505,245,463																																															
Weighted average number of Diluted Equity Shares outstanding	1,505,245,463																																															
Face value of Equity Shares (in Re.)	1.00																																															
<b>Reported Earning per Share (EPS):</b>																																																
Basic EPS (in Rs.)	14.82																																															
Diluted EPS (in Rs.)	14.82																																															
Basic EPS before Tax adjustment for earlier years (in Rs.)	13.81																																															
Diluted EPS before Tax adjustment for earlier years (in Rs.)	13.81																																															
<b>Proforma Earning per Share (EPS):</b>																																																
Basic EPS (in Rs.)	14.79																																															
Diluted EPS (in Rs.)	14.79																																															
Basic EPS before Tax adjustment for earlier years (in Rs.)	13.79																																															
Diluted EPS before Tax adjustment for earlier years (in Rs.)	13.79																																															
m)	<p>i) Weighted-average exercise prices and weighted average fair values of options whose exercise price equals the market price of the stock</p> <p>ii) Weighted-average exercise prices and weighted average fair values of options whose exercise price is less than the market price of the stock</p> <p>iii) Weighted-average exercise prices and weighted average fair values of options whose exercise price exceeds the market price of the stock</p>	<p>Options granted under Tranche II Weighted average exercise price (Rs.) 150.10 Weighted average fair value of Option (Rs.): 57.11</p> <p>Options granted under Tranche -I Weighted average exercise price (Rs.) 98.30 Weighted average fair value of Option (Rs.): 65.78</p> <p>Not Applicable</p>																																														
n)	<p>A description of method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:</p> <p>i) Risk free Interest rate (%)</p> <p>ii) Expected life (No. of Years)</p> <p>iii) Expected volatality (%)</p> <p>iv) Dividend yield (%)</p> <p>v) the price of the underlying shares in the market at the time of option grant</p>	<p>8.00</p> <p>5</p> <p>Tranche I 34%</p> <p>Tranche -II 37%</p> <p>170</p> <p>Tranche I Rs. 138.95</p> <p>Tranche -II Rs. 150.10</p>																																														

## ANNEXURE 'B' TO THE DIRECTORS' REPORT

[Statement of particulars under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988]

### A. CONSERVATION OF ENERGY

Energy Conservation and its efficient use is a least cost option to mitigate the gap between demand & supply as well as it also plays a vital role to reduce our cost of production. Appreciating the importance of Energy Conservation, your Company as a corporate entity has a very strong commitment towards it for the benefit of the Nation and itself. The company has a well-established Energy Policy, which is meticulously adhered to across all the establishments of the company in the country. Every Unit of your company has trained professionals to implement this policy. The Company has a well-defined Energy Management Organization structure, with a Bottom Up & Top Down approach. It acts as a catalyst towards its continuous journey for excellence in energy conservation. Through energy audits, walk through audits, quality circle, shop floor and WCM committees and suggestion scheme, involvement of all, right from workmen level to the top executive is ensured.

The dedicated Energy cells across the Company, responsible for planning energy conservation initiatives, track latest technological developments in the field of energy conservation, review and make suggestions for implementing such initiatives in the operating plants as well as in new projects. The efforts to optimize process parameters, modernize & upgrade technology as well as equipment, with the objective of increasing Energy productivity are continuous and ongoing. Employees are encouraged to give suggestions and to get involved in Energy Conservation initiatives. Suggestions with significant merit are suitably rewarded under the well established reward & recognition system.

Competent authorities have consistently recognized the company's efforts in Energy Conservation. Hirakud Unit and Renukoot Unit of your Company's Aluminium business have been awarded the First Prize and the Second Prize respectively with the **"National Awards for Energy Conservation"** instituted by the Ministry of Power, Government of India for the year 2008.

#### (a) ENERGY CONSERVATION MEASURES TAKEN

##### GENERAL MEASURES

- i. Adaptation of new technology / practices that attribute to better energy efficiency values.
- ii. Interlocking of Cooling Tower fan motor through temperature sensor
- iii. Conversion of connection from delta to star for under loaded motors.
- iv. Installation of capacitor banks to improve power factor.
- v. Installation of small PLC logo in AC system.
- vi. Motor HP rationalization.
- vii. Installation of transparent sheet in roof to utilize the natural light.
- viii. Interlocking of auxiliary equipments with main equipment.
- ix. Regular monitoring and cleaning of waste heat recovery system.
- x. Regular walkthrough audit of Steam and compressed air lines.
- xi. Regular monitoring and benchmarking of Energy Intensive equipments.
- xii. Optimization of transformer loading.
- xiii. Energy audit from external agencies.
- xiv. Installation of efficient luminaries.
- xv. Optimum utilization of Energy through process redesigning as well as employment of equipment that offers improved energy efficiency.

## ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)

### 1. ALUMINA PLANT:

- i. Conversion of high temperature Digestion technology with energy efficient double digestion technology.
- ii. Replacement of inefficient old boiler with high efficient CFBC boiler with 30 MW Co – generation.
- iii. Installation of stationary Calciner using Circulating Fluidized Bed technology for lowest specific fuel oil consumption.
- iv. Installation of auto transformer to reduce the supply voltage of lighting circuit of Ppt & Evaporation area.
- v. Installation of float switch in pits.
- vi. Introduction of pumps gland cooling with liquor.
- vii. Development of Pump runs hour software for all power intensive pumps in DCS.
- viii. De-linking of Evaporation II and III for increasing evaporation rate.
- ix. Ball Mill idle run hour software developed for close monitoring to avoid idle running of Ball Mills.
- x. Implementation of level control of Additive lime tank in Additive area.
- xi. Development of Sweetening control scheme to run sweetening in both digestion unit # 1 & 2 through single pump.
- xii. Utilization of last flash tank waste vapor to heat the Ball Mill liquor.
- xiii. Replacement of Fluid Coupling with VFD.
- xiv. Replacement of 15 no inefficient pumps with efficient pumps with including VFD.
- xv. Installation of VFD in Vacuum & water supply pumps.
- xvi. Replacement of batch type precipitator with continuous precipitator.

### 2. SMELTER:

- i. Use of modified stub in Pot Lines from 4 to 11.
- ii. Increase in anode size to reduce pot voltage.
- iii. Reduction in pot voltage by increasing current & process parameter optimization.
- iv. Conversion of HSS pots to PFPB pots.
- v. Recycling of fine dust generated at Rodding Shop.
- vi. Reduction in SPL generation by recycling thus reducing power required for SPL treatment.
- vii. Interlocking of conveyor belt at Rodding Shop.
- viii. Modification in packing dome height of Baking furnaces and insulation by ceramic wool.
- ix. Installation of CFF heater in Billet Casting Furnace.
- x. Installation of VFD in fans of Pot line # 5 & 6 DSS and Pot line # 4 to 6 HDPS.
- xi. Installation of VFD in combustion blowers of Cast House.
- xii. Replacement of pneumatically operated metal transfer trolley with gear motor operated trolley.
- xiii. Installation of VFD in Ventilation fans of Alumina Conveying system # TT2 & TT5.
- xiv. Minimizing the load of the equipment by modifying the control philosophy through LOGO & PLC in Pot line 5 to 11 HDPS.
- xv. Stopped main air slide fan of FTP of Pot line # 9 to 11 by utilizing spare capacity of filter hooper blower.

## **ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)**

### **3. FABRICATION PLANT:**

- i. Revamping of one Properzi Furnace.
- ii. Revamping of 3 nos. Soaking Pits & annealing furnace.
- iii. Speed increase of Bliss Cold Mill.
- iv. Usage of fuel additive to improve combustion efficiency in Remelt Furnaces & boilers.
- v. Re-insulation of preheating Furnace No-1.
- vi. Installation of Real Time Power Factor controller .
- vii. Increased productivity by changing SOP in Annealing Furnaces.
- viii. Installation of PLC based maximum Demand Controller.
- ix. Installation of Energy efficient compressor for Rolling Mill and other auxiliary.
- x. Installation of VFD in water supply pump.

### **4. POWER PLANTS / CO-GENERATIONS:**

- i. Installation of VFC system in compressed air line of Co-Generation unit.
- ii. Installation of VFD in FD Fans of Boiler # 4 of Co-Generation unit.
- iii. Revamping of Air Pre Heater of Boiler # 2 of Co-Generation unit.
- iv. Installation of VFD in ID & PA Fan of Boiler # 3 at captive power plant.
- v. Revamping of Boiler # 3 to improve its efficiency at captive power plant.
- vi. Modification in condensate extraction pumps of Unit # 8 to 10.
- vii. Optimization of cooling tower Fan blade angle.
- viii. Optimization of FD fan running of Boiler # 9 & 10 at captive power plant.
- ix. Replacement of Vapour Compression machine with VAM in AC Unit # 1 & 3.
- x. Optimization of illumination level and operating time of Street lighting, lighting for Coal feeder operating area, cooling tower area, MCC rooms, control rooms etc.

### **5. FOIL & WHEEL DIVISIONS**

- i. Installation of additional LT power capacitor (75 KVAR).
- ii. Installation of auto photocell timers in housing lighting circuit.
- iii. Modification in Chiller piping.
- iv. Revamping of normal on/off controls to PID controls at solution furnace 1 in Wheel plant.
- v. Replacement of inefficient pumps & motors of Roughing, finishing Mill and water circulation.

### **6. COPPER DIVISION**

- i. Conversion of connection from delta to star for under loaded motors of Feed facility fans, Concentrate dryer, anode furnace vapour and extraction fan of smelter-3.
- ii. Conversion of Ventilation HT fan motor by LT Motor and installed VFD at smelter-3.
- iii. Installation of timer (LOGO) in lighting system.
- iv. Improvement in Power Factor by installing capacitor bank in 3.3 kV panel.

## **ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)**

### **b. ADDITIONAL INVESTMENT AND PROPOSALS BEING IMPLEMENTED**

#### **1. ALUMINA PLANT:**

- i. To convert existing Digestion technology with energy efficient double digestion technology.
- ii. To optimize air consumption in Precipitation area by modification in air injection piping.
- iii. Installation of VAM to utilize waste heat of Fluxo Cooler of Calciner.
- iv. To replace Vapour Compression machine in Air conditioning system.
- v. Installation of additional heater in Evaporation # 1 & Multi head cleaning nozzle.
- vi. Introduction of Impact wrench to reduce the heater cleaning.
- vii. Developing system to arrest escape of HRD waste vapor to heat wash water.
- viii. Introduction scale inhibitor to reduce steam consumption.
- ix. To introduce additional chemical cleaning facility for parallel cleaning of slurry heaters of Digestion # I & II.
- x. To replace I D Fan of Kiln – 3.
- xi. Up gradation of Liquor-A & mud washers line with replacement of motor and installation of VFD.
- xii. Installation of 15 no Energy efficient pumps with VFD for evaporator set 13 B.
- xiii. Revamping of existing Intermediate bauxite slurry heater & addition of one more set.
- xiv. Energy saver for entire plant building lighting.
- xv. Installation of process condensate recovery system.
- xvi. Adoption of condition monitoring techniques in detecting steam leakages from insulated steam pipes.

#### **2. SMELTER:**

- i. To improve surface reflection of heat from wall by providing suitable coating in Homo-furnaces.
- ii. Use of Plasmatec Technology at Billet Casting.
- iii. Arrangement of water showers at the roof of cooling chamber of Billet Casting.
- iv. Installation of VFD in Bake Furnace # 3 I.D. fan.
- v. Optimizing power consumption of DSS Main fans from Pot line # 9 to 11.
- vi. Optimizing power consumption of Alumina Conveying system of plant 1 to 2.
- vii. Modification in water circuit of AC System of Rectifier Plant # 2 control room.
- viii. Modifications in insulation of Metal transfer Cruce.
- ix. Use of slotted anode to reduce voltage drop per pot.
- x. Tuning of EPC software for reduction of Anode Effect.
- xi. Installation of capacitor bank for rectifier station –2.
- xii. Modification in rectifier cooling tower water circuit to eliminate hot well pump of rectifier cooling tower by connecting the cold well return line directly to the cooling tower.



## **ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)**

### **3. FABRICATION PLANT:**

- i. Revamping of one Properzi Furnace.
- ii. Modification in lighting circuits.
- iii. Interlocking of LNP motor to avoid idle running.
- iv. Re-insulation of Preheating Furnace No –3 and roof of furnace no – 2.
- v. To install regenerative burner in Remelting Furnace.
- vi. To install on – Line Oxygen analyzer.
- vii. Replacement of compressor with Screw compressors with automatic control.
- viii. Installation of VFD in Cold Rolling Mill filtration unit.
- ix. Installation of VFD for HP Air circulating blowers used in converting section.

### **4. POWER PLANTS / CO-GENERATION UNITS:**

- i. Installation of VFD in FD Fans of Boiler # 3.
- ii. Modification of Boiler Feed pumps.
- iii. To install waste heat recovery system in flue gas line of Boiler # 3.
- iv. Installation of additional APH Basket in Boiler 5 to 8 & spare Boiler.
- v. Replacement of inefficient CW pump impeller in TG # 1, 4, 6 & 7.
- vi. Fuel substitution from HSD to FO.
- vii. Installation of SS liner in Boiler # 4 bunker to avoid interruption.
- viii. Installation of VFD in PA fans of Unit # 2 & 3.

### **5. FOIL & WHEEL DIVISIONS:**

- i. Installation of new Gauge system at rolling mill.
- ii. Installation of new boiler as a stand by at conversion area.
- iii. Making of clean room area for GMP facilities at slitters area.
- iv. Installation of Harmonic Filter.
- v. Replacement of 6 no of inefficient motors with Energy Efficient motors.

### **6. COPPER DIVISION:**

- i. Conversion of LT motor from HT motor & installation of VFD in SA Fan of boiler –3.
- ii. Installation of variable frequency drives in ID Fan of Boiler –3.

### **c. IMPACT OF MEASURES IN (a) AND (b) ABOVE**

The various Energy Conservation Measures undertaken by your Company have yielded encouraging results in most production centers. Efforts continue to further optimize energy productivity through ongoing and planned measures.

## ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)

### d. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER TON OF PRODUCTION (As per Form "A" below)

		FORM A	
A. Power & Fuel Consumption		2008-09	2007-08
1	Electricity		
	a) Purchased from SEB's		
	Units (KWH in thousands)	261,155	356,476
	Total Amount (Rs. in crores) (excluding Minimum Demand Charges)	110	138
	Rate/Unit (Rs.)	4.20	3.87
	b) Own Generation		
	i) Through Steam Turbine/Generator		
	Units (KWH in thousands)	9,221,098	8,575,372
	Cost/Unit (Rs.) (Coal & Fuel only)	1.25	1.08
	ii) Through Diesel Generator		
	Units (KWH in thousands)	1,496	6,038
	Cost/Unit (Rs.)	14.13	16.42
	3 Adjusted out of Banked Energy		
	Units (KWH in thousands)	36,631	3,019
2	Steam Coal (for Generation of Steam)		
	Quantity (Tonnes)	9,176,204	8,508,812
	Total Amount (Rs. in crores)	1244	970
	Average Rate (Rs.)	1,356	1,140
3	Furnace Oil (Fuel Oil, L.D.Oil, HSD Oil)		
	Quantity (KL)	207,136	203,247
	Total Amount (Rs. in crores)	517	410
	Average Rate (Rs.)	24,953	20,161
4	Steam (Purchased)		
	Quantity (Tonnes)	237,117	264,329
	Total Amount (Rs. in crores)	5	5
	Average Rate (Rs.)	204	196

## ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)

### B. Consumption per Unit of Production (per MT)

	Unit		
1 Aluminium Metal (including Alumina)			
Electricity *	kwh	15,870	15,896
Furnace Oil	Litres	228	229
Steam Coal	MT	1.477	1.349
2 Redraw Rods (including Alloy Rods)			
Electricity	kwh	59	57
Furnace Oil	Litres	26	26
3 Fabricated Products (Rolled & Extrusion)			
Electricity	kwh	1,053	966
Furnace Oil	Litres	50	54
4 Aluminium Foil			
Electricity	kwh	1,029	970
5 Aluminium Wheel			
Electricity	kwh	90	62
6 Copper Cathodes			
Electricity	kwh	1,573	1,646
Furnace Oil	Litres	24	20
Propane	Kg	3	-
Naptha	Kg	34	40
RLNG	SCM	43	60
7 Copper Rods			
Electricity	kwh	54	56
Propane	Kg	1	1
RLNG	SCM	43	43
8 Di Ammonium Phopate (DAP/NPK)			
Electricity	kwh	187	189
Furnace Oil	Litres	6	6

\* Previous year number has been restated to bring uniformity across all units of the Company.

# ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)

## FORM B

### RESEARCH & DEVELOPMENT (R&D)

#### A. ALUMINIUM BUSINESS

##### 1. Specific areas in which R&D has been carried out

- Extruded product development for use in transport , building and construction sector, railways, Solar panels and reflectors.
- Rolled product development for cookware for oil free and waterless cooking, finstock etc.
- Critical and complicated extruded profile product in Hard Alloys for use in Marine and transport applications for vehicles, ships etc.
- Optimisation and process improvement for Alumina production with focus on flocculant addition optimization precipitation process etc.
- Thermal treatment process optimization for Rolled products and Alloy Wheels etc.
- Firing cycle optimization in Baking furnace.
- Special ceramic grade alumina development.
- Facility upgradation and product development for producing foils for pharma sectors.
- SRC Stock, closure stock and zero pin-hole material development to meet upcoming market requirement.
- Enhancement in digestion efficiency and liquor productivity in Alumina Plant.

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

- Penetration in new and emerging market segment.
- Continuous reduction in operating costs and improvement in efficiency.
- Improvement in existing product segment and quality specification.
- Reduction in non-value adding processes within existing system.
- Continuing aluminium applications in existing product segment.

##### 3. Future Plan of Action

- Exploration of new products development e.g. LPG cylinder, Solar Panels, Building Panels, high strength low cost Aluminium.
- Improvement in processes to reduce cost and cycle time of production e.g. Thermal treatment of Aluminium alloys and wheels etc.
- Utilising inert gas purging to bring homogeneity in material during casting.
- Development of new grease for lubrication during casting operation.
- Exploration of alternate sources of raw material procurement / input material impacting cost structure seriously.
- Identifying wastages in process of operations and recovery of value from such operations.
- Displaying products and educating application partners to promote application of aluminium.
- Participate in third party assessment and make further improvement in product chain and understand customers requirement in better way.
- Exploration of replacing steel members with aluminium alloy members in two wheelers segment.

## ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)

- New foil products and service quality improvement e.g. Src Foil stock, Radiator stock for automotive applications, printing in coated foil stock and lamination and adhesion quality improvement.
- Continuation of current R&D activities in the field of specialty aluminas and specialty alumina hydrates.

### B. Copper Division

#### 1. Specific area in which R&D has been carried out:

- Application of fine reverts and dust charging into flash smelting furnace.
- Operating practices optimization in waste heat boiler in CU-1 smelter.
- Introducing secondary feeding system in Flash smelting furnace to feed fine reverts and dust.
- Development of burners suitable for multiple fuels in Anode furnace.
- Process efficiency improvement in CU 3 smelter by modifying cooling system, management of rapping and hammering cycle and use of advance process control system.
- Use of high pressure oxygen for CU 3 smelter to reduce specific power consumption.

#### 2. Benefits derived as a result of above improvement

- Improved plant availability and reliability.
- Improved operational efficiency through better copper recovery.
- Energy conservation through improved heat recovery, better process control and consistency in operation.
- Better product quality.

#### 3. Future plan of Action:

- Implementation of advanced process control system in Cu-3.
- Commissioning of new CC rod plant.

### Expenditure on R & D

(Rs. In Crores)

	2008-09	2007-08
a) Capital	0.86	3.96
b) Recurring	7.73	10.49
c) Total (a+b)	8.59	14.45
d) Total R & D Expenditure as % of Total Turnover	0.04%	0.07%

### Technology Absorption, Adaptation and Innovation

#### i. Efforts in Brief:

- Imported technologies have been fully absorbed and the plant operations are being stabilised.

#### ii. Benefits derived:

- Improvement in quality and productivity and reduction in cost.
- Improvement in plant capacities.
- Advancement of basic knowledge and skills.
- New product development.

## ANNEXURE 'B' TO THE DIRECTORS' REPORT (Contd.)

iii. Details of technology imported in the past 5 years:-

Technology Imported for	Year of Import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reason thereof and future plan of action
<b>ALUMINIUM</b>			
Separation of red mud from pregnant liquor	2004-05	Yes	NA
Sheet surface treatment and flatness	2004-05	Yes	NA
Clad Sheet manufacturing	2006-07	Yes	NA
Improvement in quality and productivity of brazing sheet	2007-08	Yes	NA
High Pressure Double Digestion technology	2007-08	Yes	NA
<b>COPPER</b>			
Cryogenic air separation for Oxygen IV	2005-06	Yes	NA
Cryogenic air separation for Oxygen V	2006-07	Yes	NA
Molecular Recognition Technology for Bismuth Recovery	2008-09	Yes	NA

### C. FOREIGN EXCHANGE EARNINGS & OUTGO

#### a) Activities related to Exports

Exports during the year were Rs. 5,148.18 Crores.

#### b) Total Foreign Exchange used and earned

Foreign exchange used Rs. 8,745.88 Crores

Foreign exchange earned Rs. 5,154.40 Crores

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of **Hindalco Industries Limited.**

We have examined the compliance of the conditions of Corporate Governance by Hindalco Industries Limited for the year ended 31st March, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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, 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.

Camp: Mumbai  
Dated: The 30th day of June, 2009

1-B, Old Post Office Street,  
Kolkata-700 001

For SINGHI & CO.,  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No.: 53518

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **HINDALCO INDUSTRIES LIMITED** as at 31<sup>st</sup> March, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose as Annexure, a statement on the matters specified in the paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred above, we report that:

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 2) 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 those books;
- 3) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- 4) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, except as mentioned in Para 6 below.
- 5) On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- 6) Without qualifying our opinion, attention is drawn to the following :-
  - a) Regarding non provision of Mark to Market losses of Rs. 313.55 Crores (net) on outstanding derivatives as on 31<sup>st</sup> March 2009 which is not in accordance with the Accounting Standard – 1 and announcement made by ICAI on 29<sup>th</sup> March 2008. Refer Note No 29 (d) in Schedule 19.
  - b) As per Scheme of Arrangement U/s 391 to 394 of the Companies Act 1956 approved by the Honourable High Court of Mumbai vide its Order dated 29<sup>th</sup> June, 2009 the company has been allowed to create Business Reconstruction Reserve by transferring balance standing to the credit of Securities Premium Account for adjusting certain expenses as defined in the scheme. Accordingly, the management of the Company, during the year has identified and adjusted Impairment of Fixed Assets amounting to Rs. 66.80 Crores ( Net of Tax) and certain expenses amounting to Rs. 0.18 Crores against Business Reconstruction Reserve. This has resulted in the profit before tax and profit after tax for the year being higher by Rs. 101.38 Crores and Rs 66.98 Crores respectively and deferred tax asset being lower by Rs. 34.40 Crores. Refer Note No 22 in Schedule 19.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Notes in Schedule 19 give the information required by the Companies Act, 1956 (as amended) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009;
- (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

Camp: Mumbai  
Dated: The 30<sup>th</sup> day of June, 2009

1-B, Old Post Office Street,  
Kolkata-700 001

**For SINGHI & CO.,**  
Chartered Accountants

**RAJIV SINGHI**  
(Partner)  
Membership No. 53518



## ANNEXURE TO THE AUDITORS' REPORT

- I (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) Fixed Assets have been physically verified by the management periodically in a phased manner and no material discrepancies have been noticed on physical verification as confirmed by the management.  
(c) No substantial part of Fixed Assets has been disposed of during the year, which has bearing on the going concern assumption.
- II (a) Physical verification of Inventory (except stocks in transit and stocks lying with third parties, confirmation for which has been obtained) have been conducted at reasonable intervals during the year by the management.  
(b) In our opinion, the procedures of physical verification of Inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.  
(c) The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- III (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4(III)(b) to (d) of the Order are not applicable.  
(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4(III)(f) to (g) of the Order are not applicable.
- IV On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there are adequate internal control procedures commensurate with the size of the Company and the nature of its business; for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls except as mentioned in the paragraph XXI of this report.
- V (a) In our opinion and according to the information and explanation given to us, the transactions that need to be entered into register maintained under section 301 of the Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- VI The Directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there-under have been complied with in respect of deposits accepted from the public. We have been informed that, no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other Court or Tribunal in this regard.
- VII The Company has an Internal Audit System, which in our opinion is commensurate with the size and nature of the business.
- VIII The Company has maintained proper cost records as prescribed by Central Government under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company but no detailed examination of such records has been carried out by us.
- IX (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanations given to us no undisputed statutory dues as above were outstanding as at 31st March, 2009 for a period of more than 6 months from the date they became payable.

(b) According to the information and explanations given to us, the dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty, Service Tax and Cess which have not been deposited on account of any dispute and the forum where the dispute is pending as on 31<sup>st</sup> March, 2009 are as under:

Name of the Statute	Nature of Dues	Amount (Rs. in Crores)	Period to which its Relates	Forum where pending
Sales Tax Laws	Sales Tax	1.13	1986-1987, 1989-1990, 1990-1991, 1992-1993, 1995-1996, 2001 - 2002, 2003-2004	The High Court
		5.17	1998-1999, 1999 -2000, 2000-2001, 2002- 2003, 2003 -2004, 2004 - 2005	Tribunal
		54.53	1991- 1992, 1994- 1995,1996-1997, 1997-1998, 1998- 1999, 1999-2000, 2000 -2001, 2001- 2002, 2002- 2003, 2003-2004, 2004-2005, 2005- 2006, 2006-2007, 2007-2008	Asst Commissioner/ Commissioner/ Revisionary Authorities Level
Central Excise Act ,1944	Excise Duty	155.31	2000-2001 and 2001-2002	The Supreme Court
		15.36	1994 - 1995, 2000- 2001	The High Court
		273.45	1998- 1999, 2000 -2001, 2001- 2002, 2002 - 2003, 2003- 2004, 2004- 2005, 2005- 2006, 2006- 2007, 2007-2008, 2008-2009	Tribunal
		0.88	1985 - 1986, 1986 -1987, 1988- 1989, 1989- 1990, 1991- 1992, 1992- 1993, 1993- 1994, 1994- 1995, 1995- 1996, 1996 -1997, 1997 - 1998, 1998- 1999, 1999 - 2000, 2000 -2001, 2001 -2002, 2002 -2003, 2003 - 2004, 2004- 2005, 2005 -2006, 2006- 2007, 2007 -2008	Asst Commissioner/ Commissioner/ Revisionary Authorities Level
Service Tax Act , 1994	Service Tax	13.34	1997 - 2000, 2000- 2001, 2004 -2008	Tribunal
		0.18	2006-2007, 2008-2009	Asst Commissioner/ Commissioner/ Revisionary Authorities Level
Customs Act, 1962	Customs Act	18.13	2004- 2005, 2005 -2006 and 2006 - 2007	Asst Commissioner/ Commissioner/ Revisionary Authorities Level
Adhosanrachna Vikas Evam Parayavaran Upkar Adhiniyam, 2005	Chhattisgarh Development and Environment Cess	0.09	2008- 2009	The High Court
Shakti Nagar Special Area Development Authority	Cess on Coal	4.32	1997 -1998	The High Court

- X The Company does not have any accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- XI The Company has not defaulted in repayment of dues to Financial Institutions or Banks or Debenture holders.
- XII According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other Securities.
- XIII The Company is not a chit fund or a nidhi/mutual benefit fund/ society.
- XIV The Company is not in the business of dealing or trading in shares. The Company has maintained proper records of transactions and contracts in respect of Shares, Securities, Debentures and other Investments and timely entries have been made therein. The Shares, Securities, Debentures and other

Investments have been held by the Company, in its own name except to the extent of exemption, granted under Section 49 of the Companies Act, 1956.

- XV In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given corporate guarantees for loans taken by its Subsidiaries and Joint Ventures from Banks and Financial Institutions (including foreign banks) are not prima facie prejudicial to the interest of the Company.
- XVI Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained though unutilized funds which were not required for immediate use for capital expenditure have been temporarily invested in securities/bank deposit.
- XVII According to the information and explanations given to us and on the basis of our overall examination of the Balance Sheet and Cash Flow Statement, we report that no funds raised on short term basis have been used for long term investment of the Company.
- XVIII During the year under audit the Company has not made any preferential allotment of Shares to parties and Companies covered under register maintaining U/s 301 of the Companies Act 1956.
- XIX On the basis of records made available to us, the Company has created Securities in respect of Debenture issued/ outstanding during the year.
- XX The Company has made Rights Issue during the year and has disclosed the end use of money received from Rights Issue in Note No. 19 to Schedule 19 on notes to accounts and the same has been verified by us.
- XXI Based upon the audit procedures performed and on the basis of information and explanations given to us by the management, we report that the following two frauds on the company, have been detected during the year:-
- a) Suspected unauthorized access to Company's computer network by an employee of the Company, resulting in certain unauthorized sales transactions having taken place at discounted prices and on extended credit terms. However, this is not expected to have any impact on the financial results of the Company going forward. The matter is under investigation and the materiality and the amount involved cannot be ascertained at this stage.
  - b) Certain Customers falling under a group have purchased materials from Company by providing forged Letter of Credits and Bank Guarantees. However, the said Group of Customer has committed to liquidate the dues as per the terms of payment schedule as agreed with the management. Amount outstanding as on 31<sup>st</sup> March, 2009 is Rs. 14 crores out of the total dues of Rs. 29 Crores.

**For SINGHI & CO.,**  
Chartered Accountants

Camp: Mumbai

Dated: The 30<sup>th</sup> day of June, 2009  
1-B, Old Post Office Street,  
Kolkata-700 001

**RAJIV SINGHI**  
Partner  
Membership No. 53518

# BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	As at 31st March, 2009	(Rs. in Crores) As at 31st March, 2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	'1'	170.46	122.65
Share Capital Suspense		—	0.41
Share Warrants		—	139.10
Employee Stock Options Outstanding		3.17	2.13
Reserves and Surplus	'2'	23,584.69	17,171.53
		<b>23,758.32</b>	<b>17,435.82</b>
<b>LOAN FUNDS</b>			
Secured Loans	'3'	5,713.23	6,205.42
Unsecured Loans	'4'	2,611.06	2,123.16
		<b>8,324.29</b>	<b>8,328.58</b>
<b>DEFERRED TAX LIABILITY (NET)</b>		1,410.67	1,323.67
	<b>TOTAL</b>	<b>33,493.28</b>	<b>27,088.07</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	'5'	13,393.07	12,608.46
Less : Depreciation		5,241.65	4,636.81
Less : Impairment		264.45	162.32
Net Block		7,886.97	7,809.33
Capital Work-in-Progress		1,389.63	1,119.87
		<b>9,276.60</b>	<b>8,929.20</b>
<b>INVESTMENTS</b>	'6'	<b>19,148.84</b>	<b>14,107.99</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	'7'	4,070.14	5,097.91
Sundry Debtors	'8'	1,201.22	1,565.02
Cash and Bank Balances	'9'	843.72	146.98
Other Current Assets	'10'	51.78	62.30
Loans and Advances	'11'	1,573.05	979.46
		<b>7,739.91</b>	<b>7,851.67</b>
<b>Less :</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	'12'	1,868.91	2,894.78
Provisions	'13'	803.16	906.01
		<b>2,672.07</b>	<b>3,800.79</b>
<b>NET CURRENT ASSETS</b>		<b>5,067.84</b>	<b>4,050.88</b>
	<b>TOTAL</b>	<b>33,493.28</b>	<b>27,088.07</b>
<b>Significant Accounting Policies and Notes on Accounts</b>	'19'		

As per our report annexed.

For SINGHI & CO.  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO

Anil Malik  
Company Secretary

For and on behalf of the Board

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

		(Rs. in Crores)	
		For the year ended 31st March, 2009	For the year ended 31st March, 2008
<b>INCOME</b>	<b>Schedule</b>		
Gross Sales and Operating Revenues	'14'	19,718.34	21,021.93
Less: Excise Duty		1,498.69	1,820.90
Net Sales and Operating Revenues		<b>18,219.65</b>	<b>19,201.03</b>
Other Income	'15'	636.65	492.94
		<b>18,856.30</b>	<b>19,693.97</b>
<b>EXPENDITURE</b>			
(Increase)/ Decrease in Stocks	'16'	520.71	(137.03)
Trade Purchases		113.04	92.52
Manufacturing and Other Expenses	'17'	14,550.03	15,844.43
Interest and Finance Charges	'18'	336.93	280.63
Depreciation		644.34	587.81
Impairment		0.93	—
		<b>16,165.98</b>	<b>16,668.36</b>
<b>PROFIT BEFORE TAX</b>		<b>2,690.32</b>	<b>3,025.61</b>
Provision for Current Tax		478.11	606.36
Provision for Deferred Tax		121.40	87.58
Provision for Fringe Benefit Tax		11.37	11.40
Tax adjustment for earlier years (Net)		(150.83)	(540.67)
<b>NET PROFIT</b>		<b>2,230.27</b>	<b>2,860.94</b>
Balance brought forward from Previous year		300.00	100.00
Balance brought forward from Amalgamating Company		—	(1.56)
Transfer from Debenture Redemption Reserve		—	172.17
<b>BALANCE AVAILABLE FOR APPROPRIATIONS</b>		<b>2,530.27</b>	<b>3,131.55</b>
<b>APPROPRIATIONS</b>			
Debenture Redemption Reserve		5.00	5.00
Capital Redemption Reserve		0.41	—
Dividend on Preference Shares		0.02	0.02
Dividend Tax on Preference Shares		0.01	0.01
Proposed Dividend on Equity Shares		229.58	226.89
Tax on Proposed Dividend		39.02	38.56
Transfer to General Reserve		1,956.23	2,561.07
Balance Carried to Balance Sheet		300.00	300.00
		<b>2,530.27</b>	<b>3,131.55</b>
<b>Earnings per Share (EPS):</b>			
Basic EPS (in Rs.)		14.82	22.23
Diluted EPS (in Rs.)		14.82	22.11
Basic EPS before Tax adjustment for earlier years (in Rs.)		13.81	18.03
Diluted EPS before Tax adjustment for earlier years (in Rs.)		13.81	17.93

### Significant Accounting Policies and Notes on Accounts '19'

As per our report annexed.

For SINGHI & CO.

Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO

Anil Malik  
Company Secretary

For and on behalf of the Board

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	Year ended March 31, 2009	Year ended March 31, 2008
		(Rs. in Crores)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before Tax	2,690.32	3,025.61
Adjustment for :		
Interest and Finance charges	336.93	280.63
Depreciation	644.34	587.81
Impairment	0.93	-
Unrealized Foreign Exchange Gain / Loss (Net)	170.05	12.06
Employee Stock Option	2.09	2.13
Provisions / Provisions written-back (Net)	(51.83)	(56.65)
Miscellaneous expenditure written off	-	3.62
Provision / (write back) for diminution in carrying cost of Investments (Net)	(8.66)	12.22
Investing Activities (Net)	(620.39)	(500.26)
Operating profit before working capital changes	3,163.78	3,367.16
Changes in working Capital:		
Change in Inventories	1,027.77	(772.73)
Change in Trade and other Receivables	379.35	26.91
Change in Trade Payables	(958.47)	176.20
Cash generation from Operation	3,612.43	2,797.53
Payment under VRS	-	(0.32)
Payment of Direct Taxes	(442.04)	(657.37)
<b>Net Cash Generated/ (used) - Operating Activities</b>	<b>3,170.39</b>	<b>2,139.84</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets	(1,000.75)	(909.01)
Sale of Fixed Assets	33.90	21.25
Purchase / Sale of shares of Subsidiaries (Net)	(10,406.75)	(3,136.25)
Purchase / Sale of Investments (Net)	5,506.61	(2,124.41)
Loans / Repayment of Advances & Loans from Subsidiaries (Net)	(597.69)	166.25
Interest received	104.71	132.84
Dividend received	586.55	486.83
<b>Net Cash Generated/ (used) - Investing Activities</b>	<b>(5,773.42)</b>	<b>(5,362.50)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and warrants (net of expenses)	4,425.74	2,423.71
Proceeds / Repayment of Long Term Borrowings (net)	(403.46)	(56.83)
Proceeds / Repayment of Short Term Borrowings (net)	210.65	1,020.84
Interest and Finance Charges	(668.58)	(667.84)
Dividend paid (including Dividend Tax)	(265.52)	-
<b>Net Cash Generated/ (used) - Financing Activities</b>	<b>3,298.83</b>	<b>2,719.88</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>695.80</b>	<b>(502.77)</b>
Add : Opening Cash and Cash Equivalents	139.38	641.21
Cash acquired on Amalgamation	-	0.94
<b>Closing Cash and Cash Equivalent</b>	<b>835.18</b>	<b>139.38</b>

## Notes:

- 1 Closing cash and cash equivalents represent "Cash and Bank Balances" except Rs. 8.54 crore (previous year 7.59 crore) lying in designated account with scheduled banks on account of unclaimed Dividend/ Fractional coupons of Shares, which are not available for use by the Company.
- 2 Figures for the previous year have been regrouped / rearranged wherever found necessary.

As per our report annexed.  
For SINGHI & CO.  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO

Anil Malik  
Company Secretary

For and on behalf of the Board

Kumar Mangalam Birla — Chairman  
D. Bhattacharya — Managing Director  
M. M. Bhagat — Director

## SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE '1'	(Rs. in Crores)			
	Nos. 31st March, 2009	Nos. 31st March, 2008	As at 31st March, 2009	As at 31st March, 2008
<b>SHARE CAPITAL</b>				
<b>Authorized :</b>				
Equity Shares of Re.1/- each.	1,950,000,000	1,450,000,000	195.00	145.00
Redeemable Cumulative Preference Shares of Rs. 2/- each	25,000,000	25,000,000	5.00	5.00
			<b>200.00</b>	<b>150.00</b>
<b>Issued :</b>				
Equity Shares of Re.1/- each	1,701,535,825	1,227,190,692	170.15	122.72
6% Redeemable Cumulative Preference Shares of Rs. 2/- each	2,032,734	—	0.41	—
			<b>170.56</b>	<b>122.72</b>
<b>Subscribed and Paid-up :</b>				
<b>Equity Share Capital</b>				
Equity Shares of Re.1/- each fully paid-up	1,700,817,056	1,227,190,692	170.08	122.72
Less: Face value of Shares forfeited	546,249	60,500	0.05	0.01
			170.03	122.71
Add: Forfeited Shares Account (Amount Paid-up)			0.02	0.01
			170.05	122.72
Less: Calls-in-Arrears			—	0.07
			<b>170.05</b>	<b>122.65</b>
<b>Preference Share Capital</b>				
6% Redeemable Cumulative Preference Shares of Rs. 2/- each	2,032,734	—	0.41	—
			<b>170.46</b>	<b>122.65</b>

Notes:

### 1. Subscribed and Paid-up Equity Share Capital include:

- (i). 491,766,770 (Previous year 491,766,770) Equity Shares of Re. 1/- each fully paid-up allotted as fully paid-up Bonus Shares by Capitalisation of General Reserve and Capital Redemption Reserve.
- (ii). 6,000,000 (Previous year 6,000,000) Equity Shares of Re. 1/- each fully paid-up allotted pursuant to a contract for consideration other than cash.
- (iii). 187,678,350 (Previous year 187,678,350) Equity Shares of Re. 1/- each fully paid-up allotted to the share holders of erstwhile Indo Gulf Corporation Limited pursuant to the Scheme of Arrangement without payment being received in cash.
- (iv). 2,995,220 (Previous year 2,995,220) Equity Shares of Re. 1/- each fully paid-up allotted to the share holders of erstwhile Indian Aluminium Company, Limited pursuant to the Scheme of Arrangement without payment being received in cash.
- (v). 376 Equity Shares of Re. 1/- each fully paid-up allotted during the year to the share holders of erstwhile Indian Aluminium Company, Limited pursuant to the Scheme of Amalgamation without payment being received in cash.

### 2. Subscribed and Paid-up Preference Share Capital include:

- (i). 2,032,734 6% Redeemable Cumulative Preference Shares of Rs. 2/- each fully paid-up redeemable on 1st April 2009 allotted during the year to the share holders of erstwhile Indian Aluminium Company, Limited pursuant to the Scheme of Amalgamation without payment being received in cash.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2009	(Rs. in Crores) As at 31st March, 2008
<b>SCHEDULE '2'</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	0.44	0.40
Add: Balance brought forward from Amalgamating Company	-	0.03
Add: On Amalgamation as per Scheme of Amalgamation	-	0.01
Add: Transfer on forfeiture of Share Warrants	139.10	-
	<b>139.54</b>	<b>0.44</b>
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	101.16	100.76
Add: Balance brought forward from Amalgamating Company	-	0.40
Add: Created as per Scheme of Amalgamation	0.41	-
	<b>101.57</b>	<b>101.16</b>
<b>Securities Premium Account</b>		
As per last Balance Sheet	4,268.10	2,001.81
Add: Amount received on Rights Issue	4,501.03	1,099.42
Add: Amount received on Preferential Issue	-	1,166.87
Add: Received on exercise of ESOP	3.14	-
	8,772.27	4,268.10
Less: Rights Issue Expenses	124.90	-
Less: Transferred to Business Reconstruction Reserve (refer Note No. 22 in Schedule '19')	8,647.37	-
	-	<b>4,268.10</b>
<b>Business Reconstruction Reserve</b>		
Transfer from Securities Premium Account	8,647.37	-
Less: Adjusted during the year (refer Note No. 22 in Schedule '19')	66.98	-
	<b>8,580.39</b>	-
<b>Debenture Redemption Reserve</b>		
As per last Balance Sheet	82.50	249.67
Add: Created during the year	5.00	5.00
	87.50	254.67
Less: Transferred to Profit and Loss Account	-	172.17
	<b>87.50</b>	<b>82.50</b>
<b>General Reserve</b>		
As per last Balance Sheet	12,419.33	9,861.07
Less: Depreciation Adjustment on Amalgamation (Net of Tax)	-	2.81
	12,419.33	9,858.26
Add: On lapse of vested ESOP	0.13	-
Add: Transfer from Profit and Loss Account	1,956.23	2,561.07
	<b>14,375.69</b>	<b>12,419.33</b>
<b>Profit and Loss Account Balance</b>	<b>300.00</b>	<b>300.00</b>
	<b>23,584.69</b>	<b>17,171.53</b>
<b>SCHEDULE '3'</b>		
<b>SECURED LOANS</b>		
Debentures	350.00	350.00
Loans from Banks	5,363.22	5,855.40
Other Loans	0.01	0.02
	<b>5,713.23</b>	<b>6,205.42</b>
<b>SCHEDULE '4'</b>		
<b>UNSECURED LOANS</b>		
Fixed Deposits	1.13	3.09
Short Term Loans:		
From Banks	2,372.15	1,878.79
Other Loans:		
From Banks (due Rs. 224.35 crores with in one year; Previous year Rs. Nil)	224.35	224.35
From Others	13.43	16.93
	<b>2,611.06</b>	<b>2,123.16</b>



**SCHEDULE '5'  
FIXED ASSETS**

(Rs. in Crores)

# SCHEDULES FORMING PART OF THE BALANCE SHEET

	ORIGINAL COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE	
	As at 31st March, 2008	Addition on Amalgamation	Additions/ Adjustments	Deductions	As at 31st March, 2009	As at 31st March, 2008	Addition on Amalgamation	Additions/ Adjustments	Deductions	As at 31st March, 2009	As at 31st March, 2008
<b>A. Tangible Assets</b>											
Mining Rights	28.44	-	5.58	-	34.02 (a)	14.77	-	0.87	-	15.64	18.38
Leasehold Land	57.43	-	-	14.90	42.53 (b)	5.02	-	0.64	0.82	4.84	37.69
Freehold Land	71.57	-	0.18	-	71.75 (c)	0.23	-	0.02	-	0.25	70.15
Buildings	1,135.66	-	38.62	1.24	1,173.04 (d)	232.24	-	30.37	0.36	262.25	889.43
Plant and Machinery	10,878.83	-	754.62	30.32	11,603.13 (e)	4,131.14	-	578.98	24.54	4,685.58	886.34
Vehicles and Aircraft	144.78	-	12.06	13.25	143.59	61.89	-	9.32	8.30	62.91	80.68
Furniture and Fittings	221.98	-	13.89	7.25	228.62	140.86	-	15.82	5.46	151.22	77.40
Railway Sidings	9.69	-	23.54	-	33.23	4.51	-	2.37	-	6.88	26.35
Live Stock	0.06	-	-	-	0.06	-	-	-	-	-	0.06
<b>B. Intangible Assets</b>											
Technological Licences	30.79	-	0.38	-	31.17 (g)	19.73	-	3.58	-	23.31	7.86
Computer Software	29.23	-	2.72	0.02	31.93 (g)	26.42	-	2.37	0.02	28.77	3.14
Previous Year	12,608.46	-	851.59	66.98	13,393.07 (f)	4,636.81	-	644.34	39.50	5,241.65	7,886.97
C. Capital Work-in-Progress	11,252.65	63.59	1,405.35	113.13	12,608.46	4,056.33	54.09	587.81	61.42	4,636.81	1,389.63
											9,276.60
											7,809.33
											1,119.81
											8,929.20

**Notes:**

- Mining Rights for 20 / 30 years lease written off proportionately.
- Leasehold Land includes land amounting Rs. 20.73 crores (Previous year Rs. 35.64 crores) for which registration is pending. (Net Book Value Rs. 19.53 crores; Previous year Rs. 33.92 crores).
- Freehold Land includes Rs. 0.30 crores (Previous year Rs. 0.30 crores) towards alternate land made available for acquiring right to use the forest land, ownership of which vests with the state government authorities. (Net Book Value Rs. 0.27 crores; Previous year Rs. 0.27 crores).
- Buildings include:
  - Rs. 2.93 crores (Previous year Rs. 2.93 crores) being contribution for construction of road, the ownership of which vests with the state government authorities. (Net Book Value Rs. 1.28 crores; Previous year Rs. 1.60 crores).
  - Rs. 16.36 crores (Previous year Rs. 16.36 crores) towards rights to occupy and use of certain premises for which the Company has invested Rs. 13.18 crores (Previous year Rs. 13.18 crores) in Shares & Debentures of a company. (Net Book Value Rs. 13.42 crores; Previous year Rs. 13.69 crores).
  - Rs. 1.63 crores (Previous year Rs. 1.63 crores) being cost of ownership flats/ offices in Co-operative Societies. (Net Book Value Rs. 1.34 crores; Previous year Rs. 1.36 crores).
- Plant & Machinery include Rs. 60.54 crores (Previous year Rs. 60.54 crores) being the amount spent for lying power line and water pipe line, the ownership of which vests with the state government authorities. (Net Book Value Rs. 27.57 crores; Previous year Rs. 32.70 crores).
- Assets held under Co-ownership:
  - Freehold Land - Rs. 52.45 crores (Previous year Rs. 52.45 crores). (Net Book Value Rs. 52.37 crores; Previous year Rs. 52.38 crores).
  - Buildings - Rs. 48.10 crores (Previous year Rs. 48.10 crores). (Net Book Value Rs. 41.97 crores; Previous year Rs. 42.76 crores).
  - Plant and Machinery - Rs. 4.19 crores (Previous year Rs. 4.19 crores). (Net Book Value Rs. 3.15 crores; Previous year Rs. 3.35 crores).
  - Vehicles and Aircraft - Rs. 30.66 crores (Previous year Rs. 30.66 crores). (Net Book Value Rs. 20.01 crores; Previous year Rs. 21.72 crores).
  - Furniture and Fittings - Rs. 14.40 crores (Previous year Rs. 12.53 crores). (Net Book Value Rs. 8.00 crores; Previous year Rs. 7.28 crores).
- The useful life of Technological Licences is considered 4 - 6 years and that of Computer Software is considered 2 - 3 years.
- Figures as at 31st March, 2008 have been regrouped/ reclassified wherever necessary.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

		Face Value (Rupees)	Total Nos.	As at 31st March, 2009	As at 31st March, 2008
(Rs. in Crores)					
<b>SCHEDULE '6'</b>					
<b>INVESTMENTS</b>					
<b>A. LONG TERM INVESTMENTS</b>					
<b>1. UNQUOTED</b>					
<b>a. Trade</b>					
<b>i. Shares in Subsidiary Companies - Fully paid-up</b>					
Equity Shares of Dahej Harbour & Infrastructure Limited					
	10	50,000,000		50.00	50.00
Common Shares of Birla Resources Pty Limited					
	-	650,000		1.79	1.79
Equity Shares of Utkal Alumina International Limited					
	10	553,242,340		663.51	663.51
Equity Shares of Minerals & Minerals Limited (including 606 Equity Shares held jointly with nominees)					
	10	50,000		0.17	0.17
Equity Shares of Hindalco-Almex Aerospace Limited					
	10	26,782,000		26.78	21.00
Common Shares of A V Minerals (Netherlands) B.V.					
	Euro 1,000	2,108,587		12,865.30	1,610.54
Equity Shares of Tubed Coal Mines Limited					
	10	1,770,000		1.77	1.17
Equity Shares of East Coast Bauxite Mining Company Private Limited					
	10	7,600		0.01	0.01
<b>ii. Shares in Subsidiary Company - Partly paid-up</b>					
Common Shares of A V Minerals (Netherlands) B.V.					
	Euro 1,000	41,740		67.79	922.18
<b>iii. Other Shares, Debentures and Bonds- Fully paid-up</b>					
Equity Shares of Sanjana Cryogenic Limited					
	10	780,000		3.12	3.12
Equity Shares of Mahan Coal Limited					
	10	4,375,000		4.38	2.38
Equity Shares of Aditya Birla Science & Technology Company Limited					
	10	9,800,000		9.80	9.80
Equity Shares of MNH Shakti Limited (incorporated during the year refer Note No. 21 (a) in Schedule '19')					
	10	15,000		0.02	-
Equity Shares of Hydromine Global Minerals GMBH Limited (incorporated during the year refer Note No. 21 (b) in Schedule '19')					
	USD 100	45		0.02	-
<b>b. Other than Trade</b>					
<b>i. Shares in Subsidiary Companies- Fully paid-up</b>					
Equity Shares of Renuka Investments & Finance Limited (including 10 Equity Shares held jointly with nominees)					
	10	9,250,000		9.25	9.25
15% Redeemable Cumulative Preference Shares of Renuka Investments & Finance Limited					
	100	150			
Equity Shares of Renukeshwar Investments & Finance Limited (including 10 Equity Shares held jointly with nominees)					
	10	4,795,000		4.80	4.80
15% Redeemable Cumulative Preference Shares of Renukeshwar Investments & Finance Limited					
	100	150			
Equity Shares of Lucknow Finance Company Limited					
	10	12,002,500		12.00	12.00
Equity Shares of Indal Exports Limited					
	10	140,000		0.14	0.14
Equity Shares of Suvas Holdings Limited					
	10	188,700		0.19	0.19
<b>ii. Other Shares, Debentures and Bonds - Fully paid-up</b>					
Ordinary Shares of Birla International Limited					
	CHF 100	2,500		0.53	0.53
Equity Shares of Ganesh Krupa Co-operative Housing Society Limited					
	50	10			
5.25% Cumulative Redeemable Preference Shares of Aditya Birla Health Services Limited					
	100	2,500,000		25.00	25.00
7% Preference Shares of Birla Global Finance Company Limited					
	10	25,000,000		25.05	-
Non-Convertible Debentures of DSP Merrill Lynch Capital Limited (interest linked to Nifty index and due on maturity)					
	100	1,000,000		10.10	10.10
<b>iii. Units of Mutual Funds</b>					
Units of Morgan Stanley Growth Fund - Growth Plan (de-listed during the year)					
	10	2,000,000		2.00	-
<b>Carried over ...</b>				<b>13,783.52</b>	<b>3,347.68</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET

		Face Value (Rupees)	Total Nos.	As at 31st March, 2009	(Rs. in Crores) As at 31st March, 2008
SCHEDULE '6' (Cont'd...)					
INVESTMENTS (Cont'd...)					
Brought Forward ...				13,783.52	3,347.68
<b>2. QUOTED</b>					
<b>a. Trade</b>					
<b>i. Shares in Subsidiary Companies- Fully paid-up</b>					
Equity Shares of Aditya Birla Chemicals (India) Limited (formerly, Bihar Caustic & Chemicals Limited)		10	12,004,987	12.45	12.45
Common Shares of Aditya Birla Minerals Limited		-	159,820,001	480.76	480.76
<b>b. Other than Trade</b>					
<b>i. Government Securities</b>					
11.40% GOI Stock 2008				-	5.51
8.30% Fertilizer Companies GOI Special Bonds, 2023				-	22.00
7.95% Fertilizer Companies GOI Special Bonds, 2026				10.26	10.26
6.65% Fertilizer Companies GOI Special Bonds, 2023				41.93	-
7.00% Fertilizer Companies GOI Special Bonds, 2022				60.79	-
6.20% Fertilizer Companies GOI Special Bonds, 2022				28.64	-
6.83% Government of India Bond, 2039 (refer Note No. 17 in Schedule '19')				20.13	-
<b>ii. Other Shares, Debentures and Bonds- Fully paid-up</b>					
Equity Shares of National Aluminium Company Limited		10	7,166,851	75.20	75.20
Equity Shares of Aditya Birla Nuvo Limited		10	8,650,412	127.11	127.11
Equity Shares of Grasim Industries Limited		10	2,299,059	85.04	85.04
Equity Shares of IDEA Cellular Limited		10	228,340,226	228.34	228.34
6.75% Tax Free US 64 Bonds of Unit Trust of India				-	1.40
7.25% Redeemable Taxable Non-Convertible bonds of HDFC Limited		1,000,000	500	49.24	49.24
6.85% Tax Free Unsecured Non-Convertible Bond of IIFCL		1,000,000	1,000	10.00	-
7.90% Corporation Bank Bonds		1,000,000	300	30.00	30.00
5.00% NABARD Tax Free Bonds 2008				-	3.05
9.20 % HDFC Bank Bonds		1,000,000	349	35.87	35.87
<b>iii. Units of Mutual Funds</b>					
Units of Morgan Stanley Growth Fund - Growth Plan (de-listed during the year)				-	2.00
				15,079.28	4,515.91
Less: Provision for Diminution in carrying cost of Investments				0.21	0.54
				<b>15,079.07</b>	<b>4,515.37</b>
<b>B. CURRENT INVESTMENTS</b>					
<b>1. UNQUOTED</b>					
<b>a. Other than Trade</b>					
<b>i. Units of Mutual Funds</b>					
Units of Debt Schemes of various Mutual Funds *			3,866,172,649	4,069.77	9,592.62
				<b>19,148.84</b>	<b>14,107.99</b>
<b>Aggregate Book Value:</b>					
Unquoted Investments				17,853.29	12,940.30
Quoted Investments				1,295.55	1,167.69
				<b>19,148.84</b>	<b>14,107.99</b>
<b>Aggregate Market Value of Quoted Investments</b>				<b>2,433.33</b>	<b>5,795.68</b>

\*During the year the Company has purchased and sold 54,668,010,681 Units (Previous year 45,107,830,374 Units) of Debt Schemes of various Mutual Funds.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2009	(Rs. in Crores) As at 31st March, 2008
<b>SCHEDULE '7'</b>		
<b>INVENTORIES</b>		
Stores and Spare-parts	260.21	245.73
Coal and Fuel	110.33	96.55
Raw Materials (including Rs. 173.16 crores offset hedging cost, Previous year Rs. 147.11 crores)	1,430.72	1,948.94
Work-in-Process	2,096.22	2,523.49
Finished Goods	161.74	255.18
Excise Duty on Stock	10.92	28.02
	<b>4,070.14</b>	<b>5,097.91</b>
<b>SCHEDULE '8'</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured unless otherwise stated)</b>		
Exceeding six months:		
Considered Good (including Rs. 1.25 crores secured; Previous year Rs. 0.86 crores)	42.65	58.57
Considered Doubtful	20.46	19.88
Others:		
Considered Good (including Rs. 4.76 crores secured; Previous year Rs. 5.97 crores)	1,158.57	1,506.45
	<b>1,221.68</b>	<b>1,584.90</b>
Less: Provision for doubtful debts	20.46	19.88
	<b>1,201.22</b>	<b>1,565.02</b>
<b>SCHEDULE '9'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash balance on hand	0.32	0.36
Cheques and Drafts in hand	53.69	24.10
Balance with Scheduled Banks:		
In Current Accounts	159.43	106.55
In Deposit Account	630.24	15.93
Balance with Others:		
In Current Accounts (with Municipal Co-operative Bank Limited, Mumbai, maximum balance at any time during the year Rs. 0.06 crores; Previous year Rs. 0.05 crores)	0.04	0.04
	<b>843.72</b>	<b>146.98</b>
<b>SCHEDULE '10'</b>		
<b>OTHER CURRENT ASSETS</b>		
Accrued Interest		
On Investments	3.94	2.05
On Inter Corporate Deposits and Deposit in Banks	1.62	1.81
On Others	4.72	4.94
Accrued Export and other Incentives	41.50	53.50
	<b>51.78</b>	<b>62.30</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2009	(Rs. in Crores) As at 31st March, 2008
<b>SCHEDULE '11'</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured considered good unless otherwise stated)</b>		
Advances recoverable in cash or in kind or for value to be received and/ or to be adjusted (including doubtful of Rs. 4.28 crores, Previous year Rs. 2.88 crores)	699.44	730.34
Advance and Loans to Subsidiaries	611.02	13.33
Balance with Customs, Port Trusts, Excise etc.	190.89	149.21
Inter Corporate Deposits	37.25	52.13
Trident Trust (refer Note No. 13 (v) in Schedule '19')	34.45	34.45
	<b>1,573.05</b>	<b>979.46</b>
<b>SCHEDULE '12'</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	1,613.98	2,038.66
Subsidiary Companies	9.57	650.44
Customers' Credit Balances and Advances against orders	126.10	138.34
Investor Education and Protection Fund shall be credited by the following:		
Unpaid Dividends	6.95	7.02
Unpaid Application/Call Money due for refund	0.45	0.35
Unpaid Matured Deposits	-	0.04
Interest accrued on above	-	0.02
Other Liabilities	77.36	26.48
Interest accrued but not due on Debentures, Loans and Deposits	34.50	33.43
	<b>1,868.91</b>	<b>2,894.78</b>
<b>SCHEDULE '13'</b>		
<b>PROVISIONS</b>		
Taxation (Net of Advance Tax)	292.37	395.75
Dividends	229.56	226.91
Tax on Dividends	39.02	38.57
Employee Benefits	224.46	227.03
Other Provisions (including Rs. 14.50 crores refer Note No. 3 (II) in Schedule '19')	17.75	17.75
	<b>803.16</b>	<b>906.01</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE '14' GROSS SALES AND OPERATING REVENUES	Tonnes 2008-09	Tonnes 2007-08	For the year ended 31st March, 2009	(Rs. in Crores) For the year ended 31st March, 2008
<b>A. Sales:</b>				
Hydrate and Alumina (Standard Metallurgical & Specials)	238,350	259,627	612.38	594.15
Aluminium Ingots/Billets	238,908	150,649	2,555.95	1,673.14
Aluminium Rolled Products	149,345	179,842	2,154.30	2,461.15
Aluminium Extruded Products	35,668	43,070	561.55	649.28
Aluminium Redraw Rods	74,914	71,769	843.03	844.94
Aluminium Foils	22,234	27,788	492.41	576.64
Aluminium Wheels	Pcs. 144,368	Pcs. 173,537	30.34	37.06
Continuous Cast Copper Rods	146,323	138,543	4,241.66	4,614.46
Copper Cathodes	153,236	180,668	4,252.66	5,592.26
Sulphuric Acid	751,196	765,167	422.03	160.33
DAP & Complexes	175,308	148,250	812.38	263.09
Gold	4.492	9.176	562.62	855.65
Silver	35.978	53.473	72.81	99.09
Miscellaneous			438.85	487.84
<b>Net Sales</b>			<b>18,052.97</b>	<b>18,909.08</b>
Excise Duty			1,498.69	1,820.90
<b>Gross Sales</b>			<b>19,551.66</b>	<b>20,729.98</b>
<b>B. Operating Revenues:</b>				
Export and Other Incentives			89.74	213.71
Miscellaneous Receipts and Claims			76.94	78.24
			<b>166.68</b>	<b>291.95</b>
			<b>19,718.34</b>	<b>21,021.93</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the year ended 31st March, 2009	(Rs. in Crores) For the year ended 31st March, 2008
<b>SCHEDULE '15'</b>		
<b>OTHER INCOME</b>		
Rent Received	3.72	3.45
Profit/(Loss) on Fixed Assets sold/ discarded (Net)	6.40	(3.15)
Income from Investments*		
Income from Current Investments		
Dividend	336.78	329.93
Profit/(Loss) on sale of Investments (Net)	4.36	19.53
Changes in carrying amount of Investments (Net)	8.33	(12.62)
Income from Long Term Investments		
Interest	14.34	10.73
Dividend (including Rs. 66.85 crores from Trade Subsidiary; Previous year Rs. 1.80 crores)	87.15	6.94
Profit/(Loss) on sale of Investments (Net)	81.40	45.98
(Diminution)/ write back in carrying cost of Investments (Net)	0.33	0.40
Interest on Inter Corporate Deposits and Deposit in Banks *	5.11	5.00
Interest from Others* (including Rs. 23.46 crores from Income Tax Department; Previous year Rs. 38.73 crores)	84.85	85.31
Miscellaneous Income	3.88	1.44
	<b>636.65</b>	<b>492.94</b>

\* Tax deducted at source on Interest Received Rs. 7.98 crores (Previous year Rs. 13.20 crores).

### SCHEDULE '16' (INCREASE)/DECREASE IN STOCKS

#### Opening Stocks

Work-in-Process	2,523.49	2,464.90
Finished Goods	283.20	195.78
	<b>2,806.69</b>	<b>2,660.68</b>

#### Less: Closing Stocks

Work-in-Process	2,096.22	2,523.49
Finished Goods	172.66	283.20
	<b>2,268.88</b>	<b>2,806.69</b>

	<b>537.81</b>	<b>(146.01)</b>
Less: Stock of Amalgamating Company	-	(4.21)
Less: Change in Excise Duty on Stock	17.10	(4.77)
	<b>520.71</b>	<b>(137.03)</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Tonnes 2008-09	Tonnes 2007-08	For the year ended 31st March, 2009	(Rs. in Crores) For the year ended 31st March, 2008
<b>SCHEDULE '17'</b>				
<b>MANUFACTURING AND OTHER EXPENSES</b>				
<b>Raw Materials Consumed</b>				
Copper Concentrate	1,097,474	1,129,849	8,203.80	10,539.99
Bauxite (including cost of own production)	3,637,135	3,498,193	388.16	371.87
Aluminium Fluoride	7,535	5,866	54.65	34.23
Caustic Soda	160,492	137,523	320.49	248.26
Calcined Petroleum Coke	150,903	168,286	370.74	277.71
Rock Phosphate	291,541	276,310	348.15	107.41
Ammonia	39,025	34,033	90.75	45.62
Pitch	37,559	40,977	101.76	93.00
Other Materials			547.78	333.63
<b>Power and Fuel (including cost of own generation)</b>			2,231.56	1,910.83
<b>Payments to and Provisions for Employees</b>				
Salaries, Wages and Bonus			539.20	470.33
Contribution to Provident and other Funds			56.43	85.84
Employees Welfare			71.92	65.05
<b>Other Expenses</b>				
Consumption of Stores and Spare-parts			315.82	342.39
Repairs to Buildings			28.47	23.31
Repairs to Machinery			143.46	115.90
Rates and Taxes			7.96	8.19
Rent			20.32	16.29
Insurance			35.02	39.02
Auditors' Remuneration			2.28	2.10
Research and Development			4.39	3.43
Discount on Sales			17.61	14.04
Commission on Sales			20.77	22.12
Freight and Forwarding (Net)			280.16	274.45
Doubtful Debts Provision/ (written back) (Net)			1.98	(0.02)
Bad Debts written off			0.63	0.43
Donation (including Rs. 1.00 crores to General Electoral Trust for Political purposes; Previous year Rs. 0.60 crores)			28.87	41.28
Directors' Fees			0.06	0.04
Directors' Commission			7.50	9.84
Miscellaneous Expenditure written off			-	3.62
Provisions/ Liability no longer required written back (Net)			(47.72)	(57.07)
Miscellaneous			357.06	401.30
			<b>14,550.03</b>	<b>15,844.43</b>
<b>SCHEDULE '18'</b>				
<b>INTEREST AND FINANCE CHARGES</b>				
Interest on Debentures and other Fixed Loans			490.91	484.28
Interest on Others (including Rs. 0.88 crores to Income Tax Department; Previous year Rs. 32.27 crores)			118.68	110.68
Other Finance Charges			60.06	45.43
			<b>669.65</b>	<b>640.39</b>
Less: Interest Capitalized			332.72	359.76
			<b>336.93</b>	<b>280.63</b>



# SCHEDULES

## SCHEDULE '19'

### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the generally accepted accounting principles in India, the applicable mandatory Accounting Standards as notified by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 of India.

##### 2. Use of Estimates

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

##### 3. Fixed Assets

- (a) Tangible Assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost comprises of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.
- (b) Intangible Assets are stated at cost less accumulated amortization. Cost includes any directly attributable expenditure on making the asset ready for its intended use.
- (c) Machinery spares which can be used only in connection with an item of Fixed Asset and whose use is not of regular nature are written off over the estimated useful life of the relevant asset.

##### 4. Depreciation and Amortization

- (a) Depreciation on Tangible Fixed Assets has been provided using Straight Line Method at the rates and manner prescribed under Schedule VI of Companies Act, 1956 of India.
- (b) Mining Rights and leasehold land are amortized over the period of lease on straightline basis.
- (c) Intangible assets are amortized over their estimated useful lives on straight line basis.

##### 5. Impairment

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount.

##### 6. Leases

Lease payments under an operating lease are recognized as expense in the statement of profit and loss account as per terms of lease agreement.

##### 7. Investments

- (a) Long term Investments are carried at cost after deducting provision, if any, for diminution in value considered to be other than temporary in nature.
- (b) Current investments are stated at lower of cost and fair value.

##### 8. Inventories

- (a) Inventories of stores and spare parts are valued at or below cost after providing for cost of obsolescence and other anticipated losses, wherever considered necessary.
- (b) Inventories of items other than those stated above are valued 'At cost or Net Realizable Value, whichever is lower'. Cost is generally determined on weighted average cost basis and wherever required, appropriate overheads are taken into account. Net Realizable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.
- (c) Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

##### 9. Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Year-end balance of foreign currency transactions is translated at the year-end rates. Exchange differences arising on settlement of monetary items or on reporting of monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognized as income or expense in the period in which they arise.

# SCHEDULES

## SCHEDULE '19' (Cont'd)

### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Cont'd)

#### 10. Employee benefits

Employee benefits of short-term nature are recognized as expense as and when it accrues. Long term employee benefits (e.g. long-service leave) and post employments benefits (e.g. gratuity), both funded and unfunded, are recognized as expense based on actuarial valuation at year end using the Projected unit credit method. Actuarial gain and losses are recognized immediately in the Profit & Loss account.

#### 11. Employee Stock Option Scheme

In respect of stock option granted pursuant to the company's stock option schemes, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the option.

#### 12. Revenue Recognition

Sales revenue is recognized on transfer of significant risk and rewards of the ownership of the goods to the buyer and stated at net of trade discount and rebates. Dividend income on investments is accounted for when the right to receive the payment is established. Export incentive, certain insurance, railway and other claims where quantum of accruals can not be ascertained with reasonable certainty, are accounted on acceptance basis.

#### 13. Borrowing Cost

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as expenses in the period in which they are incurred. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.

#### 14. Taxation

Provision for current income tax is made in accordance with the Income-tax Act, 1961. Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of prudence, 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. Fringe benefit tax (FBT) is accounted for on the estimated value of fringe benefits for the period as per the related provisions of the Income-tax Act.

#### 15. Derivative Instruments

- (a) Risks associated with fluctuations in the price of the Company's products (copper, alumina, aluminium and precious metals) are minimized by hedging on futures market. The results of metal hedging contracts /transactions are recorded at their settlement as part of raw material cost or sales as the case may be. Portion of the cash flow to the extent of underlying physical transactions having not been completed is carried in Raw Materials Inventory till the completion of the underlying physical transaction.
- (b) The Company uses derivative financial instruments such as forward exchange contracts and currency swaps and options to hedge its risks associated with foreign currency fluctuations. In respect of transactions covered by Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the inception of contract is recognized as income or expense over the life of the contract.
- (c) Transactions covered by cross currency swap and option contracts to be settled on future dates are recognized at the year end rates of the underlying foreign currency. Effects arising out of swap contracts are adjusted on the date of settlement.

#### 16. Research and Development

Expenditure incurred during research phase is charged to revenue when no intangible asset arises from such research. Assets procured for research and development activities are generally capitalized.

#### 17. Government Grants

Government Grants are recognized when there is a reasonable assurance that the same will be received. Revenue grants are recognized in the Profit and Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to Capital Reserve.

#### 18. Provisions, Contingent Liabilities and Contingent Assets

Provision is recognized when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. No provision is recognized or disclosure for contingent liability is made when there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote. Contingent Asset is neither recognized nor disclosed in the financial statements.

## SCHEDULES

		(Rs. in Crores)	
		As at 31	As at 31
		March, 2009	March, 2008
<b>SCHEDULE '19' (Cont'd)</b>			
<b>B. NOTES ON ACCOUNTS (Cont'd)</b>			
1.	Capital Commitments outstanding (Advance/Deposit paid Rs. 444.47 crores, previous year Rs. 681.42 crores)	1970.71	951.23
2.	Uncalled Liability on shares partly paid up	211.24	237.96
3.	(I) Contingent Liabilities not provided for in respect of:		
	(a) Claims/Disputed liabilities not acknowledged as debt:		
	Following demands are disputed by the Company and are not provided for:		
	(i) Demand notice by Asstt. Collector Central Excise Mirzapur for excise duty on power generated by Company's captive power plant, Renusagar Power Co. Ltd (Since amalgamated). *Writ petition is pending with the Hon'able High Court of Delhi. Earlier demand raised was quashed by the Hon'able High Court of Delhi. The amount has been sequestered in the Aluminium Regulation account. According to the terms of settlement dated 05/12/1983 between the Central Govt. and the Company, this amount will be reimbursed to the Company in the event the case is decided against the Company.	9.12	9.12
	ii) Demand of interest on past dues of the Aluminium Regulation account up to 31/12/1987. *The demand is in dispute with Controller of Aluminium Regulation Account.	6.33	6.33
	iii) Retrospective Revision of Water Rates by UP Jal Vidyut Nigam Limited (April 1989 to June 1993 & Jan 2000 to Jan 2001). *Writ petition pending with Lucknow Bench of Hon'able High Court of Allahabad. The demand has been stayed vide order dated 11/05/2001.	4.08	4.08
	iv) Transit fees levied by Divisional Forest officer, Renukoot, on coal and bauxite. *Appeal pending with the Hon'able High Court of Allahabad and payment of transit fee has been stayed. According to the legal opinion received by the Company, the Forest Department has no authority to levy such fees.	57.43	44.50
	v) M.P. Transit Fee on Coal demanded by Northern Coal Fields Limited. *Company had paid Rs.15.73 crores under protest towards MP transit Fee on Coal and filed Writ Petition before the Hon'ble Jabalpur High Court. The Hon'ble High Court has struck down the levy and also ordered for refund of the amount paid under protest. The State Government has filed an appeal against the order of the Hon'ble High Court before the Hon'ble Supreme Court and the order of Hon'ble High Court has been stayed.	20.63	16.05
	vi) Imposition of Cess on Coal by Shaktinagar Special Area Development Authority. *Appeal is pending before the Hon'able High Court of Allahabad. Demand and levy has been stayed. According to legal opinion received by the Company, the State has no power to tax the mineral since this field is covered under Mines and Minerals Development and Regulation Act.	4.32	3.97

## SCHEDULES

		(Rs. in Crores)	
		As at 31	As at 31
		March, 2009	March, 2008
<b>SCHEDULE '19' (Cont'd)</b>			
<b>B. NOTES ON ACCOUNTS (Cont'd)</b>			
vii)	Demand of Royalty on Vanadium by District Mining officer, Lohardaga. *Appeal is pending with the Hon'able High Court of Allahabad. The demand has been stayed on certain conditions.	8.44	8.44
viii)	The demand of Excise Duty on gold. *Part of the demand was confirmed against which our ROM request is pending at CESTAT. Department's appeal is pending before the Hon'able Supreme Court for the part of the demand and penalty that was dropped.	155.31	155.31
ix)	Demand for disallowances of depreciation claim and other claim on the leased assets by Lessor. *Matter is pending with Lessor.	18.02	18.02
x)	Tax under MPGATSVA, 2005 @ 5% on basic price of coal w.e.f. 30/09/2005 by M.P. State Government. *Writ petition has been filed before the Hon'able High Court of Madhya Pradesh at Jabalpur. Demand has been stayed.	41.03	26.86
xi)	Demand raised on the assessment for entry tax with retrospective effect from the period 01/11/1999 to till date. *Writ petition is pending before Hon'able High Court of Allahabad and demand has been stayed.	148.42	154.54
xii)	Demand raised on assessment under CST Act and UP Sales Tax Act. *Appeals have been filed with Sales Tax Tribunal and JC Appeal for different years.	34.07	40.46
xiii)	Revision of surface rent on land by Government of Jharkhand w.e.f. 16/06/2005. *Matter is in dispute at Hon'able High Court of Jharkhand.	7.29	6.70
xiv)	Demand made by Nayab Tehsildar Kusmi / Collector under Chattisgarh as per Adhosanrachna Vikas evam Parayavaran Upkar Adhiniyam, 2005 @ 5% as environment tax on royalty plus 5% as development tax. *The Writ petition which has been filed by the Company before Hon'able High Court of Chhattisgarh at Bilaspur, has been transferred to the Hon'able Supreme Court and tagged with other Civil Appeals.	2.26	1.74
xv)	Service tax paid on Goods Transport Agency and Business Auxiliary Services. *Commissioner has confirmed the demand. Appeal is being filed at CESTAT New Delhi.	7.42	2.05
xvi)	M.P Transit fee on Bauxite. *Writ petition pending with the Hon'able High Court at Jabalpur.	1.16	0.31
xvii)	Demand for Entry Tax relating to valuation dispute of 2004-05 to 2005-06, for which appeals have been filed. * Appeal has been filled with additional CCT, Sambalpur.	1.18	—
xviii)	CST demand on reopening of assessments for 1999-00 to 2003-04. *Appeals have been filed.	8.81	8.81

## SCHEDULES

		(Rs. in Crores)	
		As at 31	As at 31
		March, 2009	March, 2008
<b>SCHEDULE '19' (Cont'd)</b>			
<b>B. NOTES ON ACCOUNTS (Cont'd)</b>			
xix)	Demand on Interest on excess CENVAT Credit taken. *Appeal pending with CESTAT, Mumbai.	1.00	-
xx)	Disallowances of Sales Tax Forms for Sales Tax Assessment year 1997-98. *Appeal is pending with Joint Commissioner (Appeal), Vadodara, Gujarat.	1.21	1.21
xxi)	Demand for Sales Tax u/s 15B for A.Y. 2001-02 & 2002-03. *Appeal is pending with J. C Appellate Authority, Baroda.	8.17	8.17
xxii)	Demand for Stamp Duty on Imported Cargo. *Matter is pending with hon'ble High Court, Ahmedabad.	27.72	10.49
xxiii)	Classification dispute of Aluminium Casserole. *Matter was pending with CESTAT, Ahmedabad against which favourable order has been received.	-	5.24
xxiv)	Service tax on insurance policy attributable to Renusagar. *Commissioner has confirmed the demand. Appeal is pending before the CESTAT, New Delhi.	2.11	1.29
xxv)	Demand of Interest on differential duty on account of final assessment of Bill of Entries. *The matter is pending with Commissioner of Customs, Appeal, Ahmedabad.	17.55	51.73
xxvi)	Disallowance of CENVAT credit. *The matter is pending with CESTAT, Ahmedabad.	5.29	5.29
xxvii)	Demand for interest on claim with IFFCO, Kandla. *Matter is pending with arbitrator.	6.05	5.32
xxviii)	Demand raised on assessment under CST Act and APGST Act for various years. *Appeals have been filed with appropriate authorities.	1.86	2.61
xxix)	Demand for Service Tax on Consulting Engineer Services and Scientific & Tech Service. *Appeal pending with Commissioner (Appeals), Ahmedabad.	3.84	-
xxx)	Other Contingent Liabilities in respect of Excise, Customs, Sales Tax etc. each being for less than Rs.1 crore. *The demands are in dispute at various legal forums.	13.73	9.78
<b>Total</b>		<b>623.84</b>	<b>608.42</b>
<b>* indicating uncertainties</b>			
(b) i)	Bills discounted with Banks	-	76.59
ii)	<i>Corporate Guarantees outstanding</i> *(Rs. 7,164.54 crores (previous year Rs. 15,992.50 crores) given on behalf of subsidiary companies).	7,181.25	16,024.21
(c)	The Company has received supplementary bills on account of revision in rate of power for Main Supply from the UPSEB for the period 15 <sup>th</sup> May, 1976 to 30 <sup>th</sup> June, 1980 and the same remains unprovided for as disputed by the Company.	5.01	5.01
(d)	Customs duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled.	187.78	192.03
* Includes US\$ 1.4 billion (Rs. 7,133 crores) given by the Company for due performance of facility agreement entered into by one of its wholly owned subsidiary Companies with the Bankers for availing loan of US\$ 981.80 million for acquisition of Novelis Inc.			

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

##### (II) Provisions:

(Rs. in Crores)

Nature	Opening Balance	Addition	Utilisation	Closing Balance
Excise duty on electricity	5.47	-	-	5.47
Sales tax	1.84	-	-	1.84
Others	7.19	-	-	7.19
<b>Total</b>	<b>14.50</b>	<b>-</b>	<b>-</b>	<b>14.50</b>

- (a) The provision for excise duty and sales tax are on account of legal matters, where the Company anticipates probable outflow. The amount of provision is estimated by the Company considering the facts and circumstances of each case for which cash flow will be determined on settlement of these matters.
- (b) Provision for others is on account of dispute pertaining to non-supply of material to a customer.
- (III) The Company has given undertakings to various Financial Institutions and Banks, as relevant, for-
- i) Non disposal of equity shares of Aditya Birla Chemicals (India) Limited (Formerly known as, Bihar Caustic & Chemicals Ltd) till the Institutional Loans are repaid in full in addition to finance the cost over run, if any, in respect of an on-going project of the Company for which the loan has been taken.
  - ii) Non disposal of equity shares of IDEA Cellular Ltd. till the Institutional loans are repaid in full.
4. The Company has received a notice dated 24 March, 2007 from Collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of Rs. 252.96 crores is payable in view of order dated 18th November, 2002 of Hon'able High Court of Allahabad approving scheme of arrangement for merger of Copper business of Indo Gulf Corporation Limited with the Company. The Company feels that it has a strong case as there is no substantive/computation provision for levy/calculation of stamp duty on court order approving scheme of arrangement under Companies Act, 1956 within the provisions of Uttar Pradesh Stamp Act. The Company has filed a writ petition before the Hon'able High Court of Allahabad, inter alia, on the above said ground and also that the properties in question are located in the state of Gujarat and thus the collector has no territorial jurisdiction. Hearing on this matter has taken place but order is awaited.
5. Sales include own manufactured items capitalized / used Rs. 26.96 crores (previous year Rs. 31.82 crores) at cost (inclusive of excise duty).
6. Sale of Di-Ammonium Phosphate (DAP) and other complex fertilizers are covered under the concessional schemes for decontrolled fertilizers by the Government of India. During this year, the Company has received differential concession of Rs. 53.68 crores pertaining to previous year.
7. Export and Other Incentives under Operating Revenues in Schedule 14:-
- i) Rs. nil (previous year Rs. 116.59 crores) being sales tax collected during the year and retained as Sales Tax Incentive allowed by Government of Gujarat to the Units enjoying Sales Tax exemption on Domestic Sales.
  - ii) Rs. 8.03 crores (previous year Rs. 22.46 crores) being benefit under Duty Free Import Entitlement Scheme received during the year in relation to export made during 2003-04.
8. (a) Purchase of copper concentrate is accounted for provisionally pending finalization of content in the concentrate, price, and custom duty. Variations are accounted for in the year of settlement.
- (b) Sale of Continuous Cast Copper Rod and Copper Cathode are accounted for provisionally pending finalization of price variations in the year of settlement.

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

- (c) Final price payable on purchase of copper concentrate for which quotational period, price and quantity was not finalized in previous year, were realigned based on monthly average of LME & LBMA rate at the year end copper and precious metals respectively and accordingly an additional provision for Rs. 252.00 crores (previous year Rs. 54.68 crores) was made. During the year final price payable was settled at Rs. 235.47 crores (previous year Rs. 196.27 crores) and reversal of Rs.16.54 crores (previous year additional liabilities of Rs. 141.58 crores) have been adjusted in raw material consumption. Further, additional provisions for Rs. 161.93 crores (previous year Rs. 252.00 crores) were made on realignment of such class of liabilities as on 31 March, 2009. Actual outflow is expected on finalization of quotational period price and quantity in the next financial year.
- (d) Final price receivable from sale of Copper for which quotational price was not finalized in previous year, were realigned at year end rate based on LME Rate and additional provisional sales for Rs.16.15 crores (previous year Rs.43.09 crores) were accounted for. During the year final price was settled at Rs. 21.80 crores (previous year Rs.49.02 crores) and credit for further sales for Rs 5.64 crores (previous year Rs.5.93 crores) was taken into account. As on 31 March 2009, sale of Copper, Gold, Silver & Anode Slime amounting to Rs. 212.19 crores (previous year Rs. 197.58 crores) pending for price finalization were realigned at year-end rate of LME and an additional sales of Rs. 0.08 crores (previous year Rs.16.15 crores) was accounted for. Actual inflow or outflow is expected on finalization of price in next financial year.
9. A part of electricity supplied by the Company, which has been treated by Uttar Pradesh Power Corporation Limited (UPPCL) as sale, has been accounted for on the basis of provisional rates till 2007-08. During the current year UPPCL / UPERC has passed the order and finalised the rate. Accordingly, differential amount of price, for units supplied in earlier years, has been accounted for during the year amounting to Rs. 6.65 crores.
10. Income amounting to Rs. 163.93 crores of dividend (previous year Rs. 149.97 crores), Rs. 1.90 crores of interest (previous year Rs. 17.57 crores) and Rs. 46.29 crores of profit on sale of investments (previous year Rs. 132.55 crores) derived from temporary deployment of surplus fund out of specific borrowing for various projects has been deducted from borrowing costs incurred.
11. a) Exchange gain / (loss) have been accounted for under respective heads of account as under:

Expense Heads	(Rs. in Crores)	
	2008-09	2007-08
Sales & conversion charges	(105.05)	113.12
Manufacturing and Other Expenses	(725.27)	254.51
Interest	(17.35)	(44.61)
<b>Total</b>	<b>(847.67)</b>	<b>323.02</b>

- (b) Exchange difference (loss) of Rs.1.32 crores (previous year Rs. 0.12 crores) in respect of un-expired period of forward cover contracts will be recognized in the profit and loss account in subsequent year.
- (c) The Company has entered into cross currency swap transactions in respect of borrowing of JPY 5,105.64 million (previous year JPY 28,143.09 million) at fixed amount which will be settled on future date. The fluctuations and resultant effect in intervening period in respect of these transactions are in the party's account.
12. Tax adjustment for earlier years (net) includes write back of provision for tax resulting from change in estimation of tax liability on progress in tax assessments.

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

	As at 31st March, 2009	As at 31st March, 2008
<b>13. Loans and Advances include :-</b>		
(i) Due from Officers (Maximum balance during the year Rs. 0.07 crores, previous year Rs. 0.07 crores)	0.07	0.07
(ii) To Subsidiary Companies:-		

(Rs. in Crores)

Name of Subsidiary	As at 31 March, 2009	Maximum outstanding during 2009	As at 31 March, 2008	Maximum outstanding during 2008
Renukeshwar Investments & Finance Limited	-	0.05	-	0.82
Renuka Investments & Finance Limited	-	0.08	-	1.29
Aditya Birla Chemicals (India) Ltd. (Formerly, Bihar Caustic and Chemicals Limited)	-	13.03	13.01	25.29
Lucknow Finance Company Limited (without interest)		0.52	-	0.21
Utkal Alumina International Limited	319.92	319.94	0.15	129.63
Indal Exports Limited	0.01	0.01	0.01	0.01
Aditya Birla Minerals Limited	-	-	-	5.62
Birla (Nifty) Pty Limited	194.21	327.85	-	177.94
Birla Mt. Gordon Pty Limited	96.76	103.40	-	76.14
East Coast Bauxite Mining Company Private Limited	0.01	0.01	-	0.01
Hindalco-Almex Aerospace Limited	0.03	3.91	0.10	19.03
Tubeid Coal Mines Limited	-	0.08	0.06	1.20
A V Metals Inc	-	-	-	12.83
A V Minerals (Netherlands) B.V.	-	10,084.71	-	1,610.54
Novelis Inc.	0.08	0.75	-	-
<b>Total</b>	<b>611.02</b>	<b>10,854.34</b>	<b>13.33</b>	<b>2,060.56</b>

(iii) Inter Corporate Deposits include:

- (a) Rs. nil, (previous year Rs. 15.21 crores) given to Aditya Birla Power Company Limited bearing interest pursuant to MOU entered into with the Company for development of new projects. Maximum balance outstanding during the year was Rs. 18.49 crores, (previous year Rs 21.24 crores).
- (b) Rs. 13.23 crores, (previous year Rs. 12.89 crores) given to Aditya Birla Science and Technology Company Limited, an Associate Company, bearing interest. Maximum balance outstanding during the year was Rs. 13.23 crores, (previous year Rs. 12.89 crores).
- (c) The Company is one of the promoter members of Aditya Birla Management Corporation Private Limited (ABMCPL), a Company limited by guarantee which has been formed to provide common facilities and resources to its members, with a view to optimize the benefits of specialization and minimize cost for each member. The Company is one of the participants in the common pool and shares the expenses incurred by ABMCPL and accounted for under appropriate heads.  
Rs. 24.02 crores, (previous year Rs. 24.02 crores) is given to ABMCPL, bearing interest. Maximum balance outstanding during the year was Rs. 24.02 crores, (previous year Rs. 24.90 crores).



## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

- (iv) Loan to employees as per Company's policy are not considered.
- (v) Balances with Trident Trust representing 16,316,130 equity shares of Re.1/- each of the Company issued pursuant to the Scheme of Arrangement approved by the Hon'ble High Courts at Mumbai and Allahabad vide their Orders dated 31<sup>st</sup> October, 2002 and 18<sup>th</sup> November, 2002, respectively, to the Trident Trust, which is created wholly for the benefit of the Company and is being managed by trustees appointed by it. The tenure of the trust has been extended up to 23<sup>rd</sup> January, 2017.

#### 14. Receivables include following amounts outstanding from subsidiary companies –

(Rs. in Crores)

	As at 31 March, 2009	Maximum balance outstanding	As at 31 March, 2008	Maximum balance outstanding
Aditya Birla Chemicals (India) Limited (Formerly, Bihar Caustic and Chemicals Limited)	(0.10)	2.66	2.50	5.46
Hindalco-Almex Aerospace Limited	1.66	4.31	0.56	0.56
<b>Total</b>	<b>1.56</b>	<b>6.97</b>	<b>3.06</b>	<b>6.02</b>

#### 15. Secured Loans of the Company consist of the following :

(Rs. in Crores)

	As at 31st March, 2009	As at 31st March, 2008
100 Nos. 6.39% Non Convertible Debentures of Rs.1 crore each redeemable on 15 <sup>th</sup> September, 2009. These debentures are secured by mortgage of immovable properties of Smelter and Power plant of the Company situated at Hirakud, Orissa, both present and future ranking pari-passu with existing charge holders and hypothecation of Moveable properties of Hirakud Smelter and Power plant, (save and except current assets) both present and future.	100.00	100.00
2,500 Nos. 6.50% Non Convertible Debentures of Rs. 0.1 crores each redeemable on 6 <sup>th</sup> September, 2009. These debentures are secured by mortgage of immovable properties of Dahej plant, both present and future, ranking pari-passu with existing charge holders and hypothecation of the movable properties of Dahej plant, both present and future (save and except current assets).	250.00	250.00
<b>Total Non Convertible Debentures (A)</b>	<b>350.00</b>	<b>350.00</b>
<b>Cash Credit and Export Credit</b>	16.96	117.91

Working Capital Loan of Aluminium Business (Renukoot) is secured by hypothecation of Raw Materials inventory, Consumable Stores, Spares, Work-in-Process and Finished Products of Renukoot plant, Working Capital Loan of the balance Aluminium Business is secured by hypothecation of stocks of Raw Materials, Consumable Stores, Spares, Work-in-Process and Finished Products of all other aluminium plants (other than Renukoot Power plant) and Working Capital Loan of Copper Business is secured by hypothecation of stocks of Raw Materials, Consumable Stores, Spares, Work-in-Process and Finished Products of Copper Business, both present and future, secured by way of joint equitable mortgage of the immovable assets, on second charge basis, of Copper Business, ranking pari-passu with other Lenders/Institutions.

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

	(Rs. in Crores)	
	<b>As at 31st March, 2009</b>	<b>As at 31st March, 2008</b>
<b>Rupee Term Loans</b>	5,346.26	5,505.30
Secured by first charge on all immovable properties of the Company both present and future ranking pari-pasu and hypothecation on all the assets both present and future of the Company ranking pari-passu with other charge holders. (Rs. 203.27 crores is payable within one year).		
<b>Foreign Currency Term Loan</b>	-	232.19
The JPY loan equivalent to US\$ 50.00 million is secured by first charge on the immovable properties of the Copper Smelting plant at Dahej, Gujarat ranking pari-passu with the other charge holders and hypothecation of movable properties both present and future of the copper smelting plant ranking pari-passu.		
<b>Total Loans from Banks (B)</b>	<u><b>5,363.22</b></u>	<u><b>5,855.40</b></u>
Term Loans from Government of Uttar Pradesh under subsidized Housing Scheme for Industrial Workers.	0.01	0.02
Secured by hypothecation of Workers' Quarters at the Renukoot plant.		
<b>Total Loans from Others (C)</b>	<u><b>0.01</b></u>	<u><b>0.02</b></u>
<b>Total Secured Loans (A+B+C)</b>	<u><b>5,713.23</b></u>	<u><b>6,205.42</b></u>
<b>16.</b> Although the book value of certain unquoted investments (amount not ascertained) is lower than cost, considering the strategic and long term nature of the investments and asset base of the investee companies, in the opinion of the management such decline is temporary in nature and no provision is necessary for the same.		
<b>17.</b> The Company has earmarked 6.83% GOI, bonds 2039 of the face value of Rs. 20.00 crores and book value being Rs. 20.13 crores in compliance with the provisions of Rule 3A of the Companies (Acceptance of Deposits) Rules, 1975 (as amended).		
<b>18.</b> In the Annual General Meeting held on 19th September, 2008 the shareholders of the Company have approved, under Section 61 of the Companies Act, 1956, utilization of the previous rights issue (of January, 2006) proceeds for the purpose of repayment of bridge loan of US\$ 3.03 billion taken for acquisition of Novelis Inc. and other general corporate purpose, in addition to the utilization of issue proceeds as discussed in the rights issue letter of offer dated 25th November 2005. Accordingly, the balance amount of Rs. 1,682.63 crores has been utilized to repay the bridge loan in November, 2008.		
<b>19.</b> The Company had issued equity shares of Re. 1 each on rights basis at a price of Rs. 96 per share in the ratio of 3:7 in September, 2008 aggregating to 525,802,403 shares. Against a total amount receivable of Rs. 5,047.70 crores, the Company has received Rs. 4,545 crores against which 473,398,534 equity shares have been allotted on fully paid-up on 23rd October, 2008. Out of this amount received, an amount of Rs. 124.90 crores has been spent on related expenses of the rights issue and the balance amount has been utilized to repay the bridge loan taken for acquisition of Novelis.		
<b>20.</b> In terms of the facility agreement for foreign currency borrowing of US\$ 981.80 million availed by A V Minerals (Netherlands) B.V., a wholly owned subsidiary, the Company has entered into a deed of pledge of registered shares in A V Minerals (Netherlands) B.V. in favour of HSBC Bank USA, N.A. as pledgee.		
<b>21. (a)</b> The Company has entered into a joint venture agreement with Mahanadi Coalfields Limited (MCL, a subsidiary company of Coal India Limited) and Neyveli Lignite Corporation Limited (NLCL) and has formed MNH Shakti Limited for mining of coal. Both Hindalco and NLCL hold 15% stake in the company by severally acquiring 15,000 equity shares of Rs. 10 each and MCL holds 70% stake in the company by acquiring 70,000 equity shares of Rs. 10 each. In absence of any control or significant influence by the Company, the amount spent for acquiring shares as stated earlier has been accounted for as investment.		

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

- (b) The Company has entered into a Memorandum of Understanding with Dubai Aluminium Company Limited (Dubal) and Hydromine, Inc (Hydromine) for development of an Alumina Project in Cameroon. The Company along with its partners, Dubal and Hydromine, is developing an alumina project through a joint venture company, Hydromine Global Minerals GMBH Limited incorporated in British Virgin Islands. Hindalco holds 45% stake in the Joint venture and 45% is held by Dubal and the balance 10% is held by Hydromine. The Company has invested a total amount of Rs. 8.30 crores till 31 March, 2009.

#### 22. Business Reconstruction Reserve

- (a) The Company has formulated a scheme of financial restructuring to deal with various costs associated with its organic and inorganic growth plan. The recent economic downturn particularly in the commodity space is also expected to result in impairment / diminution in value of certain assets/ investments. Accordingly, as per a scheme of Arrangement under Sections 391 to 394 of the Companies Act 1956 ("the Scheme") between the Company and its equity shareholders approved by the High Court of Judicature of Bombay, a separate reserve account titled as Business Reconstruction Reserve ("BRR") has been created by transferring balance standing to the credit of Securities Premium Account of the Company for adjustment of certain expenses as prescribed therein. Accordingly, Rs. 8,647.37 crores has been transferred to BRR and following expenses incurred during the year have been adjusted against the same as per the Scheme:
- (i) Impairment of fixed assets amounting Rs. 66.80 crores, net of deferred tax of Rs. 34.40 crores (refer Note no 24 in this schedule).
- (ii) Certain costs amounting to Rs. 0.18 crores in connection with the Scheme.
- (b) Had the Scheme not prescribed aforesaid treatment, the impact would have been as under:

##### (i) In the Profit and Loss Account

(Rs. in Crores)

Item	For the year ended 31st March, 2009
	increase / (decrease)
Impairment Loss	101.20
Manufacturing and Other Expenses	0.18
Profit before Tax	(101.38)
Provision for Deferred Tax	34.40
Net Profit	(66.98)

In Rupees

	For the year ended 31st March, 2009
Basic EPS	14.37
Diluted EPS	14.37
Basic EPS before Tax adjustment for earlier years	13.37
Diluted EPS before Tax adjustment for earlier years	13.37

##### (ii) In the Balance Sheet

(Rs. in Crores)

Item	As at 31st March, 2009
	increase / (decrease)
Reserves & Surplus:	
Securities Premium Account	8,647.37
General Reserve	(66.98)
Deferred Tax Liability (net)	34.40

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

23. The total of future minimum lease payment commitments under non-cancelable operating lease agreement for a period of twenty years expiring in 2022 to use railway tracks along with locomotives for transportation of its materials are as under:

	As at 31st March, 2009	As at 31st March, 2008
Not later than one year	0.40	0.40
Later than one year and not later than five years	1.60	1.60
Later than five years	3.27	3.67

(Rs. in Crores)

24. As required by Accounting Standard 28 on Impairment of Assets, the Company has carried out Impairment test of various assets and identified the following for impairment / reversal during the year:-

Nature of Asset	Events / Circumstances	Impairment Loss/ (reversal) Amount (Rs. in crores)	Basis of Recoverable Amount
Wheel Plant at Silvassa, Daman	Uneconomical operation	3.10	Net Selling Price
Carbon Plant at Belgaum	Improved profitability due to change in business scenario	(2.17)	Value In Use
Copper II Plant at Dahej	Uneconomical operation	101.20	Net Selling Price

#### 25. Deferred Tax

Major components of Deferred Tax arising on account of temporary timing differences are:

Particulars	As at 31st March, 2009	As at 31st March, 2008
<b>Deferred Tax Assets (A)</b>		
On Retirement benefits expenses as per AS - 15	64.67	64.46
Expenses / provisions allowable	19.66	18.96
<b>Total</b>	<b>84.33</b>	<b>83.42</b>
<b>Deferred Tax Liability (B)</b>		
Depreciation	1,495.00	1,407.09
<b>Total</b>	<b>1,495.00</b>	<b>1,407.09</b>
<b>Net Deferred Tax Liabilities (B-A)</b>	<b>1,410.67</b>	<b>1,323.67</b>

(Rs. in Crores)

26. Under the Employee Stock Option Scheme - 2006 (ESOS - 2006), the Company has granted 29,73,390 Options to its eligible employees in two Tranches. Each option when exercised would be converted into one equity share of Re. 1/- each, fully paid-up, of the Company.

#### (a) Employees Stock Option Scheme:

Particulars	2008-09		2007-08	
	Tranche I	Tranche II	Tranche I	Tranche II
Nos of Options	19,40,250	10,33,140	19,40,250	10,33,140
Vesting Plan	Graded Vesting - 25% every year	Graded Vesting - 25% every year	Graded Vesting - 25% every year	Graded Vesting - 25% every year
Exercise Period	5 Years from the date of Vesting	5 Years from the date of Vesting	5 Years from the date of Vesting	5 Years from the date of Vesting
Grant Date	23.08.2007	25.01.2008	23.08.2007	25.01.2008
Grant Price (Rs. per Option)	98.30	150.10	98.30	150.10
Market Price on the date of Grant of Option (Rs. per Share)	138.95	150.10	138.95	150.10
Method of Accounting	Intrinsic Value	Intrinsic Value	Intrinsic Value	Intrinsic Value

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

##### (b) Movement of Options Granted (in numbers):

Particulars	2008-09		2007-08	
	Tranche I	Tranche II	Tranche I	Tranche II
Outstanding at beginning of the year	16,61,150	10,33,140	Nil	Nil
Granted during the year	Nil	Nil	19,40,250	10,33,140
Forfeited during the year	1,72,192	1,12,550	2,79,100	Nil
Exercised during the year	2,27,454	Nil	Nil	Nil
Lapsed during the year	30,643	Nil	Nil	Nil
Outstanding at the end of the year	12,30,861	9,20,590	16,61,150	10,33,140
Unvested at the end of the year	10,73,670	6,90,442	16,61,150	10,33,140
Exerciseable at the end of the year	1,57,191	2,30,148	Nil	Nil

##### (c) Fair Valuation:

The fair valuation of options at the grant date have been done by an independent valuer using Black and Scholes Model. The Key assumptions and the Fair Value are as under:

Particulars	Tranche I	Tranche II
Number of Option Granted	19,40,250	10,33,140
Grant Date	23.08.2007	25.01.2008
Risk Free interest Rate (%)	8.00	8.00
Option Life (Years)	5	5
Expected Volatility	0.3391	0.3655
Expected Dividend Yield (%)	170.00	170.00
Weighted average Fair Value per option at the Grant Date (Rs.)	65.78	57.11

Had the compensation cost for the stock options granted under ESOS 2006 been recognized based on fair value at the date of grant in accordance with Black and Scholes Model, the proforma amount of net profit and earnings per share of the Company would have been as under:

(Rs. in Crores)

Particulars	2008-09	2007-08
Net Profit as Reported	2,230.27	2,860.94
Less: Dividend on Preference Shares (including Tax)	(0.03)	(0.03)
<b>Net Profit attributable to Equity Shareholders</b>	<b>2,230.24</b>	<b>2,860.91</b>
Add: Compensation cost under ESOS as per intrinsic value included in the Net Profit	2.09	2.13
Less: Compensation cost under ESOS as per fair value	(5.82)	(4.00)
<b>Proforma Net Profit</b>	<b>2,226.51</b>	<b>2,859.04</b>
Less: Tax adjustment for earlier years	(150.83)	(540.67)
<b>Proforma Net Profit before Tax adjustment for earlier years</b>	<b>2,075.68</b>	<b>2,318.37</b>
Weighted average number of Basic Equity Shares outstanding	1,505,245,463	1,286,973,135
Weighted average number of Diluted Equity Shares outstanding	1,505,245,463	1,293,995,155
Face value of Equity Shares (in Re.)	1.00	1.00
<b>Reported Earning per Share (EPS):</b>		
Basic EPS (in Rs.)	14.82	22.23
Diluted EPS (in Rs.)	14.82	22.11
Basic EPS before Tax adjustment for earlier years (in Rs.)	13.81	18.03
Diluted EPS before Tax adjustment for earlier years (in Rs.)	13.81	17.93
<b>Proforma Earning per Share (EPS):</b>		
Basic EPS (in Rs.)	14.79	22.22
Diluted EPS (in Rs.)	14.79	22.09
Basic EPS before Tax adjustment for earlier years (in Rs.)	13.79	18.01
Diluted EPS before Tax adjustment for earlier years (in Rs.)	13.79	17.92

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

27. Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits: -  
i) In respect of gratuity, a defined benefit scheme (based on Actuarial Valuation) -

Description	31st March 2009	(Rs. in Crores) 31st March 2008
<b>A Change in Obligations over the year ended 31 March 2009</b>		
Present Value of Defined Benefit Obligation at the beginning of the year	310.24	255.63
Current Service cost	16.69	19.12
Past Service Cost	-	-
Interest Cost	23.83	19.90
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-
Amalgamations	-	-
Actuarial (gains)/ losses	(4.60)	27.52
Benefits paid	(13.60)	(11.93)
<b>Present Value of Defined Benefit Obligation at the end of the year</b>	<b>332.56</b>	<b>310.24</b>
<b>B Change in Plan Assets (Reconciliation of opening and closing balances)</b>		
Fair value of Plan Assets at the beginning of the year	153.19	131.69
Expected return on Plan Assets	13.37	11.17
Actuarial Gain / (Loss)	3.20	0.40
Contributions	24.67	21.86
Benefits Paid	(13.60)	(11.93)
<b>Fair value of Plan Assets at the end of the year</b>	<b>180.83</b>	<b>153.19</b>
<b>C Reconciliation of fair value of assets and obligations</b>		
Fair value of Plan Assets at the end of the year	180.83	153.19
Present value of Obligation at the end of the year	(332.56)	(310.24)
Amount recognised in Balance Sheet	<b>(151.73)</b>	<b>(157.05)</b>
<b>D Expense recognised during the year</b>		
Current Service cost	16.69	19.12
Past Service Cost	-	-
Interest cost	23.83	19.90
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-
Actuarial (gains)/losses	(9.40)	26.40
Expected return on plan assets	(11.77)	(10.47)
	<b>19.35</b>	<b>54.96</b>
<b>E Investment details of plan assets</b>		
Insurer managed Fund	69%	64%
Government Securities	22%	25%
Corporate Bonds	8%	10%
Others	1%	1%
	<b>100%</b>	<b>100%</b>

Note : Previous Year figures have been recast in line with Current Year.

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

	31st March 2009	31st March 2008
<b>F Principal Actuarial Assumptions</b>		
- Discount rate (based on the market yields available on Government bonds at the accounting date with a that term matches that of the liabilities)	8.00%	7.75% / 7.90%
- Expected rate of return on assets	7.85% / 8.00%	7.85% / 7.90%
- Salary increase (taking into account inflation, seniority, promotion and other relevant factors)	6.00%	6.00%

The Company has various schemes (funded / unfunded) for payment of gratuity to all eligible employees calculated at specified number of days (ranging from 15 days to 1 month) of last drawn salary depending upon tenure of service for each year of completed service subject to minimum service of five years payable at the time of separation upon superannuation or on exit otherwise.

ii) In respect of Defined contribution schemes -

- a) The guidance notes on implementation of AS-15 (revised) issued by the ICAI states that provident fund set up by the employers, which require interest shortfall to be met by the employers, needs to be treated as defined benefit plan. The fund set up by the Company does not have existing deficit of interest shortfall. With regard to future obligation arising due to interest shortfall, pending issuance of the guidance notes from Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. The Company contributes 12% of salary for all eligible employees towards Provident Fund managed either by approved trusts or by the Central Government. The amount debited to Profit and Loss account during the year was Rs. 38.12 crores (previous year Rs. 35.56 crores).
- b) The Company also contributes a certain percentage of salary for all eligible employees in managerial cadre towards Superannuation Funds managed by approved trusts or by Life Insurance Corporation of India. The amount debited to Profit and Loss account during the year was Rs. 7.52 crores (previous year Rs. 6.27 crores).

28. (a) As per the metal price risk management policy of the Company, the Company has entered into various future options contracts for hedging on the LME and LBMA. The outstanding positions are as under:

Metal	Nature	As at 31st March, 2009		As at 31st March, 2008	
		Quantity	Value (USD in Million)	Quantity	Value (USD in Million)
Copper - Mt	Buy	17,450	64.42	-	-
Copper - Mt	Sell	-	-	2,175	13.78
Gold - Tr Oz	Sell	196,120	182.75	164,103	154.11
Silver - Tr Oz	Sell	1,426,481	17.39	1,013,962	19.21
Aluminium - Mt	Sell	2,050	3.27	52,400	154.97

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

- (b) The Company has entered into various derivative contracts for hedging foreign exchange exposures. The transactions outstanding are as under:

Nature of Exposure	Currency	Nature	As at 31st March, 2009 (in Million)	As at 31st March, 2008 (in Million)
USD Earnings	USD	Sell	-	52.00
Buyers Credit	USD	Buy	64.05	33.00
Exports	USD	Sell	1,152.93	239.62
Capex	USD	Buy	-	0.89
Capex	CHF	Buy	-	0.50
Capex	EURO	Buy	0.30	0.21
Capex	GBP	Buy	-	0.50
Imports	USD	Buy	-	1.48
Investment in Equity	USD	Buy	2.91	-

- (c) Foreign currency exposures that are not hedged by a derivative instrument or otherwise are as under:

Currency	As at 31st March, 2009			As at 31st March, 2008		
	(in Million)			(in Million)		
	Payable	Receivable	Loan	Payable	Receivable	Loan
AED	0.01	-	-	-	-	-
AUD	-	-	-	0.58	-	-
CHF	-	-	-	3.09	-	-
EUR	0.29	0.56	-	0.77	0.97	-
GBP	0.02	0.10	-	0.76	0.84	-
JPY	34.51	-	-	57.33	-	-
NOK	-	-	-	0.70	-	-
USD	522.49	22.33	-	512.78	104.04	436.92
YEN	-	-	-	-	-	-
<b>Total</b>	<b>557.32</b>	<b>22.99</b>	<b>-</b>	<b>576.01</b>	<b>105.85</b>	<b>436.92</b>

- (d) In pursuance of announcement dated 29th March, 2008 of the Institute of Chartered Accountants of India on Accounting for Derivatives, mark to market losses on outstanding derivative instruments as on 31 March, 2009 stood at Rs. 313.55 crores (previous year Rs. 22 crores) arising from hedging transactions undertaken by the Company for its commodities and foreign currency related exposures. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and all the derivatives entered into by the Company are to mitigate or offset the risks that arise from their normal business activities only. The above mark to market loss is expected to flow back through future cash flows. The Company is at an advanced stage for early adoption of Accounting Standard (AS) 30 on Financial Instruments: Recognition and Measurement. Pending adoption of AS 30, the Company has not provided for the losses on mark to market basis.
- (e) The Company has entered into various derivative contracts for hedging foreign currency exposures. The outstanding position as on 31 March, 2009 are as under:

Category	Nature	MTM (Rs. In Crores) Gain / (Loss)
Commodity	Forward Cover, Swap, etc.	24.44
Foreign Currency	Forward Cover, Option, etc.	(337.99)



## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

29. In compliance with Accounting Standard 27 on Financial Reporting of Interest in Joint Ventures, following disclosures are made in respect of jointly controlled entities in which the Company is a joint venturer:

(Rs. in Crores)

Particulars	Hydromine Global Minerals (GMBH) Limited (Audited)	*IDEA Cellular Limited to 31st up Dec, 2008 (Audited)	Mahan Coal Limited (Audited)
Country of incorporation	British Virgin Islands	India	India
Percentage of Share in Joint Venture	45%	7.37%	50.00%
Assets	7.750	2,101.82	5.64
Liabilities	0.002	1103.31	0.19
Income		531.26	-
Expenditure		485.11	-
Capital Commitments (net of advance)		166.14	0.07
Contingent Liabilities		100.53	16.71

\*IDEA Cellular Limited has become an Associate with effect from 01 January, 2009.

(Rs. in Crores)

31st March, 2009    31st March, 2008

#### 30. Earnings Per Share:

<b>Profits after taxation</b>	2,230.27	2,860.94
Less: Dividend on Preference Shares (including Dividend Tax)	(0.03)	(0.03)
<b>Net Profit for EPS</b>	<b>2,230.24</b>	<b>2,860.91</b>
Less: Adjustment of Taxation for earlier years	(150.83)	(540.67)
<b>Profit before adjustment of Taxation for earlier years</b>	<b>2,079.41</b>	<b>2,320.24</b>
Weighted average number of Basic Equity Shares outstanding (including partly paid-up shares)	1,505,245,463	1,286,973,135
Weighted average number of Diluted Equity Shares outstanding (including partly paid-up shares)	1,505,245,463	1,293,995,155
Face Value of Equity Shares (in Re.)	1.00	1.00
<b>Earnings per share (EPS)</b>		
Basic EPS (Rs.)	14.82	22.23
Diluted EPS (Rs.)	14.82	22.11
Basic EPS before Tax adjustment for earlier years (Rs.)	13.81	18.03
Diluted EPS before Tax adjustment for earlier years (Rs.)	13.81	17.93

# SCHEDULES

## SCHEDULE '19' (Cont'd)

### B. NOTES ON ACCOUNTS (Cont'd)

#### 31. Related Party Disclosures

##### (a) Subsidiaries of the Company

- 1) Aditya Birla Minerals Limited.
- 2) Birla (Nifty) Pty Limited.
- 3) Birla Maroochydore Pty Limited.
- 4) Birla Mt Gordon Pty Limited.
- 5) Birla Resources Pty Limited.
- 6) Dahej Harbour and Infrastructure Limited.
- 7) Aditya Birla Chemicals (India) Limited (Formerly, Bihar Caustic & Chemicals Limited)
- 8) Hindalco - Almex Aerospace Limited.
- 9) Indal Exports Limited.
- 10) Lucknow Finance Company Limited.
- 11) Minerals and Minerals Limited.
- 12) Renuka Investments & Finance Limited.
- 13) Renukeshwar Investments & Finance Limited.
- 14) Suvas Holdings Limited.
- 15) Utkal Alumina International Limited.
- 16) East Coast Bauxite Mining Company Private Limited.
- 17) Tubed Coal Mines Limited.
- 18) A V Minerals (Netherlands) B.V.
- 19) A V Metals Inc.
- 20) A V Aluminum Inc.
- 21) HAAL (USA) Inc.
- 22) Novelis Inc.
- 23) Novelis Belgique SA.
- 24) Novelis Benelux NV.
- 25) Albrasilis - Aluminio do Brasil Industria e Commercica Ltda
- 26) Novelis do Brasil Ltda.
- 27) 4260848 Canada Inc.
- 28) 4260856 Canada Inc.
- 29) Novelis Cast House Technology Ltd.
- 30) Novelis No. 1 Limited Partnership.
- 31) Novelis Foil France SAS.
- 32) Novelis Lamines France SAS.
- 33) Novelis PAE SAS.
- 34) Novelis Aluminium Beteiligungs GmbH.
- 35) Novelis Deutschland GmbH.
- 36) Novelis Aluminium Holding Company.
- 37) Novelis Italia SpA.
- 38) Novelis Luxembourg SA.
- 39) Alcom Nikkei Specialty Coatings Sdn Berhad.
- 40) Aluminium Company of Malaysia Berhad.

# SCHEDULES

## SCHEDULE '19' (Cont'd)

### B. NOTES ON ACCOUNTS (Cont'd)

- 41) Al Dotcom Sdn Berhad.
- 42) Novelis (India) Infotech Ltd.
- 43) Novelis de Mexico SA de CV.
- 44) Novelis Korea Ltd.
- 45) Novelis Sweden AB.
- 46) Novelis AG.
- 47) Novelis Switzerland SA.
- 48) Novelis Technology AG.
- 49) Novelis Automotive UK Ltd.
- 50) Novelis Europe Holdings Limited.
- 51) Novelis UK Ltd.
- 52) Aluminium Upstream Holdings LLC (Delaware).
- 53) Eurofoil, Inc. (USA) (New York).
- 54) Logan Aluminium Inc. (Delaware).
- 55) Novelis Corporation (Texas).
- 56) Novelis Brand LLC (Delaware).
- 57) Novelis PAE Corp (Delaware).
- 58) Novelis South America Holdings LLC.
- 59) Novelis Madeira, Unipessoal, Ltd.
- 60) Novelis Services Limited.

#### (b) Trust of the Company

Trident Trust.

#### (c) Joint Ventures

IDEA Cellular Limited. (up to 31st December, 2008).  
Hydromine Global Minerals GMBH Limited.  
Mahan Coal Limited.

#### (d) Associates of the Company

Aditya Birla Science and Technology Company Limited.  
Consorcio Candonga.  
France Aluminium Recyclage SA.  
Aluminium Norf GmbH.  
Deutsche Aluminium Verpackung Recycling GmbH.  
MiniMRF LLC (Delaware).  
IDEA Cellular Limited (w.e.f. 1st January, 2009).

#### (e) Key Managerial Personnel:

Mr. D. Bhattacharya- Managing Director

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

B. The following transactions were carried out with related parties in the ordinary course of business.

(a) Subsidiary Companies, Associate and Joint Ventures:

(Rs. in Crores)

Sl. No.	Transaction during the year	2008-09			2007-08		
		Subsidiaries	Associates	Joint Ventures	Subsidiaries	Associates	Joint Ventures
1	<b>Sales and Conversion</b>	<b>22.91</b>	-	-	<b>20.75</b>	-	-
	a) Aditya Birla Chemicals(I)Ltd, (Formerly, Bihar Caustic and Chemicals Limited)	21.06	-	-	19.89	-	-
	b) Others	1.85	-	-	0.86	-	-
2	<b>Services rendered</b>	<b>0.33</b>	-	-	<b>0.68</b>	-	-
	a) Dahej Harbour and Infrastructure Limited	0.33	-	-	0.68	-	-
	b) Others	-	-	-	-	-	-
3	<b>Interest and dividend received</b>	<b>73.05</b>	<b>0.64</b>	-	<b>3.92</b>	<b>0.48</b>	-
	a) Aditya Birla Science & Technology Company Limited	-	0.64	-	-	0.48	-
	b) Aditya Birla Chemicals(I)Ltd, (Formerly, Bihar Caustic and Chemicals Limited)	-	-	-	3.58	-	-
	c) Aditya Birla Minerals Limited	65.05	-	-	-	-	-
	d) Others	8.00	-	-	0.34	-	-
4	<b>Purchase of materials</b>	<b>1,195.24</b>	-	-	<b>2,406.03</b>	-	-
	a) Aditya Birla Chemicals(I)Ltd, (Formerly, Bihar Caustic and Chemicals Limited)	154.72	-	-	138.83	-	-
	b) Birla (Nifty) Pty Limited	792.03	-	-	1,582.95	-	-
	c) Birla Mt Gordon Pty Limited	247.76	-	-	683.61	-	-
	d) Others	0.73	-	-	0.65	-	-
5	<b>Services received</b>	<b>29.15</b>	<b>9.14</b>	<b>0.51</b>	<b>31.03</b>	<b>6.88</b>	<b>0.12</b>
	a) Aditya Birla Science & Technology Company Limited	-	8.92	-	-	6.88	-
	b) Idea Cellular Limited (Up to (31st Dec 2008))	-	-	0.51	-	-	0.12
	c) Dahej Harbour and Infrastructure Limited	28.66	-	-	30.61	-	-
	d) Others	0.49	0.22	-	0.42	-	-
6	<b>Investments, Deposits, loans and advances made during the year</b>	<b>11,547.30</b>	<b>4.00</b>	<b>11.30</b>	<b>2,989.08</b>	<b>8.33</b>	<b>0.95</b>
	a) Aditya Birla Science & Technology Company Limited	-	3.92	-	-	8.33	-
	b) Mahan Coal Limited	-	-	3.00	-	-	0.95
	c) Hydromine Global Minerals GMBH Limited	-	-	8.30	-	-	-
	d) A V Minerals (Netherlands) B.V.	10,400.37	-	-	2,519.90	-	-
	e) Aditya Birla Minerals Limited	480.76	-	-	-	-	-
	f) Utkal Alumina International Limited	317.04	-	-	453.85	-	-
	g) Others	349.13	0.08	-	15.33	-	-

# SCHEDULES

## SCHEDULE '19' (Cont'd)

### B. NOTES ON ACCOUNTS (Cont'd)

#### (a) Subsidiary Companies, Associate and Joint Ventures: (Cont'd)

(Rs. in Crores)

Sl. No.	Transaction during the year	2008-09			2007-08		
		Subsidiaries	Associates	Joint Ventures	Subsidiaries	Associates	Joint Ventures
7	<b>Investments, Deposits, loans and advances received back during the year</b>	<b>545.71</b>	<b>3.58</b>	<b>0.95</b>	<b>18.79</b>	-	-
	a) Aditya Birla Science & Technology Company Limited	-	3.58	-	-	-	-
	b) Mahan Coal Limited	-	-	0.95	-	-	-
	c) A V Minerals (Netherlands) B.V.	-	-	-	-	-	-
	d) Aditya Birla Chemicals(I)Ltd, (Formerly, Bihar Caustic and Chemicals Limited)	-	-	-	12.26	-	-
	e) Aditya Birla Minerals Limited	480.76	-	-	-	-	-
	f) Lucknow Finance Company Limited	-	-	-	5.63	-	-
	g) Others	64.95	-	-	0.90	-	-
8	<b>Guarantees and Collateral securities given</b>	<b>7,160.04</b>	-	-	<b>15,988.00</b>	-	-
	a) A V Minerals (Netherlands) B.V.	7,133.00	-	-	15,988.00	-	-
	b) Others	27.04	-	-	-	-	-
9	<b>Guarantees &amp; Collateral securities received back during the year</b>	<b>15,988.00</b>	-	-	<b>31.14</b>	-	-
	a) Lucknow Finance Company Limited	-	-	-	31.14	-	-
	b) A V Minerals (Netherlands) B.V.	15,988.00	-	-	-	-	-
10	<b>Licence and Lease arrangements</b>						
	Licence Fees	<b>0.01</b>	-	-	<b>0.01</b>	-	-
	a) Dahej Harbour and Infrastructure Limited	0.01	-	-	0.01	-	-
	<b>Outstanding balance as at 31st March</b>						
1	<b>Debit Balances</b>	<b>1.71</b>	<b>0.01</b>	<b>0.03</b>	<b>0.14</b>	-	<b>0.01</b>
	a) Idea Cellular Limited (wef 1st Jan 2009)	-	0.01	-	-	-	-
	b) Aditya Birla Science & Technology Company Limited	-	-	-	-	-	-
	c) Idea Cellular Limited (Upto 31st Dec 2008)	-	-	0.01	-	-	0.01
	d) Mahan Coal Limited	-	-	0.02	-	-	-
	e) Utkal Alumina International Limited	1.58	-	-	0.13	-	-
	f) Others	0.13	-	-	0.01	-	-
2	<b>Credit Balances</b>	<b>9.42</b>	<b>0.03</b>	-	<b>650.45</b>	-	-
	a) Idea Cellular Limited (wef 1st Jan 2009)	-	0.03	-	-	-	-
	b) Aditya Birla Chemicals(I)Ltd, (Formerly, Bihar Caustic and Chemicals Limited)	5.85	-	-	-	-	-

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

##### (a) Subsidiary Companies, Associate and Joint Ventures: (Cont'd)

(Rs. in Crores)

Sl. No.	Transaction during the year	2008-09			2007-08		
		Subsidiaries	Associates	Joint Ventures	Subsidiaries	Associates	Joint Ventures
3	c) Birla (Nifty) Pty Limited	-	-	-	379.09	-	-
	d) Birla Mt Gordon Pty Limited	-	-	-	266.50	-	-
	e) Dahej Harbour and Infrastructure Limited	3.05	-	-	-	-	-
	f) Others	0.52	-	-	4.85	-	-
	<b>Investments, Deposits, loans and advances</b>	<b>14,804.95</b>	<b>23.11</b>	<b>242.14</b>	<b>3,803.36</b>	<b>22.69</b>	<b>231.80</b>
	a) Aditya Birla Science & Technology Company Limited	-	23.03	-	-	22.69	-
4	b) Idea Cellular Limited (Upto 31st Dec 2008)	-	-	228.34	-	-	228.34
	c) A V Minerals (Netherlands) B.V.	12,933.09	-	-	2,532.72	-	-
	d) Aditya Birla Minerals Limited	480.76	-	-	480.76	-	-
	e) Utkal Alumina International Limited	980.60	-	-	663.56	-	-
	f) Others	410.50	0.08	13.80	126.32	-	3.46
	<b>Guarantees and Collateral securities given</b>	<b>7,164.54</b>	-	-	<b>15,992.50</b>	-	-
	a) A V Minerals (Netherlands) B.V.	7,133.00	-	-	15,988.00	-	-
4	b) Dahej Harbour and Infrastructure Limited	4.50	-	-	4.50	-	-
	c) Others	27.04	-	-	-	-	-

- (b) Trident Trust  
Beneficiary Interest in the Trust 34.45 34.45
- (c) Key Managerial Personnel:  
Managerial Remuneration (Including perquisites)\* 11.09 8.24

\* Excluding gratuity, Leave encashment provisions and Employee Compensation under Employee Stock Option Scheme.

# SCHEDULES

## SCHEDULE '19' (Cont'd)

### B. NOTES ON ACCOUNTS (Cont'd)

#### 32. Segment Reporting

(a) Primary Segment Reporting (by Business Segment):

i) The Company has two reportable segments viz. Aluminium and Copper which have been identified in line with the Accounting Standard 17 on Segment Reporting, taking into account the organizational structure as well as differential risk and return of these segments. Details of products included in each segments are as under:

Aluminium : Hydrate & Alumina, Aluminium and Aluminium Products.

Copper : Continuous Cast Copper Rods, Copper Cathode, Sulphuric Acid, DAP & Complexes, Gold and Silver.

ii) Inter-segment transfers are based on market rates.

iii) Information about Primary Segments are as follows:

(Rs. in Crores)

Particulars	2008-09			2007-08		
	Aluminium	Copper	Total	Aluminium	Copper	Total
<b>REVENUE</b>						
External Sales	7,600.54	10,619.11	18,219.65	7,141.41	12,059.62	19,201.03
Inter Segment Sales	3.30	5.40	8.70	3.53	5.89	9.42
Total Revenue	7,603.84	10,624.51	18,228.35	7,144.94	12,065.51	19,210.45
<b>RESULTS</b>						
Segment Results	2,157.76	379.14	2,536.90	2,423.10	503.36	2,926.46
Unallocated Corporate Expenses			(81.13)			(67.87)
Operating Profit			2,455.77			2,858.59
Unallocated Other Income			571.48			447.65
Interest Expenses			(336.93)			(280.63)
Income Taxes			(460.05)			(164.67)
Net Profit			2,230.27			2,860.94
<b>OTHER INFORMATION</b>						
<b>Assets:</b>						
Segment Assets	9,513.12	6,279.32	15,792.44	8,930.08	7,514.95	16,445.03
Unallocated Corporate Assets			20,372.91			14,443.83
Total Assets			36,165.35			30,888.86
<b>Liabilities:</b>						
Segment Liabilities	943.29	1,104.52	2,047.81	921.81	2,118.23	3,040.04
Unallocated Corporate Liabilities			10,359.22			10,413.00
Total Liabilities			12,407.03			13,453.04
Capital Expenditure	1,040.48	79.00		974.21	70.40	
Non-Cash Expenses:						
Depreciation (including Impairment)	472.20	167.57		416.10	165.90	
Others	1.69	0.92		0.41		

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

(b) Secondary Segment Reporting (by Geographical demarcation):

- i) The secondary segment is based on geographical demarcation i.e India and Rest of the World.
- ii) Information about Secondary Segments are as follows:

(Rs. in Crores)

Particulars	2008-09			2007-08		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	12,856.59	5,371.76	18,228.35	12,739.30	6,471.15	19,210.45
Segment Assets	15,257.93	534.51	15,792.44	15,994.03	451.00	16,445.03
Capital Expenditure	1,119.48	-	1,119.48	1,044.61	-	1,044.61

33. Miscellaneous Expenses under Manufacturing and Other Expenses (Schedule 17) include payment -

(Rs. in Crores)

- (a) to a firm of solicitors in which Director is a partner
- (b) as pension to a Director of a Company who was president of the Company before appointment as Director

2008-09	2007-08
0.20	0.28
0.01	0.01

34. The following are included under other heads of expenses in the Profit & Loss Account:

(Rs. in Crores)

	2008-09	2007-08
Consumption of stores and spare parts	42.77	53.25
Power and Fuel	1.57	2.43
Repairs to buildings	5.04	4.76
Repairs to machinery	42.78	45.28
Salaries, wages & bonus etc.	123.76	110.55
Contribution to provident and other funds	13.50	20.41
Workmen and staff welfare expenses	21.00	20.15
Insurance	1.28	1.32
Rent	0.38	0.29
Rates & Taxes	1.46	1.19
Research and Development	3.34	7.06
<b>Total</b>	<b>256.88</b>	<b>266.69</b>



## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

	(Rs. in Crores)	
	<b>2008-09</b>	<b>2007-08</b>
<b>35. Auditors' Remuneration</b>		
(a) <b>Statutory Auditors</b>		
Audit Fees	1.06	1.06
Certification/Company law/Other matters	*0.84	0.60
Tax Audit Fees	0.22	0.27
Expenses	0.10	0.06
(b) <b>Cost Auditors</b>		
Audit Fees	0.06	0.10
Expenses	-	0.01

\* Excludes an amount of Rs. 1.15 crores related to certification work for rights issue which is adjusted from Securities Premium Account.

	(Rs. in Crores)	
	<b>2008-09</b>	<b>2007-08</b>
<b>36. Expenses include following payments to Managing Director</b>		
Salary	2.99	2.42
Contribution to Provident Fund & Superannuation Fund	0.73	0.59
Special Allowance	2.15	1.40
Performance Linked Pay	3.60	2.57
Perquisites	0.72	0.61
Leave Travel Assistance	0.90	0.65
<b>Total</b>	<b>11.09</b>	<b>8.24</b>

Expenses towards gratuity and leave encashment provisions are determined actuarially on overall company basis and accordingly have not been considered in the above information. Compensation under Employee Stock Option Scheme has also not been considered in the above information.

	(Rs. in Crores)	
	<b>2008-09</b>	<b>2007-08</b>
<b>37. Computation of Other Directors' Commission</b>		
Computation of net profit in accordance with section 198 and 309(5) of the Companies Act, 1956		
<b>Computation of Other Directors' Commission</b>		
Profit before extraordinary items and tax	<b>2,690.32</b>	<b>3,025.61</b>
Add:		
Other Directors' remuneration	7.50	9.84
Directors' fees	0.06	0.04
Doubtful debts provision / (write back) - net	1.98	(0.02)
Loss on Fixed Assets sold / discarded (net)	(6.40)	3.15
Diminution in carrying cost of investments / (written back)	(8.66)	12.22
	<b>2,684.80</b>	<b>3,050.83</b>
Less:		
Profit on sale of Investments (net)	85.76	65.51
<b>Net Profit for the year</b>	<b>2,599.04</b>	<b>2,985.32</b>
Other Directors' Commission -1% of the above profit	25.99	29.85
Restricted to maximum amount payable	7.50	9.84

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

	(Rs. in Crores)	
	2008-09	2007-08
<b>38. Capital work-in-progress includes:-</b>		
Pre-operative expenses pending allocation:		
Raw Materials Consumed	10.73	9.37
Power & Fuel	4.07	6.41
Salary, Wages, Bonus, Ex-Gratia, Pension and Provisions	6.78	7.08
Raw Water Charges and Cess	0.02	-
Insurance	0.40	1.14
Technology Fee	-	15.66
Supervision Fees	-	27.44
Miscellaneous expenses	6.27	7.73
	<b>28.27</b>	<b>74.83</b>
Add: Brought Forward from previous year	23.26	28.03
<b>Sub Total</b>	<b>51.53</b>	<b>102.87</b>
Less: Allocated to Fixed Assets	21.36	79.61
<b>Balance</b>	<b>30.17</b>	<b>23.26</b>
<b>39. Remittance of Dividend on Equity Shares / GDRs in Foreign Currency</b>		
No. of Non-Resident Shareholders	597	-
No. of Shares held		
- Fully Paid up	165,730,039	-
- Partly Paid up	-	-
Dividend (Rs. in Crores)	30.66	-
<b>40.</b> The amount transferable to Investor Education and Protection Fund does not include any amount due and outstanding to be transferred to said fund except Rs. 0.07 crores (previous year Rs. 0.07 crores) which is held in abeyance due to legal case pending.		
<b>41.</b> The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under Micro, Small and Medium enterprises development Act, 2006) claiming their status as micro, small or medium enterprises. Consequently the amount paid / payable to the parties during the year is nil.		

# SCHEDULES

## SCHEDULE '19' (Cont'd)

### B. NOTES ON ACCOUNTS (Cont'd)

42. Additional information pursuant to paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956 (As amended)

(a) **Particulars in respect of Goods manufactured: -**

Class of goods	Installed Capacity		Actual Production		Stock of Goods Produced								
	Qty.		Qty.		Opening				Closing				
	2008-09 Tonnes		2007-08 Tonnes	2008-09 Tonnes	2007-08 Tonnes	01.04.08		01.04.07		31.03.09		31.03.08	
					Qty.	Value (Rs. Crore)	Qty.	Value (Rs. Crore)	Qty.	Value (Rs. Crores)	Qty.	Value (Rs. Crores)	
Aluminium Metal	488,000 *		471,000	523,453	477,723	254	1.81	308	1.88	326	2.35	254	1.81
Rolled Products	205,000 **		200,000	181,784 (#)	215,198	3,734	32.44	4,445	35.91	5,734	54.89	3,734	32.44
Extruded Products	31,000 ***		27,700	35,895 (@)	43,315	906	8.02	702	6.12	1,052	10.09	906	8.02
Conductor Redraw Rods	56,400 **		50,000	74,968	71,798	44	0.32	15	0.10	98	0.67	44	0.32
Aluminium Foil	40,000		40,000	22,046 (\$)	27,645	699	9.19	929	12.28	320	5.37	699	9.19
Aluminium Wheel	300,000		300,000	141,030	174,069	11,634	1.67	11,102	1.71	8,296	1.69	11,634	1.67
	Pcs		Pcs	Pcs	Pcs	Pcs	-	Pcs	-	Pcs	-	Pcs	-
Hydrate & Alumina	1,500,000 ****		1,160,000	1,237,284	1,192,709	37,342	50.29	54,341	58.88	19,064	23.50	37,342	50.29
Electricity	1,109.2	MW	1,109.2	8,827	MU	8,082	-	-	-	-	-	-	-
Electricity (Co-generation)	242.8	MW	212.8	1,446	MU	1,338	-	-	-	-	-	-	-
Continuous Cast Copper Rods (CCR)	97,200		97,200	145,542	139,682	1,556	45.93	417	13.34	597	11.24	1,556	45.93
Copper cathodes	500,000		500,000	300,862	327,667	3,036	90.67	1,001	28.37	217	4.03	3,036	90.67
Sulphuric Acid	1,670,000		1,670,000	999,253	1,023,422	34,320	2.55	21,157	1.48	21,929	-	34,320	2.55
Phosphoric Acid	180,000		180,000	80,245	66,677	-	-	-	-	-	-	-	-
DAP & complexes	400,000		400,000	170,176 **	149,589	5,476	9.27	5,565	8.50	8	0.02	5,476	9.27
Gold	15		15	4.872	9.14	0.001	0.10	0.041	3.10	0.381	42.46	0.001	0.10
Silver	150		150	37.307	52.94	0.021	0.04	0.555	1.00	1.350	2.69	0.021	0.04
Others							2.90		1.26		2.74		2.90
TOTAL							255.18		173.94		161.74		255.18

The Installed Capacity is as certified by the Management and license capacity is not given as licensing is not applicable.

\* Installed capacity of Hirakud Smelter increased.

\*\* Capacity increased by technological upgradation of existing capacities.

\*\*\* Capacity increased by 3,300 MT due to addition of one Extrusion Press at Renukoot.

\*\*\*\* Installed capacity of Muri increased.

# Includes 64 MT (Previous Year Nil) converted from outside party, 2,753 MT (Previous year 2,774 MT) being production out of customers' material and 30,438 MT (Previous year 36,067 MT) transferred for captive consumption.

@ Include 23 MT (Previous year 179 MT) converted from outside party and 81 MT (Previous year 41 MT) transferred for captive consumption .

Alumina includes 10,17,211 MT (9,50,081 MT) transferred for own consumption/ further processing.

\$ Includes 191 MT (previous year 87 MT ) being production out of customers material / transferred for own consumption/ further processing.

Production of CCR, Copper cathodes, Sulphuric acid, and Phosphoric acid include 178 MT, 1,50,444 MT, 2,60,448 MT, 80,245 MT (Previous year Nil, 1, 44,964 MT, 2,45,092 MT and 66,677 MT) respectively which have been captively consumed / to be consumed.

During the year production and standardization loss of DAP & complexes is 336 MT (Previous Year is 1,428 MT).

## Previous year figures have been regrouped / rearranged wherever necessary.

(b) **CIF value of imports** (Excluding goods in transit and imported items purchased locally): -

(Rs. in Crores)

Particulars	2008-09	2007-08
i) Raw materials	7,936.56	10,450.06
ii) Coal	228.04	159.65
iii) Components & Spare parts	64.05	132.91
iv) Capital Goods	78.83	123.47
v) Trading Goods	112.63	90.50
vi) Furnace Oil	30.50	6.31

## SCHEDULES

### SCHEDULE '19' (Cont'd)

#### B. NOTES ON ACCOUNTS (Cont'd)

##### (c) Value of Raw Materials, Stores and Spares Consumed

(Rs. in Crores)

	2008-09		2007-08	
	Consumption	% of Total Consumption	Consumption	% of Total Consumption
1) Value of Raw Materials Consumed:				
Total Consumption	10,426.28		12,051.72	
Imported	9,003.62	86.39	10,889.70	90.36
Indigenous	1,422.66	13.61	1,162.02	9.64
2) Value of Stores and Spares Consumed:				
Total Consumption	315.82		342.39	
Imported	36.31	11.50	37.28	10.89
Indigenous	279.51	88.50	305.11	89.11

##### (d) Particulars in respect of Traded Goods

Particulars	2008-09				2007-08			
	Quantity (M.T)		Value (Rs. in Crores)		Quantity (M.T)		Value (Rs. in Crores)	
	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
Ammonia	11,750	11,750	15.64	15.85	18,250	18,250	26.04	26.77
Coal	66,013	66,013	34.57	38.93	-	-	-	-
Others	1795	1780	62.83	62.96	10,039	10,039	66.48	67.86

Note : Sale figures are included in Schedule '14'

##### (e) Expenditure in Foreign Currency (Paid or Provided):-

(Rs. in Crores)

	2008-09	2007-08
Technical know-how & Professional Fee	162.44	13.13
Foreign Travelling	1.27	2.41
Commission	12.34	11.34
Interest	117.26	49.15
Others	1.96	1.52

##### (f) Earnings in Foreign Exchange:-

Export of Goods on FOB basis	5,148.18	6,434.26
Others	6.22	0.74

43. Figures of the previous year have been regrouped / rearranged wherever necessary.

# SCHEDULES

SCHEDULE '19'(Cont'd)

NOTES ON ACCOUNTS (Cont'd)

## 44. Balance Sheet Abstract and Company's General Business Profile

### I. REGISTRATION DETAILS

Registration No.

1 1 - 1 1 2 3 8

Balance Sheet

3 1 0 3 2 0 0 9

State Code

1 1

Date Month Year

### II. CAPITAL RAISED DURING THE YEAR

Public/Euro Issue

N I L

Bonus Issue

N I L

Share Warrants

N I L

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities

3 6 1 6 5 . 3 5

Sources of Funds:

Paid-up Capital

1 7 0 . 4 6

Employee Stock Options Outstanding

3 . 1 7

Reserves & Surplus

2 3 5 8 4 . 6 9

Application of Funds:

Net Fixed Assets

9 2 7 6 . 6 0

Net Current Assets

5 0 6 7 . 8 4

Accumulated Losses

N I L

### IV. PERFORMANCE OF THE COMPANY

Turnover/Income

1 8 8 5 6 . 3 0

Profit/Loss Before  
Extraordinary Item & Tax

+ 2 6 9 0 . 3 2

Basic EPS (in Rs.)

1 4 . 8 2

Dividend %\*

1 3 5 . 0 0

\* Proposed

### V. GENERIC NAMES OF FIVE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

Item Code No. (ITC Code)

7 6 0 1

Product Description

A L U M I N I U M I N G O T S

Item Code No. (ITC Code)

7 6 0 6

Product Description

A L U M I N I U M R O L L E D P R O D U C T S

Item Code No. (ITC Code)

7 6 0 5

Product Description

A L U M I N I U M R E D R A W R O D S

Item Code No. (ITC Code)

7 4 0 3 1 1

Product Description

C O P P E R C A T H O D E S

Item Code No. (ITC Code)

7 4 0 7 1 0

Product Description

C O N T I N U O U S C A S T C O P P E R R O D S

As per our report annexed.  
For SINGHI & CO.  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO

Anil Malik  
Company Secretary

For and on behalf of the Board

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

# STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

(Rs. in Crores)

Name of the Subsidiary Companies	Financial year of the Subsidiary ended on	Extent of the Holding Company's interest (%)	Net aggregate amount of the Profit/(Loss) of the Subsidiary, so far as it concerns the members of the Holding Company				Additional Informations under Sec. 212 (5)
			Not dealt with in the Holding Company's Accounts		Dealt with in the Holding Company's Accounts		
			For the Financial Year of the Subsidiary	For the previous Financial Years since they become Subsidiary	For the Financial Year of the Subsidiary	For the previous Financial Years since they become Subsidiary	
1 Indal Exports Limited	31.03.2009	100.00%	(0.00)	(0.03)	Nil	Nil	N.A.
2 Minerals & Minerals Limited	31.03.2009	100.00%	0.02	1.10	Nil	Nil	N.A.
3 Renuka Investments & Finance Limited	31.03.2009	100.00%	3.36	28.93	Nil	0.65	N.A.
4 Renukeshwar Investments & Finance Limited	31.03.2009	100.00%	2.02	21.80	Nil	0.10	N.A.
5 Suvas Holdings Limited	31.03.2009	51.00%	Nil	Nil	Nil	Nil	N.A.
6 Utkal Alumina International Limited	31.03.2009	100.00%	Nil	Nil	Nil	Nil	N.A.
7 Aditya Birla Chemicals (India) Limited (Formerly, Bihar Caustic & Chemicals Limited)	31.03.2009	54.65%	25.18	78.75	1.80	4.74	N.A.
8 Hindalco-Almex Aerospace Limited	31.03.2009	70.00%	(10.71)	Nil	Nil	Nil	N.A.
9 HAAL USA Inc \$	31.03.2009	70.00%	(0.01)	Nil	Nil	Nil	N.A.
10 Lucknow Finance Company Limited	31.03.2009	100.00%	1.23	5.57	Nil	Nil	N.A.
11 Dahej Harbour and Infrastructure Limited	31.03.2009	100.00%	38.43	175.59	Nil	Nil	N.A.
12 East Coast Bauxite Mining Company Private Limited	31.03.2009	74.00%	(0.00)	(0.00)	Nil	Nil	N.A.
13 Tubed Coal Mines Limited	31.03.2009	60.00%	Nil	Nil	Nil	Nil	N.A.
14 Aditya Birla Minerals Limited - Consolidated *	31.03.2009	51.00%	(140.11)	126.40	65.05	Nil	N.A.
15 Birla Resources Pty Limited *	31.03.2009	100.00%	(0.00)	(8.68)	Nil	Nil	N.A.
16 A V Minerals (Netherlands) B.V. *	31.03.2009	100.00%	(592.92)	(497.70)	Nil	Nil	N.A.
17 A V Metals Inc # *	31.03.2009	100.00%	(0.64)	(13.68)	Nil	Nil	N.A.
18 A V Aluminum Inc # # *	31.03.2009	100.00%	(1.65)	(132.95)	Nil	Nil	N.A.
19 Novelis Inc - Consolidated # # # *	31.03.2009	100.00%	(5947.55)	(227.00) <sup>@</sup>	Nil	Nil	N.A.

\* Translated at Average exchange rate.

\$ Subsidiary of Hindalco-Almex Aerospace Limited.

# Subsidiary of AV Minerals (Netherlands) B.V.

# # Subsidiary of AV Metals Inc.

# # # Subsidiary of AV Aluminum Inc.

@ For the period 16.05.2007 to 31.03.2008. Previous year's figures have been restated (refer note no 2 of the Consolidated Financial Statements).

## Note:

- As the Financial Year of the Subsidiary Companies coincide with the Financial Year of the Holding Company, Section 212 (5) of the Companies Act, 1956, is not applicable.

*For and on behalf of the Board*

S. Talukdar  
Group Executive President & CFO

Anil Malik  
Company Secretary

Kumar Mangalam Birla — Chairman  
D. Bhattacharya — Managing Director  
M. M. Bhagat — Director

Dated: The 30th day of June, 2009

---

# **CONSOLIDATED FINANCIAL STATEMENTS**

---

# AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF HINDALCO INDUSTRIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDALCO INDUSTRIES LIMITED, ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES.

- 1) We have audited the attached Consolidated Balance Sheet of HINDALCO INDUSTRIES LIMITED, ("the Company"), its subsidiaries, joint ventures and associates (the Group) as at 31st March, 2009, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statement and information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.
  - a) We did not audit the financial statements of certain Indian subsidiaries whose financial statements reflect total assets of Rs. 1,682.66 Crores as at 31<sup>st</sup> March, 2009 and total revenue of Rs. 225.49 Crores and net cash flow amounting to Rs. 14.28 Crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
  - b) The Consolidated financial statements of foreign subsidiaries namely Novelis Inc. and Aditya Birla Minerals Ltd and the Standalone Financial Statements of A V Minerals (Netherlands) B.V., A V Metals Inc., A V Aluminum Inc., and Birla Resources Pty Ltd. have not been audited by us but have been audited by other auditors as appointed under the respective laws.
    - (i) Of the above, certain Foreign Subsidiaries whose Consolidated financial statements/Financial Statements reflect total assets of Rs. 31,181.20 Crores as at 31<sup>st</sup> March, 2009, total revenue of Rs. 46,773.78 Crores and cash flow amounting to Rs. 35.95 Crores for the year then ended, have been prepared by the Management of the Company and its subsidiaries in accordance with the generally accepted accounting principles in India and other recognized accounting practices and policies followed by the Company . These financial statements have been audited by a firm of Chartered Accountants and have been included in the Consolidated financial statement of the Group on the basis of their Fit for Consolidation Report ("FFC") received from them.
    - (ii) The Consolidated Financial Statements/financial statement of other foreign subsidiaries have been audited by other auditors appointed under the respective laws, converted into Indian GAAP by the Management to the extent possible and reviewed by us. These foreign subsidiaries reflect total assets of Rs. 2,102.42 Crores as at 31<sup>st</sup> March, 2009 and total revenue Rs. 1,141.89 Crores and net cash flow amounting to Rs. 37.88 Crores for the year then ended.
  - c) These consolidated financial statements includes total revenue of Rs. 555.78 Crores for the period ended 31<sup>st</sup> December, 2008, being proportionate share in the joint venture Idea Cellular Limited, which ceased to be joint venture w.e.f. 1<sup>st</sup> January, 2009 is based on Consolidated financial statements audited other Auditors.
  - d) These consolidated financial statements include total assets of Rs. 7.75 Crores as at 31<sup>st</sup> March, 2009 and total revenue of Rs. Nil and net cash flow amounting to Rs. 1.30 Crores for the year then ended, being proportionate share in foreign Joint venture Hydromine Global Minerals (GMBH) Limited which is based on financial statements audited by other firm of Chartered Accountants in accordance with Indian GAAP.
  - e) The Company's share of profit in associate aggregating to Rs.1.27 Crores for the year ended 31<sup>st</sup> March, 2009, have been accounted for based on audited financial statements audited by other auditors.
  - f) The Company's share of profit in associate aggregating to Rs. 20.20 Crores for the period from 1<sup>st</sup> January, 2009 to 31<sup>st</sup> March, 2009, have been accounted for based on financial statements certified by the management of that Company.



- g) Our opinion on the figures included in the aforesaid results relating to subsidiaries, associates and joint ventures to the extent not audited by us have been formed based on reports received from other auditors and certified by the management.
- 3) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", except as mentioned in Para 5 below, Accounting Standard (AS) 23, "Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial reporting on interest in Joint Venture" and other applicable Accounting Standards as notified by the Companies (Accounting Standard) Rules, 2006.
- 4) Paragraph 4 of the Fit for Consolidation reports as referred to in paragraph 2(b)(i) above states that " Based on our audit, and on the basis of the information and explanations given to us, in our opinion, the accompanying FFC consolidated financial statements of the Company read with the notes thereon and attached thereto give, before the Ultimate Holding Company level consolidation adjustments/disclosures referred to in paragraph 2 above which have been properly carried out, a true and fair view in conformity with generally accepted accounting principles and other recognized accounting practices and policies in India".
- 5) Without qualifying our opinion, Attention is drawn to the following
- a) Regarding non provision of marked to Market losses of Rs. 313.55 Crores (net) on Outstanding derivatives as on 31<sup>st</sup> March, 2009 which is not in accordance with the Accounting Standard – 1 and announcement made by ICAI on 29<sup>th</sup> March, 2008 Refer to No 12(a) in Schedule 20.
- b) As per Scheme of Arrangement U/s 391 to 394 of the Companies Act 1956, approved by the Honourable High Court of Mumbai vide its Order dated 29<sup>th</sup> June, 2009 the company has been allowed to create Business Reconstruction Reserve by transferring balance standing to the credit of Securities Premium Account for adjusting certain expenses as defined in the scheme. Accordingly , the management of the company , during the year has identified and adjusted Impairment of Goodwill in a subsidiary amounting to Rs. 3,597.30 Crores, Impairment of Fixed Assets amounting to Rs. 111.30 Crores ( net of tax) and certain expenses amounting to Rs. 908.27 Crores against Business Reconstruction Reserve. This has resulted in loss for the year before tax being understated by Rs. 4,651.27 Crores and profit for the year after tax of Rs. 485.31 crores of the group would have been converted in a loss for the year of Rs. 4,165.96 Crores. Refer Note no 8 in Schedule 20.
- c) Subsequent to the finalization of the consolidated financial statement for the year 2007-08 of the Group, one of the foreign subsidiary has restated its consolidated financial statements as of 31<sup>st</sup> March, 2008 and for the period from 16<sup>th</sup> May, 2007 to 31<sup>st</sup> March, 2008. This restatement corrects non-cash errors relating to the subsidiaries application of purchase accounting associated with an equity method investment which led to misstatement of provision for income taxes during the period purchase accounting was being finalized. In view of above, the consolidated figures for the year ended 31<sup>st</sup> March, 2008 included in this Consolidated Financial Statement has been restated. The effect of such restatement along with certain reclassification is given in Note No 2 in Schedule 20.
- 6) We report that on the basis of the information and according to the explanation given to us, and on consideration of the separate audit report, fit for consolidation report and on the basis of management certificate in certain cases on the financial statements, We are of the opinion that the said consolidated financial statements, read together with significant accounting policies in schedule 20 and notes appearing thereon and Para 5 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2009.
- (b) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**For Singhi & Co.,**  
Chartered Accountants

Camp: Mumbai  
Dated: The 30<sup>th</sup> day of June, 2009.  
1B, Old Post Office Street  
Kolkata, 700 001

**RAJIV SINGHI**  
Partner  
Membership No. 53518

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Crores)

	Schedule	As at 31st March, 2009		As at 31st March, 2008	
		Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	'1'	4.40	170.46	230.72	122.65
Share Capital Suspense		-	-	-	0.41
Share Warrants		-	-	-	139.10
Employee Stock Options Outstanding		-	4.51	0.32	2.46
Reserves and Surplus	'2'	-	15,678.65	78.46	17,021.92
		<b>4.40</b>	<b>15,853.62</b>	<b>309.50</b>	<b>17,286.54</b>
<b>LOAN FUNDS</b>					
Secured Loans	'3'	-	13,024.64	472.64	10,903.00
Unsecured Loans	'4'	8.85	15,285.12	92.96	21,449.43
		<b>8.85</b>	<b>28,309.76</b>	<b>565.60</b>	<b>32,352.43</b>
<b>MINORITY INTEREST</b>					
DEFERRED TAX LIABILITY (NET)		-	1,286.55	-	1,615.36
		-	2,757.11	5.73	4,172.29
<b>TOTAL</b>		<b>13.25</b>	<b>48,207.04</b>	<b>880.83</b>	<b>55,426.62</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	'5'	0.30	46,219.56	1,205.10	42,111.70
Less : Depreciation		0.04	10,477.62	365.82	7,237.21
Less : Impairment		-	3,926.26	-	167.79
Net Block		0.26	31,815.68	839.28	34,706.70
Capital Work-in-Progress		9.44	2,949.45	93.22	2,457.11
		<b>9.70</b>	<b>34,765.13</b>	<b>932.50</b>	<b>37,163.81</b>
<b>INVESTMENTS</b>					
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	'6'	-	<b>10,430.82</b>	<b>48.17</b>	<b>14,007.65</b>
Inventories	'7'	-	8,524.13	2.39	11,110.87
Sundry Debtors	'8'	-	6,673.29	21.34	6,717.38
Cash and Bank Balances	'9'	2.12	2,191.76	43.17	1,716.87
Other Current Assets	'10'	-	54.64	0.38	70.40
Loans and Advances	'11'	1.57	1,827.02	62.04	1,858.71
		<b>3.69</b>	<b>19,270.84</b>	<b>129.32</b>	<b>21,474.23</b>
<b>Less :</b>					
<b>CURRENT LIABILITIES AND PROVISIONS</b>					
Current Liabilities	'12'	0.19	9,977.68	227.15	11,108.65
Provisions	'13'	-	6,282.48	2.04	6,111.40
		<b>0.19</b>	<b>16,260.16</b>	<b>229.19</b>	<b>17,220.05</b>
<b>NET CURRENT ASSETS</b>		3.50	3,010.68	(99.87)	4,254.18
<b>MISCELLANEOUS EXPENDITURE</b>	'14'	<b>0.05</b>	<b>0.41</b>	<b>0.03</b>	<b>0.98</b>
(to the extent not written off or adjusted)					
<b>TOTAL</b>		<b>13.25</b>	<b>48,207.04</b>	<b>880.83</b>	<b>55,426.62</b>

## Significant Accounting Policies and Notes on Accounts

'20'

As per our report annexed.

For SINGHI & CO.

Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO  
Anil Malik  
Company Secretary

For and on behalf of the Board

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Crores)

	Schedule	Year ended 31st March, 2009		Year ended 31st March, 2008	
		Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated
<b>INCOME</b>					
Gross Sales and Operating Revenues	'15'	530.78	67,131.35	582.55	61,840.86
Less: Excise Duty		-	1,506.20	-	1,828.03
Net Sales and Operating Revenues		<b>530.78</b>	<b>65,625.15</b>	<b>582.55</b>	<b>60,012.83</b>
Other Income	'16'	25.00	687.83	11.03	656.03
		<b>555.78</b>	<b>66,312.98</b>	<b>593.58</b>	<b>60,668.86</b>
<b>EXPENDITURE</b>					
(Increase)/ Decrease in Stocks	'17'	0.01	2,761.77	-	(239.70)
Trade Purchases		0.56	116.72	-	35.75
Manufacturing and Other Expenses	'18'	384.40	59,769.31	385.86	53,581.72
Interest and Finance Charges	'19'	50.39	1,232.33	35.16	1,849.10
Depreciation		71.58	3,029.52	75.97	2,482.78
Impairment		-	8.25	-	5.47
		<b>506.94</b>	<b>66,917.90</b>	<b>496.99</b>	<b>57,715.12</b>
<b>PROFIT BEFORE TAX</b>					
		<b>48.84</b>	<b>(604.92)</b>	<b>96.59</b>	<b>2,953.74</b>
Provision for Current Tax		0.01	872.53	0.01	973.87
Provision for Deferred Tax		2.12	(1,689.36)	5.63	202.74
Provision for Fringe Benefit Tax		0.55	12.19	0.64	12.26
Tax adjustment for earlier years (Net)		-	(149.11)	-	(548.09)
<b>PROFIT BEFORE MINORITY INTERESTS</b>					
		<b>46.16</b>	<b>348.83</b>	<b>90.31</b>	<b>2,312.96</b>
Minority Interest		-	(171.78)	-	219.43
Share in (Profit)/ Loss of Associates (Net)		-	35.30	-	(99.79)
<b>NET PROFIT</b>					
		<b>46.16</b>	<b>485.31</b>	<b>90.31</b>	<b>2,193.32</b>
Balance brought forward from Previous year		(121.99)	(584.12)	(215.78)	(106.39)
Adjustment on Amalgamation, Acquisition and change in holding interest		75.83	18.29	3.48	3.48
Adjustment of Exploration and Evaluation Expenditure		-	-	-	(10.19)
Transfer from Debenture Redemption Reserve		-	-	-	172.17
<b>BALANCE AVAILABLE FOR APPROPRIATIONS</b>					
		<b>-</b>	<b>(80.52)</b>	<b>(121.99)</b>	<b>2,252.39</b>
<b>APPROPRIATIONS</b>					
Debenture Redemption Reserve		-	5.00	-	5.00
Capital Reserve		-	1.50	-	-
Capital Redemption Reserve		-	0.41	-	-
Special Reserve		-	0.92	-	0.94
Dividend on Preference Shares		-	0.02	-	0.02
Dividend Tax on Preference Shares		-	0.01	-	0.01
Proposed Dividend on Equity Shares		-	231.16	-	228.48
Tax on Proposed Dividend		-	39.61	-	39.16
Transfer to General Reserve		-	1,958.55	-	2,562.90
Balance Carried to Balance Sheet		-	(2,317.70)	(121.99)	(584.12)
		<b>-</b>	<b>(80.52)</b>	<b>(121.99)</b>	<b>2,252.39</b>
<b>Earnings per Share (EPS):</b>					
Basic EPS (in Rs.)			3.22		17.04
Diluted EPS (in Rs.)			3.22		16.95
Basic EPS before Tax adjustment for earlier years (in Rs.)			2.23		12.78
Diluted EPS before Tax adjustment for earlier years (in Rs.)			2.23		12.71
<b>Significant Accounting Policies and Notes on Accounts</b>					
	'20'				

As per our report annexed.

For SINGHI & CO.  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO  
Anil Malik  
Company Secretary

For and on behalf of the Board

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	(Rs. in Crores)			
	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Profit before Tax</b>	48.84	(604.92)	96.59	2,953.74
Adjustment For:				
Interest and Finance Charges	50.39	1,232.33	35.16	1,849.10
Depreciation	71.58	3,029.52	75.97	2,482.78
Impairment	-	8.25	-	5.47
Unrealised Exchange (Gain)/ Loss (Net)	-	219.94	4.63	16.50
Employees Stock Option	0.90	2.99	0.33	2.45
Provisions/ Provisions written-back (Net)	3.04	(180.61)	1.38	(51.91)
Miscellaneous Expenditure written-off	-	1.12	-	5.05
Write-off and amortization of fair value adjustments	-	(1,151.10)	-	(948.21)
Impact of Foreign Exchange translation (Net)	-	894.90	-	(133.23)
Other Non-cash Items	-	(305.40)	-	-
Investing Activities (Net)	(24.99)	(653.46)	(11.03)	(602.99)
Operating Profit before Working Capital changes	149.76	2,493.56	203.03	5,578.75
Change in Working Capital:				
Inventories	(1.80)	3,182.73	(0.84)	345.69
Trade and other Receivables	(75.62)	776.84	(33.99)	810.42
Trade Payables	59.59	(1,028.66)	54.06	(397.86)
Cash generation from Operation	131.93	5,424.47	222.26	6,337.00
Payment of Miscellaneous Expenditure	(0.02)	(0.11)	-	(1.71)
Payment of Direct Taxes	(5.75)	(843.15)	(3.74)	(935.36)
<b>Net Cash generated/ (used) - Operating Activities</b>	<u>126.16</u>	<u>4,581.21</u>	<u>218.52</u>	<u>5,399.93</u>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of Fixed Assets	(389.65)	(2,674.74)	(483.88)	(2,785.75)
Sale of Fixed Assets	1.16	75.95	1.31	35.09
Acquisitions of Subsidiaries	-	(290.96)	-	(13,902.46)
Purchase/ Sale of Investments (Net)	(476.50)	4,907.15	(44.32)	(2,317.21)
Loans/ Repayments of Loans (Net)	-	187.82	-	166.94
Interest Received	3.17	198.18	8.00	236.29
Dividend Received	-	524.45	-	494.70
<b>Net Cash generated/ (used) - Investing Activities</b>	<u>(861.82)</u>	<u>2,927.85</u>	<u>(518.89)</u>	<u>(18,072.40)</u>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	(Rs. in Crores)			
	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Shares issued (Net of Expenses)	700.27	5,062.30	27.62	2,524.20
Proceeds/ Repayments of Long Term Borrowings (Net)	62.42	(10,131.78)	166.88	12,616.23
Proceeds/ Repayments of Short Term Borrowings (Net)	192.66	936.35	31.17	96.04
Interest and Finance Charges	(32.68)	(2,244.94)	(40.01)	(2,311.81)
Dividend Paid (including Dividend Tax)	-	(353.19)	-	(10.13)
<b>Net Cash generated/ (used) - Financing Activities</b>	<u>922.67</u>	<u>(6,731.26)</u>	<u>185.66</u>	<u>12,914.53</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	187.01	777.80	(114.71)	242.06
Add: Opening Cash and Cash Equivalents	43.17	1,709.21	160.47	1,010.14
Add: Cash and Cash Equivalents on Amalgamation, Acquisition and change in holding interest	(228.06)	(228.06)	(2.59)	403.79
Add: Exchange variation on Cash and Cash Equivalents	-	(75.83)	-	53.22
<b>Closing Cash and Cash Equivalents</b>	<u><u>2.12</u></u>	<u><u>2,183.12</u></u>	<u><u>43.17</u></u>	<u><u>1,709.21</u></u>

### Notes:

1. Closing cash & cash equivalents represents Cash and Bank Balances except Rs. 8.64 crores (Previous year Rs. 7.66 crores) lying in designated account with scheduled banks on account of unclaimed Dividend, Fractional coupons of Shares etc., which are not available for use by the Company.
2. Figures have been regrouped/ rearranged wherever necessary.

As per our report annexed.

For SINGHI & CO.  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO  
Anil Malik  
Company Secretary

*For and on behalf of the Board*

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

# SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

		As at 31st March, 2009		As at 31st March, 2008	
		Share in	Consolidated	Share in	Consolidated
		Joint Ventures	Joint Ventures	Joint Ventures	Consolidated
		Nos			
(Rs. in Crores)					
<b>SCHEDULE '1'</b>					
<b>SHARE CAPITAL</b>					
<b>Equity Share Capital:</b>					
Equity Shares of Re.1/- each fully paid-up	1,700,817,056	4.40	170.08	230.72	122.72
Less: Face value of Shares forfeited	546,249	-	0.05	-	0.01
		<b>4.40</b>	<b>170.03</b>	<b>230.72</b>	<b>122.71</b>
Add: Forfeited Shares Account (Amount Paid-up)			0.02	-	0.01
		<b>4.40</b>	<b>170.05</b>	<b>230.72</b>	<b>122.72</b>
Less: Calls-in-Arrears			-	-	0.07
		4.40	170.05	230.72	122.65
<b>Preference Share Capital</b>					
6% Redeemable Cumulative Preference Shares of Rs. 2/- each	2,032,734	-	0.41	-	-
		<b>4.40</b>	<b>170.46</b>	<b>230.72</b>	<b>122.65</b>
<b>SCHEDULE '2'</b>					
<b>RESERVES AND SURPLUS</b>					
Capital Reserve		-	427.74	12.26	297.67
Capital Redemption Reserve		-	101.57	-	101.16
Securities Premium Reserve		-	810.94	182.61	4,450.73
Debenture Redemption Reserve		-	87.50	-	82.50
Business Reconstruction Reserve (refer Note No. 8 in Schedule'20')		-	4,030.50	-	-
Special Reserve		-	8.05	-	7.13
Foreign Currency Translation Reserve		-	(1,770.31)	-	203.95
Hedging Reserve		-	(119.27)	-	1.10
Amalgamation Reserve		-	4.74	5.58	5.58
General Reserve		-	14,414.89	-	12,456.22
Profit & Loss Account Balance		-	(2,317.70)	(121.99)	(584.12)
		-	<b>15,678.65</b>	<b>78.46</b>	<b>17,021.92</b>
<b>SCHEDULE '3'</b>					
<b>SECURED LOANS</b>					
Debentures		-	350.00	-	350.00
Loans from Banks		-	12,673.64	408.43	10,465.73
Other Loans		-	1.00	64.21	87.27
		-	<b>13,024.64</b>	<b>472.64</b>	<b>10,903.00</b>
<b>SCHEDULE '4'</b>					
<b>UNSECURED LOANS</b>					
Fixed Deposits		-	1.13	-	3.09
Debentures/ Senior Notes		-	6,254.34	-	5,868.49
Short Term Loans:					
From Banks		-	2,533.80	76.64	2,581.46
From Others		-	-	0.02	9.10
Other Loans:					
From Banks		-	5,795.21	-	12,736.58
From Others		8.85	700.64	16.30	250.71
		<b>8.85</b>	<b>15,285.12</b>	<b>92.96</b>	<b>21,449.43</b>

# SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULE '5' FIXED ASSETS

(Rs. in Crores)

	ORIGINAL COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE				
	As at 31st March, 2009		As at 31st March, 2008	As at 31st March, 2009		As at 31st March, 2008	As at 31st March, 2009		As at 31st March, 2008	As at 31st March, 2009		As at 31st March, 2008		
	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated		
<b>A. Tangible Assets</b>														
Mining Rights	-	1,174.79	-	1,119.89	-	456.05	-	341.05	-	-	-	718.74	-	778.84
Leasehold Land	-	76.52	1.82	88.62	-	7.14	0.59	7.53	-	-	-	69.38	1.23	81.09
Freehold Land	-	1,131.13	0.67	1,063.75	-	38.67	-	1.83	-	-	26.65	1,065.81	0.67	1,060.57
Buildings	-	5,114.95	5.43	4,491.24	-	827.97	1.65	519.19	-	-	21.36	4,265.62	3.78	3,954.97
Plant and Machinery	0.07	24,976.31	929.66	22,557.53	-	7,868.62	259.06	5,709.15	-	-	280.93	16,826.76	670.60	16,695.04
Vehicles and Aircrafts	0.04	157.77	4.60	164.18	-	67.38	1.66	68.35	-	-	-	90.39	2.94	95.83
Furniture and Fittings	0.19	788.56	12.25	467.68	0.04	445.88	7.75	183.47	-	-	-	342.68	4.50	284.21
Railway Sidings	-	40.66	-	17.12	-	9.37	-	6.65	-	-	-	31.29	-	10.47
Live Stock	-	0.06	-	0.06	-	-	-	-	-	-	-	0.06	-	0.06
<b>B. Intangible Assets</b>														
Goodwill	-	7,888.06	0.53	7,924.70	-	-	-	-	-	-	3,597.30	4,290.76	0.53	7,924.70
Rehabilitation Assets	-	64.19	-	59.63	-	26.68	-	22.24	-	-	-	37.51	-	37.39
Technology	-	871.74	-	706.37	-	128.38	-	58.64	-	-	-	743.36	-	647.73
Computer Software	-	184.63	9.73	116.69	-	127.69	6.21	47.12	-	-	0.02	56.92	3.52	69.55
Trade Marks	-	714.50	-	608.34	-	67.00	-	24.97	-	-	-	647.50	-	583.37
Entry/Licence Fees	-	-	239.59	239.59	-	-	88.81	88.81	-	-	-	-	150.78	150.78
Customer Relationship	-	2,339.45	-	1,931.13	-	218.96	-	81.22	-	-	-	2,120.49	-	1,849.91
Favourable Contracts	-	696.24	-	554.36	-	187.83	-	76.90	-	-	-	508.41	-	477.46
Others	-	-	0.82	0.82	-	-	0.09	0.09	-	-	-	-	0.73	0.73
<b>C. Capital Work-in-Progress</b>	<b>0.30</b>	<b>46,219.56</b>	<b>1,205.10</b>	<b>42,111.70</b>	<b>0.04</b>	<b>10,477.62</b>	<b>365.82</b>	<b>7,237.21</b>	<b>-</b>	<b>-</b>	<b>3,926.26</b>	<b>31,815.68</b>	<b>0.26</b>	<b>34,706.70</b>
													9.44	2,949.45
													<b>9.70</b>	<b>34,765.13</b>
														<b>37,163.81</b>

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2009		As at 31st March, 2008	
	Share in		Share in	
	Joint Ventures	Consolidated	Joint Ventures	Consolidated
(Rs. in Crores)				
<b>SCHEDULE '6'</b>				
<b>INVESTMENTS</b>				
<b>A. Long Term Investments:</b>				
Government Securities	-	161.75	-	37.34
Shares in Associates (refer Note No. 9 in Schedule'20')	-	5,507.83		3,789.63
Shares, Debentures, Bonds, Units of Mutual Funds and Others	-	517.73	-	511.88
<b>B. Current Investments:</b>				
Shares, Debentures, Bonds, Units of Mutual Funds and Others	-	4,243.51	48.17	9,668.80
	-	<b>10,430.82</b>	<b>48.17</b>	<b>14,007.65</b>
<b>SCHEDULE '7'</b>				
<b>INVENTORIES</b>				
Stores and Spare-parts	-	733.83	2.39	625.48
Coal and Fuel	-	109.62	-	95.58
Raw Materials	-	2,826.54	-	3,617.27
Work-in-Process	-	3,580.35	-	4,979.72
Finished Goods	-	1,262.67	-	1,764.32
Excise Duty on Stock	-	11.12	-	28.50
	-	<b>8,524.13</b>	<b>2.39</b>	<b>11,110.87</b>
<b>SCHEDULE '8'</b>				
<b>SUNDRY DEBTORS</b>				
Considered Good	-	6,673.29	21.34	6,717.38
Considered Doubtful	-	33.22	21.34	44.68
	-	6,706.51	42.68	6,762.06
Less: Provision for doubtful debts	-	33.22	21.34	44.68
	-	<b>6,673.29</b>	<b>21.34</b>	<b>6,717.38</b>
<b>SCHEDULE '9'</b>				
<b>CASH AND BANK BALANCES</b>				
Cash balance on hand	-	0.93	-	1.00
Cheques and Drafts in hand	-	54.44	2.57	28.47
Balance with Scheduled Banks:				
In Current Accounts	0.82	176.53	10.31	975.91
In Deposit Account	-	686.29	30.29	650.18
Balance with Others:				
In Current Accounts	1.30	864.76	-	61.31
In Deposit Account	-	408.81	-	-
	<b>2.12</b>	<b>2,191.76</b>	<b>43.17</b>	<b>1,716.87</b>



## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2009		As at 31st March, 2008	
	Share in		Share in	
	Joint Ventures	Consolidated	Joint Ventures	Consolidated
(Rs. in Crores)				
<b>SCHEDULE '10'</b>				
<b>OTHER CURRENT ASSETS</b>				
Accrued Interest				
On Investments	-	3.94	-	2.05
On Inter Corporate Deposits and Deposit in Banks	-	4.48	0.38	9.86
On Others	-	4.72	-	4.98
Accrued Export and other Incentives	-	41.50	-	53.51
	<u>-</u>	<u>54.64</u>	<u>0.38</u>	<u>70.40</u>
<b>SCHEDULE '11'</b>				
<b>LOANS AND ADVANCES</b>				
Advances recoverable in cash or in kind or for value to be received/adjusted	1.57	1,531.00	59.94	1,619.93
Balance with Customs, Port Trusts, Excise etc.	-	212.46	2.10	152.21
Inter Corporate Deposits	-	49.11	-	52.12
Trident Trust	-	34.45	-	34.45
	<u>1.57</u>	<u>1,827.02</u>	<u>62.04</u>	<u>1,858.71</u>
<b>SCHEDULE '12'</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors	0.05	9,409.65	177.04	10,552.07
Customers' Credit Balances and Advances against orders	-	198.17	35.13	314.03
Investor Education and Protection Fund shall be credited by the following:				
Unpaid Dividends	-	7.05	-	7.09
Unpaid Application/Call Money due for Refund	-	0.45	-	0.34
Unpaid Matured Deposits	-	-	-	0.03
Interest accrued on above	-	-	-	0.02
Other Liabilities	0.14	251.62	14.18	139.53
Interest accrued but not due on Debentures, Loans and Deposits	-	110.74	0.80	95.54
	<u>0.19</u>	<u>9,977.68</u>	<u>227.15</u>	<u>11,108.65</u>
<b>SCHEDULE '13'</b>				
<b>PROVISIONS</b>				
Provision for Taxation (Net)	-	720.96	(5.00)	810.95
Dividends	-	231.15	-	228.51
Dividend Tax	-	39.61	-	39.16
Employee Benefits	-	2,910.36	2.94	2,111.16
Other Provisions	-	2,380.40	4.10	2,921.62
	<u>-</u>	<u>6,282.48</u>	<u>2.04</u>	<u>6,111.40</u>
<b>SCHEDULE '14'</b>				
<b>MISCELLANEOUS EXPENDITURE</b>				
<b>(To the extent not written off or adjusted)</b>				
Compensation under VRS	-	0.28	-	0.54
Others	0.05	0.13	0.03	0.44
	<u>0.05</u>	<u>0.41</u>	<u>0.03</u>	<u>0.98</u>

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Crores)

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated
<b>SCHEDULE '15'</b>				
<b>GROSS SALES AND OPERATING REVENUES</b>				
<b>A. Sales and Services</b>				
Net Sales	530.41	65,414.61	582.25	59,696.30
Excise Duty	-	1,506.20	-	1,828.03
Gross Sales	<u>530.41</u>	<u>66,920.81</u>	<u>582.25</u>	<u>61,524.33</u>
<b>B. Operating Revenues</b>				
Export and other Incentives	-	89.74	-	213.71
Miscellaneous Receipts and Claims	0.37	120.80	0.30	102.82
	<u>0.37</u>	<u>210.54</u>	<u>0.30</u>	<u>316.53</u>
	<u><u>530.78</u></u>	<u><u>67,131.35</u></u>	<u><u>582.55</u></u>	<u><u>61,840.86</u></u>
<b>SCHEDULE '16'</b>				
<b>OTHER INCOME</b>				
Rent Received	-	5.92	-	5.46
Profit/(Loss) on Fixed Assets sold/discarded (Net)	0.06	(9.52)	(0.07)	(4.71)
Income from Current Investments:				
Dividend	-	337.54	-	330.73
Profit/(Loss) on sale of Investments (Net)	13.66	22.36	3.74	24.75
Change in carrying amount of Investments (Net)	-	8.33	-	(12.62)
Income from Long Term Investments:				
Interest	-	14.34	-	10.73
Dividend	-	24.44	-	10.74
Profit/(Loss) on sale of Investments (Net)	-	81.41	-	46.14
(Diminution)/ write back in carrying cost of Investments (Net)	-	0.33	-	0.40
Interest from Inter Corporate Deposits and Deposit in Banks	11.28	28.68	7.36	24.50
Interest from Others	-	145.55	-	171.55
Miscellaneous Income	-	28.45	-	48.36
	<u>25.00</u>	<u>687.83</u>	<u>11.03</u>	<u>656.03</u>
<b>SCHEDULE '17'</b>				
<b>(INCREASE)/ DECREASE IN STOCKS</b>				
<b>Opening Stocks:</b>				
Work-in-Process	-	4,979.72	-	2,427.00
Finished Goods	-	1,792.82	-	196.38
	-	<u>6,772.54</u>	-	<u>2,623.38</u>
<b>Less: Closing Stocks:</b>				
Work-in-Process	-	3,580.35	-	4,979.72
Finished Goods	-	1,273.79	-	1,792.82
	-	<u>4,854.14</u>	-	<u>6,772.54</u>
	-	1,918.40	-	(4,149.16)
Less: Stock on Acquisition/Amalgamation	(0.01)	(0.01)	-	(3,992.33)
Less: Change in Excise Duty on Stock	-	17.38	-	(5.18)
Less: Currency Translation Adjustment	-	(860.74)	-	88.05
	<u>0.01</u>	<u>2,761.77</u>	<u>-</u>	<u>(239.70)</u>

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Crores)

	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Share in Joint Ventures	Consolidated	Share in Joint Ventures	Consolidated
<b>SCHEDULE '18'</b>				
<b>MANUFACTURING AND OTHER EXPENSES</b>				
<b>Raw Materials Consumed</b>	-	44,515.49	-	40,536.96
<b>Power and Fuel (including cost of own generation)</b>	26.57	3,903.95	20.40	3,116.68
<b>Payments to and Provisions for Employees</b>				
Salaries, Wages and Bonus	24.64	3,788.97	26.52	3,422.80
Contribution to Provident and other Funds	1.59	105.12	1.30	140.49
Employees Welfare	1.09	1,060.26	1.38	778.23
<b>Other Expenses</b>				
Consumption of Stores and Spare-parts	4.89	1,691.78	4.62	1,391.09
Repairs to Buildings	0.11	199.08	0.15	160.59
Repairs to Machinery	12.69	632.27	11.53	528.11
Rates and Taxes	59.25	139.29	60.17	134.85
Rent	14.73	149.11	10.13	112.69
Insurance	0.42	96.74	0.41	104.30
Auditors' Remuneration	0.13	34.52	0.19	39.60
Research and Development	-	194.90	-	188.78
Discount on Sales	-	17.62	-	14.04
Commission on Sales	22.20	68.13	39.13	96.56
Freight and Forwarding (Net)	-	1,748.69	-	1,500.15
Provision for doubtful debts/(written back) (Net)	1.60	11.24	2.12	5.49
Bad Debts written off	-	0.63	-	0.43
Donation	-	32.63	-	44.75
Directors' Fees	0.01	3.46	0.01	4.16
Directors' Commission	-	7.50	-	9.85
Miscellaneous Expenditure written off	-	1.12	-	5.05
Liability no longer required written back (Net)	(0.42)	(170.75)	(1.21)	(60.74)
Miscellaneous	214.90	1,537.56	209.01	1,306.81
	<b>384.40</b>	<b>59,769.31</b>	<b>385.86</b>	<b>53,581.72</b>
<b>SCHEDULE '19'</b>				
<b>INTEREST AND FINANCE CHARGES</b>				
Interest on Debentures and other Fixed Loans	48.26	1,138.50	37.68	1,829.78
Interest on Others	0.89	171.51	0.28	131.34
Other Finance Charges	1.24	255.04	(2.80)	247.74
	<b>50.39</b>	<b>1,565.05</b>	<b>35.16</b>	<b>2,208.86</b>
Less: Interest Capitalised	-	332.72	-	359.76
	<b>50.39</b>	<b>1,232.33</b>	<b>35.16</b>	<b>1,849.10</b>

# SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULE '20'

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements (CFS) relate to Hindalco Industries Limited (the Company), its Subsidiaries and its interest in Joint Ventures and Associates (the Group). The CFS have been prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" (AS 21), Accounting Standard 27 on "Financial reporting of interests in Joint Ventures" (AS 27) and Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" AS 23) and are prepared on the following basis:

- (a) The financial statements of the Company and its Subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating inter-group balances and inter-group transactions including unrealised profits/ losses in period end inventories. The difference between the Company's cost of investments in the Subsidiaries, over its portion of equity at the time of acquisition of shares is recognised in the consolidated financial statements as Goodwill or Capital Reserve as the case may be. Minority Interest's share in net profit/ loss of consolidated subsidiaries for the year is adjusted against the income of the Group in order to arrive at the net income attributable to shareholders of the Company. Minority Interest's share in net assets of consolidated subsidiaries is presented in the Consolidated Balance Sheet separate from liabilities and the equity of the Company's shareholders. Minority Interest in the consolidated financial statements is identified and recognised after taking into consideration:
  - i) The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.
  - ii) The minorities' share of movement in equity since the date parent- subsidiary relationship came into existence.
  - iii) The losses attributable to the minorities are adjusted against the minority interest in the equity of the subsidiary.
  - iv) The excess of loss over the minority interest in the equity, is adjusted against General Reserve of the Company.
- (b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are translated at the average rates prevailing during the period. Assets, liabilities and equity are translated at the closing rate. Any exchange difference arising on translation is recognized in the "Foreign Currency Translation Reserve".
- (c) Interest in jointly controlled entities, where the Company is direct venturer, are accounted for using proportionate consolidation in accordance with AS 27. The difference between cost of the Company's interest in jointly controlled entities over its share of net assets in the jointly controlled entities, at the date on which interest is acquired, is recognized in the CFS as Goodwill or Capital Reserve as the case may be.
- (d) Investment in Associates are accounted for using equity method in accordance with AS 23. For this investments are initially recorded at cost, any goodwill/ capital reserve arising at the time of acquisition are identified and carrying amount of investment are adjusted thereafter for the post acquisition share of profits/ loss.
- (e) The CFS are prepared by using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the CFS and are presented in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.

#### B. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the generally accepted accounting principles in India, the applicable mandatory Accounting Standards as notified by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 of India.

##### 2. Use of Estimates

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

##### 3. Fixed Assets

- (a) Tangible Assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost comprises of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

# SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULE '20' (Contd.)

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

- (b) Intangible Assets are stated at cost less accumulated amortization. Cost includes any directly attributable expenditure on making the asset ready for its intended use.
- (c) Machinery spares which can be used only in connection with an item of Fixed Asset and whose use is not of regular nature are written off over the estimated useful life of the relevant asset.

#### 4. Depreciation and Amortization

- (a) Depreciation on Fixed Assets has been provided using Straight Line Method based on estimated useful life or on the basis of depreciation rates prescribed under respective local laws.
- (b) Leasehold land (including mining rights are) amortized over the period of lease on straight line basis.
- (c) Intangible assets, other than Goodwill, are amortized over their estimated useful lives on straight line basis.
- (d) Depreciation on assets acquired under finance lease is spread over the lease term.

#### 5. Impairment

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount except in the case of goodwill for which specific external event of an exceptional nature that caused impairment loss has actually reversed the effect of that event.

#### 6. Leases

- (a) Lease payments under an operating lease recognized as expense in the statement of profit and loss as per terms of lease agreement.
- (b) Finance leases prior to 1st April, 2001: Lease rental recognized as expense in the statement of profit and loss as per terms of lease agreement.
- (c) Finance leases on or after 1st April, 2001: The lower of the fair value of the assets and the present value of the minimum lease rental is recorded as fixed assets with corresponding amount shown as unsecured Loan. The principal component in the lease rental is adjusted against the lease liability and the interest component is charged to profit and loss account as interest cost.

#### 7. Investments

- (a) Long term Investments are carried at cost after deducting provision, if any, for diminution in value considered to be other than temporary in nature.
- (b) Current investments are stated at lower of cost and fair value.

#### 8. Inventories

- (a) Inventories of stores and spare parts are valued at or below cost after providing for cost of obsolescence and other anticipated losses, wherever considered necessary.
- (b) Inventories of items other than those stated above are valued 'At cost or Net Realizable Value, whichever is lower'. Cost is generally determined on weighted average cost basis and wherever required, appropriate overheads are taken into account. Net Realizable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.
- (c) Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

#### 9. Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Year-end balance of foreign currency transactions is translated at the year-end rates. Exchange differences arising on settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognized as income or as expenses in the period in which they arise.

#### 10. Employee benefits

Employee benefits of short-term nature are recognized as expense as and when it accrues. Long term employee benefits (e.g. long-service leave) and post employments benefits (e.g. gratuity), both funded and unfunded, are recognized as expense based on actuarial valuation at year end which takes into account actuarial gains and losses.

# SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULE '20' (Contd.)

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### 11. Employee Stock Option

In respect of stock option granted pursuant to the company's stock option schemes, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the option.

#### 12. Revenue Recognition

Sales revenue is recognized on the transfer of significant risk and rewards of the ownership of the goods to the buyer and stated at net of trade discount and rebates. Export incentives, certain insurance, railway and other claims where quantum of accruals can not be ascertained with reasonable certainty, are accounted on acceptance basis.

#### 13. Borrowing Cost

Borrowing cost directly attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as expenses in the period in which they are incurred. In determining the amount of borrowing costs eligible for capitalization during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.

#### 14. Taxation

Provision for current income tax is made in accordance with Local laws. Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of prudence, on timing difference.

#### 15. Derivative Instruments

- (a) Risks associated with fluctuations in the price of the Company's products (copper, alumina, aluminium and precious metals) are minimized by hedging on futures market. The results of metal hedging contracts /transactions are recorded at their settlement as part of raw material cost or sales as the case may be. Portion of the cash flow to the extent of underlying physical transactions having not been completed is carried forward as cost of Inventory till the completion of the underlying physical transaction.
- (b) The Company uses derivative financial instruments such as forward exchange contracts and currency swaps and option to hedge its risks associated with foreign currency fluctuations. In respect of transactions covered by Forward Exchange Contracts, the difference between the forward rate and the exchange rate at inception of contract is recognized as income or expense over the life of the contract.
- (c) Transactions covered by cross currency swap and options contracts to be settled on future dates are recognized at the year end rates of the underlying foreign currency. Effects arising of swap contracts are being adjusted on the date of settlement.

#### 16. Research and Development

Expenditure incurred during research phase are charged to revenue when no intangible asset arises from such research. Assets procured for research and development activities are generally capitalized.

#### 17. Government Grants

Government Grants are recognized when there is a reasonable assurance that the same will be received. Revenue grants are recognized in the Profit and Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to Capital Reserve.

#### 18. Provisions, Contingent Liabilities and Contingent Assets

Provision is recognized when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. No provision is recognized or disclosure for contingent liability is made when there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote. Contingent Asset is neither recognized nor disclosed in the financial statements.

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### C. NOTES ON ACCOUNTS

1. (a) The list of subsidiaries, joint ventures and associates which are included in the CFS of the Company and the Company's effective ownership interest therein are as under:

Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest
Indal Exports Limited	Subsidiary	India	100.00%
Minerals & Minerals Limited	Subsidiary	India	100.00%
Aditya Birla Chemicals (India) Limited (formerly, Bihar Caustic & Chemicals Limited)	Subsidiary	India	54.65%
Utkal Alumina International Limited	Subsidiary	India	100.00%
Suvas Holdings Limited	Subsidiary	India	51.00%
Renukeshwar Investments & Finance Limited	Subsidiary	India	100.00%
Renuka Investments & Finance Limited	Subsidiary	India	100.00%
Dahej Harbour and Infrastructure Limited	Subsidiary	India	100.00%
Lucknow Finance Company Limited	Subsidiary	India	100.00%
Hindalco-Almex Aerospace Limited	Subsidiary	India	70.00%
HAAL USA Inc.	Subsidiary	USA	70.00%
Tube Coal Mines Limited	Subsidiary	India	60.00%
East Coast Bauxite Mining Company Private Limited	Subsidiary	India	74.00%
Birla Resources Pty Limited	Subsidiary	Australia	100.00%
Aditya Birla Minerals Limited (Consolidated)	Subsidiary	Australia	51.00%
AV Minerals (Netherlands) B.V.	Subsidiary	Netherlands	100.00%
AV Metals Inc.	Subsidiary	Canada	100.00%
AV Aluminum Inc.	Subsidiary	Canada	100.00%
Novelis Inc. (Consolidated)	Subsidiary	Canada	100.00%
IDEA Cellular Limited (up to 31st December, 2008) #	Joint Venture	India	7.37%
Mahan Coal Limited	Joint Venture	India	50.00%
Hydromine Global Minerals (GMBH) Limited	Joint Venture	British Virgin Islands	45.00%
IDEA Cellular Limited (from 1st January, 2009) #	Associate	India	7.37%
Aditya Birla Science & Technology Company Limited	Associate	India	49.00%

\* Group's proportion of Voting Power is 100%.

# Pursuant to an MoU signed by Promoting Companies of Idea Cellular Ltd. (Idea), the Company's share in net profit of Idea for the three months ended 31st March, 2009 has been consolidated as per equity method of accounting in accordance with Accounting Standard on Accounting for Investments in Associates (AS-23). The financial results of Idea were consolidated as Joint Venture till 31st December, 2008.

- (b) For the purpose of consolidation, the audited consolidated financial statements of Aditya Birla Minerals Limited reflecting consolidation for following entities as at 31st March, 2009 prepared in accordance with International Financial Reporting Standard have been restated, where considered material, to comply with Generally Accepted Accounting Principles in India. Disclosure in respect of these foreign subsidiaries are given to the extent of available information.

Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest#
Birla Maroochydore Pty Limited	Subsidiary	Australia	51.00%
Birla Nifty Pty Limited	Subsidiary	Australia	51.00%
Birla Mt Gordon Pty Limited	Subsidiary	Australia	51.00%

# Group's proportion of Voting Power is 100%.

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

- (c) For the purpose of consolidation, the Consolidated Financial Statements of Novelis Inc. reflecting consolidation for following entities as at 31st March 2009 have been prepared in accordance with Generally Accepted Accounting Principles in India and other recognised accounting practices and policies followed by the Company.

Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest
Novelis Belgique SA	Subsidiary	Belgium	100.00%
Novelis Benelux NV	Subsidiary	Belgium	100.00%
Albrasilis - Aluminio do Brasil Industria e Comercia Ltda	Subsidiary	Brazil	99.99%
Novelis do Brasil Ltda.	Subsidiary	Brazil	99.99%
4260848 Canada Inc.	Subsidiary	Canada	100.00%
4260856 Canada Inc.	Subsidiary	Canada	100.00%
Novelis Cast House Technology Ltd.	Subsidiary	Canada	100.00%
Novelis No. 1 Limited Partnership	Subsidiary	Canada	100.00%
Novelis Foil France SAS	Subsidiary	France	100.00%
Novelis Lamines France SAS	Subsidiary	France	100.00%
Novelis PAE SAS	Subsidiary	France	100.00%
Novelis Aluminium Beteiligungs GmbH	Subsidiary	Germany	100.00%
Novelis Deutschland GmbH	Subsidiary	Germany	100.00%
Novelis Aluminium Holding Company	Subsidiary	Ireland	100.00%
Novelis Italia SpA	Subsidiary	Italy	100.00%
Novelis Luxembourg SA	Subsidiary	Luxembourg	100.00%
Aluminum Company of Malaysia Berhad	Subsidiary	Malaysia	58.24%
Alcom Nikkei Specialty Coatings Sdn Berhad #	Subsidiary	Malaysia	58.24%
Al Dotcom Sdn Berhad #	Subsidiary	Malaysia	58.24%
Novelis (India) Infotech Ltd.	Subsidiary	India	100.00%
Novelis de Mexico SA de CV	Subsidiary	Mexico	100.00%
Novelis Korea Ltd.	Subsidiary	South Korea	67.90%
Novelis Sweden AB	Subsidiary	Sweden	100.00%
Novelis AG	Subsidiary	Switzerland	100.00%
Novelis Switzerland SA	Subsidiary	Switzerland	100.00%
Novelis Technology AG	Subsidiary	Switzerland	100.00%
Novelis Automotive UK Ltd.	Subsidiary	UK	100.00%
Novelis Europe Holdings Limited	Subsidiary	UK	100.00%
Novelis UK Ltd.	Subsidiary	UK	100.00%
Aluminum Upstream Holdings LLC (Delaware)	Subsidiary	USA	100.00%
Eurofoil, Inc. (USA) (New York)	Subsidiary	USA	100.00%
Logan Aluminium Inc. (Delaware) ##	Subsidiary	USA	40.00%
Novelis Corporation (Texas)	Subsidiary	USA	100.00%
Novelis Madeira, Unipessoal, Limited	Subsidiary	Portugal	100.00%
Novelis Services Limited	Subsidiary	UK	100.00%
Novelis Brand LLC (Delaware)	Subsidiary	USA	100.00%
Novelis PAE Corp (Delaware)	Subsidiary	USA	100.00%
Novelis South America Holdings LLC	Subsidiary	USA	100.00%
Consortio Candonga	Associate	Brazil	50.00%
France Aluminium Recyclage SA	Associate	France	20.00%
Aluminium Norf GmbH	Associate	Germany	50.00%
Deutsche Aluminium Verpackung Recycling GmbH	Associate	Germany	30.00%
MiniMRF LLC (Delaware)	Associate	USA	50.00%

# Group's proportion of Voting Power is 100%.

## Subsidiary on account of management control.



## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

2. Subsequent to the finalization of CFS for FY 2007-08, the Novelis Inc., a wholly-owned subsidiary of the Company, has restated its consolidated financial statements as of 31st March, 2008 and for the period from 16th May, 2007 through 31st March, 2008. This restatement corrects non-cash errors relating to the subsidiary's application of purchase accounting associated with an equity method investment which led to a misstatement of provision for income taxes during the period purchase accounting was being finalized. In view of above, the consolidated figures for the year ended 31st March, 2008 included in this CFS have been restated along with certain reclassification as under:

(Rs. in Crores)

<b>BALANCE SHEET:</b>	<b>Restated</b>	<b>Original</b>
Reserves and Surplus	17,021.92	17,082.48
Minority Interests	1,615.36	1,616.55
Deferred Tax Liability (Net)	4,172.29	4,951.35
Gross Block	42,111.70	43,019.87
Depreciation	7,237.21	7,205.53
Investments	14,007.65	13,892.23
Provisions	6,111.40	6,095.01
<b>PROFIT AND LOSS ACCOUNT:</b>		
(Increase)/ Decrease in Stocks	(239.70)	(145.72)
Manufacturing and Other Expenses	53,581.72	53,487.74
Depreciation	2,482.78	2,451.05
Provision for Current Tax	973.87	971.33
Provision for Deferred Tax	202.74	(73.82)
Minority Interest	219.43	220.62
Share in (Profit)/ Loss of Associates (Net)	(99.79)	15.85
Net Profit	2,193.32	2,387.32

3. Tax adjustment for earlier years (net) includes write back of provision for tax resulting from change in estimation of tax liability on progress in tax assessments.
4. (a). In view of different sets of environment in which Australian subsidiaries namely Aditya Birla Mineral Ltd., Birla Nifty Pty Ltd., Birla Mount Gordon Pty Ltd and Birla Resources Pty Ltd. are operating, Accounting policies followed in respect of following items by them are different from the accounting policies followed by the Company.

Particulars	Accounting Policies		Rs. in Crore		Proportion	
	Parent	Subsidiary	2008-09	2007-08	2008-09	2007-08
Environment & rehabilitation expenditure	The cost of reclamation of mined out land, forestation are treated as part of raw material when cost incurred.	Provision for estimated future cost of environmental and rehabilitation using net present value are made and capitalized as mine properties and amortized over remaining life of the mine. Any change in net present value at Balance sheet date is considered as borrowing cost.	64.19	59.63	100	100

- (b). In view of different sets of environment in which foreign subsidiaries operate in their respective countries, provision for depreciation is made to comply with local laws and by use of management estimate. It is practically not possible to align rates of depreciation of such subsidiaries with those of the Company. However on review, the management is of the opinion that provision of such depreciation is adequate.
5. In line with accounting policy, the carrying amount of goodwill associated with Novelis Inc. has been tested for impairment as on 31st March, 2009. Accordingly Rs. 3,597.30 crores has been ascertained as impairment loss of goodwill.

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

6. During the year, following restructuring costs incurred by Novelis towards closing down or exiting business related to certain operations in North America, Europe and South America:

Description of item	Rs. in Crores
Impairment of Fixed Assets	44.50
Salaries, Wages and Bonus	222.11
Miscellaneous (Mainly environmental, contract termination, and other restructuring related costs)	141.51
	408.12

7. On 6th November, 2008 the existing credit facility in respect of acquisition of Novelis was refinanced and new facility totaling USD 981.80 million (Rs 5,057.63 crores as of 31st March, 2009) was entered into. The new credit facility is comprised of three tranches of debt denominated in US Dollar, Euro, and Japanese Yen. The new facility accrues interest monthly to be paid in each of the three currencies. The principal balance is due in installments of 35% on 6th November, 2011, 35% on 6th November, 2012 and 30% on 6th November, 2013.

8. a. The Company has formulated a scheme of financial restructuring to deal with various costs associated with its organic and inorganic growth plan. The recent economic downturn particularly in the commodity space is also expected to result in impairment / diminution in value of certain assets/ investments. Accordingly, as per a scheme of Arrangement under sections 391 to 394 of the Companies Act 1956 ("the Scheme") between the Company and its equity shareholders approved by the High Court of judicature of Bombay, a separate reserve account titled as Business Reconstruction Reserve ("BRR") has been created by transferring balance standing to the credit of Securities Premium Account of the Company for adjustment of certain expenses as prescribed therein. Accordingly, Rs 8,647.37 crores has been transferred to BRR and following expenses incurred during the year have been adjusted against the same as per the Scheme:
- Impairment of goodwill amounting Rs. 3,597.30 crores arises on consolidation of Novelis Inc. while preparing consolidated accounts of the Company.
  - Impairment of fixed assets amounting Rs. 111.30 crores (net of deferred tax of Rs. 34.40 crores).
  - Interest and Finance Charges amounting Rs. 544.47 crores on loan taken by A V Minerals (Netherlands) B.V., subsidiary of the Company, for acquisition of Novelis Inc. by the Company.
  - Costs amounting to Rs. 363.62 crores in connection with exiting business.
  - Certain costs amounting to Rs. 0.18 crores in connection with the Scheme.

- b. Had the Scheme not prescribed aforesaid treatment, the impact would have been as under

- i) In the Profit and Loss Account (Rs. in Crores)

	For the year ended 31st March 2009
	Increase / (Decrease)
Impairment Loss	3,743.00
Manufacturing and Other Expenses	363.80
Interest and Finance Charges	544.47
Profit before Tax	(4,651.27)
Provision for Deferred Tax	34.40
Net Profit	(4,616.87)

(Amount in Rs.)

	For the year ended 31st March 2009
Basic EPS before Tax adjustment for earlier years	(27.45)
Diluted EPS before Tax adjustment for earlier years	(27.45)
Basic EPS after Tax adjustment for earlier years	(28.44)
Diluted EPS after Tax adjustment for earlier years	(28.44)

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

ii) In the Balance Sheet

(Rs. in Crores)

	<b>As at 31st March 2009</b>
	<b>Increase / (Decrease)</b>
Reserves & Surplus:	
Securities Premium Account	8,647.37
General Reserve	(4,616.87)
Deferred Tax Liability (net)	34.40

9. The carrying amount of investment in the Associates includes Rs. 3,951.13 crores (Previous year Rs. 3,099.80 crores) towards goodwill.
10. The Company has not chosen the option of adjusting exchange difference on long term foreign currency loan to the cost of the assets acquired out of these foreign currency loans issued by the Ministry of Corporate Affairs vide Notification (F.No. 17/33/2008/CL-V) dated 31st March 2009. However one of the entities, included in consolidated accounts, has opted for the said option and consequently during the year Rs. 9.97 crores of exchange differences on restatement of long term loans used for acquiring assets has been capitalized. Due to this profit of the Group for the year is higher by Rs. 9.70 crores.
11. The Company has received a notice dated 24th March, 2007 from collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of Rs. 252.96 crores is payable in view of order dated 18th November, 2002 of Hon'able High Court of Allahabad approving scheme of arrangement for merger of Copper business of Indo Gulf Corporation Limited with the Company. The Company feels that it has a strong case as there is no substantive/computation provision for levy/calculation of stamp duty on court order approving scheme of arrangement under Companies Act, 1956 within the provisions of Uttar Pradesh Stamp Act. The Company has filed a writ petition before the Hon'able High Court of Allahabad, inter alia, on the above said ground and also that the properties in question are located in the state of Gujarat and thus the collector has no territorial jurisdiction. Hearing on this matter has taken place but order is awaited.
12. (a) In pursuance of announcement dated 29th March, 2008 of the Institute of Chartered Accountants of India on Accounting for Derivatives, mark to market losses on outstanding derivative instruments as on 31st March, 2009 stood at Rs. 313.55 crores, (previous year Rs. 22 crores) arising from hedging transactions undertaken by the Company for its commodities and foreign currency related exposures. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and all the derivatives entered into by the Company are to mitigate or offset the risks that arise from their normal business activities only. The above mark to market loss is expected to flow back through future cash flows. The Company is at an advanced stage for early adoption of Accounting Standard (AS) 30 on Financial Instruments: Recognition and Measurement. Pending adoption of AS 30, the Company has not provided for the losses on mark to market basis.
- (b) The Company has entered into various derivative contracts for hedging foreign currency exposures. The outstanding position as on 31 March 2009 are as under:

(Rs. in Crores)

Category	Nature	MTM Gain/ (Loss)
Commodity	Forward Cover, Swap etc.	24.44
Foreign Currency	Forward Cover, Option etc.	(337.99)

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	2008-09		(Rs. in Crores)
	Share in Joint Ventures	Consolidated	2007-08 Consolidated
<b>13. Additional Information:</b>			
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	0.09	4,211.75	2,223.87
(b) Contingent liabilities not provided for in respect of:			
i) Claims against the Company not acknowledged as debts	-	762.43	753.19
ii) Bills discounted with Banks	-	-	76.59
iii) Corporate Guarantees outstanding	-	84.36	93.66
iv) Custom duty on Capital goods and Raw Materials imported under Advance License/ EPCG Scheme against which Export obligations to be fulfilled	-	187.78	192.63

	2008-09		(Rs. in Crores)
			2007-08
<b>14. Major components of Deferred Tax arising on account of temporary timing differences are as under:</b>			
<b>Deferred Tax Liability:</b>			
Depreciation		5,751.24	5,354.12
Others		731.87	1,435.27
		<u>6,483.11</u>	<u>6,789.39</u>
<b>Deferred Tax Assets:</b>			
Un-amortized Expenditure		19.83	1,274.17
Brought forward Business Loss		1,205.23	666.41
Others		2,500.94	676.52
		<u>3,726.00</u>	<u>2,617.10</u>
<b>Deferred Tax Liability (Net)</b>		<b><u>2,757.11</u></b>	<b><u>4,172.29</u></b>
<b>15. Exchange gain/ (loss) have been accounted for under respective heads of account as under:</b>			
Sales & Operating Revenues		(55.96)	113.12
Manufacturing and Other Expenses		(775.20)	254.51
Interest & Finance Cost		(21.29)	(39.98)
<b>Total</b>		<b><u>(852.45)</u></b>	<b><u>327.65</u></b>

16. (a) Future obligation under non-cancelable operating leases are as under:

(Rs. in Crores)

Period	2008-09	2007-08
Not later than one year	134.78	140.68
Later than one year and not later than five years	319.80	305.78
Later than five years	121.34	155.54

# SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## SCHEDULE '20' (Contd.)

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

- (b) Future obligation towards minimum lease payments under the finance leases taken on or after 1st April, 2001 are as under:

(Rs. in Crores)

Period	2008-09		2007-08	
	Payment	Present Value	Payment	Present Value
Not later than one year	38.28	38.16	38.22	37.04
Later than one year and not later than five years	136.99	95.02	137.68	99.15
Later than five years	172.85	70.46	187.86	127.92

### 17. Segment Reporting:

- (a) Primary Segment (by Business Segment):

- i) The Group has three reportable segments viz. Aluminium, Copper and Others which have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the organizational structure as well as differential risk and return of these segments. Details of products included in each segment are as under:

Aluminium : Alumina, Aluminium Metal and Aluminium Metal Products.

Copper : Continuous Cast Copper Rods, Copper Cathodes, Sulphuric Acid, DAP & Complexes, Gold and Silver.

Others : Caustic, Cellular Services and Others.

- ii) Inter-segment transfers are at market rates.

- iii) Information about Primary Segment are follows:

(Rs. in Crores)

Particulars	2008-09				2007-08			
	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total
<b>REVENUE</b>								
External Sales	54,285.24	10,754.86	585.05	65,625.15	47,033.82	12,334.49	644.52	60,012.83
Inter-segment transfers	21.18	5.40	133.50	160.08	20.11	5.89	112.91	138.91
Total Revenue	54,306.42	10,760.26	718.55	65,785.23	47,053.93	12,340.38	757.43	60,151.74
<b>RESULTS</b>								
Segment Results	(425.31)	374.11	123.36	72.16	3,182.03	931.42	186.39	4,299.84
Less: Unallocated Corporate Expenses				(81.14)				(67.87)
Operating Profit				(8.98)				4,367.71
Add: Unallocated Other Income				636.39				435.13
Less: Interest Expenses				(1,232.33)				(1,849.10)
Less: Provision for Taxes				953.75				(640.78)
Profit before Minority Interest				348.83				2,312.96
<b>OTHER INFORMATION</b>								
<b>Assets:</b>								
Segment Assets	44,162.10	8,185.44	304.82	52,652.36	46,870.51	9,134.70	1,352.81	57,358.02
Un-allocable Assets				11,814.43				15,287.67
Total Assets				64,466.79				72,645.69
<b>Liabilities:</b>								
Segment Liabilities	13,781.37	1,312.57	34.84	15,128.78	13,933.81	1,775.42	274.70	15,983.93
Un-allocable Liabilities				33,484.80				39,376.20
Total Liabilities				48,613.58				55,360.13
Capital Expenditure	2,217.12	197.61	35.04		2,246.93	403.59	334.93	
Non-Cash Expenses:								
Depreciation (including Impairment)	2,575.95	365.67	90.64		1,967.58	389.44	93.68	
Others	8.60	1.68	1.60		3.76	-	2.16	

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b). Secondary Segment (by Geographical demarcation):

- i) The secondary segment is based on geographical demarcation i.e. India and Rest of the World.
- ii) Information about Secondary Segment are follows:

(Rs. in Crores)

Particulars	2008-09			2007-08		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	13,611.13	52,174.10	65,785.23	13,508.65	46,643.09	60,151.74
Segment Assets	17,013.37	35,638.99	52,652.36	18,334.00	39,024.02	57,358.02
Capital Expenditure	1,711.34	738.43	2,449.77	1,750.13	1,235.32	2,985.45

18. Disclosure in respect of Related Party pursuant to Accounting Standard 18:

(a) List of Related Parties:

i) **Associates:**

Aditya Birla Science and Technology Company Limited  
Aluminium Norf GmbH  
Consortio Candonga  
MiniMRF LLC (Delaware)  
Deutsche Aluminium Verpackung Recycling GmbH  
France Aluminium Recyclage SA  
IDEA Cellular Limited (from 1st January, 2009)

ii) **Joint Ventures:**

IDEA Cellular Limited (up to 31st December, 2008)  
Mahan Coal Limited  
Hydromine Global Minerals (GMBH) Limited

iii) **Trust:**

Trident Trust

iv) **Key Managerial Personnel:**

Mr. D. Bhattacharya - Managing Director

(b) The following transactions were carried out with the related parties in the ordinary course of business:

i) **Associates and Joint Ventures:**

(Rs. in Crores)

Particulars	2009		2008	
	Associates	Joint Ventures	Associates	Joint Ventures
<b>Transactions during the year ended 31st March:</b>				
Service Received	1,268.32	0.51	1,115.65	0.04
Interest and Dividend Received	2.84	-	3.29	-
Investments, Deposits, Loans and Advances given	82.22	11.30	103.80	0.95
Investments, Deposits, Loans and Advances received	94.46	0.95	70.63	-
<b>Balance as at 31st March:</b>				
Debit Balance	125.08	0.03	-	0.01
Credit Balance	242.62	-	221.20	-
Investments, Deposits, Loans and Advances	4,616.94	242.14	3,974.70	231.81

## SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE '20' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

ii) <b>Trust:</b>	<b>2008-09</b>	<b>2007-08</b>
Beneficiary Interest in Trust	34.45	34.45
iii) <b>Key Managerial Personnel:</b>		
Managerial Remuneration (including perquisites) *	11.09	8.24
* Excluding gratuity, leave encashment provisions and employee compensation under Employee Stock Option Scheme.		
<b>19. Earnings Per Share (EPS):</b>	<b>2008-09</b>	<b>2007-08</b>
Net Profit	485.31	2,193.32
Less: Dividend on Preference Shares (including Dividend Tax)	(0.03)	(0.03)
Net Profit attributable to Equity Shareholders	<b>485.28</b>	<b>2,193.29</b>
Less: Tax adjustment for earlier years	(149.11)	(548.09)
Profit before Tax adjustment for earlier years	<b>336.17</b>	<b>1,645.20</b>
Weighted average number of Basic Equity Shares outstanding	1,505,245,463	1,286,973,135
Weighted average number of Diluted Equity Shares outstanding	1,505,245,463	1,293,995,155
Face value of Equity Shares (in Re.)	1.00	1.00
<b>Earnings per Share (EPS):</b>		
Basic EPS (in Rs.)	3.22	17.04
Diluted EPS (in Rs.)	3.22	16.95
Basic EPS before Tax adjustment for earlier years (in Rs.)	2.23	12.78
Diluted EPS before Tax adjustment for earlier years (in Rs.)	2.23	12.71

20. Figures of previous year have been regrouped/ rearranged wherever necessary.

As per our report annexed.

For SINGHI & CO.  
Chartered Accountants

RAJIV SINGHI  
Partner  
Membership No. 53518

Camp: Mumbai  
Dated: The 30th day of June, 2009

S. Talukdar  
Group Executive President & CFO  
Anil Malik  
Company Secretary

*For and on behalf of the Board*

Kumar Mangalam Birla – Chairman  
D. Bhattacharya – Managing Director  
M. M. Bhagat – Director

# FINANCIAL INFORMATION RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Crores)

Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Investments **				Turnover/ Revenues	Profit/(Loss) before Tax	Provision for Tax	Profit/(Loss) after Tax	Proposed Dividend
					Long Term Investments			Current Investments- Units of Mutual Funds					
					Government Securities	Shares, Debenture, Bonds & Others	Units of Mutual Funds						
1 Indal Exports Limited	0.14	0.36	0.52	0.52	-	-	0.50	0.01	(0.00)	-	(0.00)	-	
2 Minerals & Minerals Limited	0.05	1.11	1.31	1.31	-	-	-	0.40	0.02	-	0.02	-	
3 Renuka Investments & Finance Limited	9.25	31.78	41.24	41.24	-	19.76	12.74	4.10	3.90	0.54	3.36	-	
4 Renukeshwar Investments & Finance Limited	4.80	23.70	28.50	28.50	-	19.02	8.63	2.19	2.13	0.11	2.02	-	
5 Suvas Holdings Limited	0.37	(0.00)	0.39	0.39	-	-	-	-	-	-	-	-	
6 Utkal Alumina International Limited	553.24	-	1,125.33	1,125.33	-	-	-	-	-	-	-	-	
7 Aditya Birla Chemicals (India) Limited (formerly, Bihar Caustic & Chemicals Limited)	23.39	216.57	365.20	365.20	0.30	-	-	211.71	55.60	9.52	46.08	3.51	
8 Hindalco-Almex Aerospace Limited	38.26	(15.30)	113.67	113.67	-	-	-	6.25	(15.25)	0.05	(15.30)	-	
9 HAAL USA Inc \$	0.00	(0.01)	0.17	0.17	-	-	-	0.40	(0.01)	-	(0.01)	-	
10 Lucknow Finance Company Limited	12.00	6.80	20.06	20.06	-	-	-	1.86	1.64	0.41	1.23	-	
11 Daboj Harbour and Infrastructure Limited	50.00	214.02	291.51	291.51	-	-	-	61.77	41.51	3.08	38.43	-	
12 East Coast Bauxite Mining Company Private Limited	0.01	(0.01)	0.01	0.01	-	-	-	-	(0.00)	-	(0.00)	-	
13 Tubed Coal Mines Limited	2.95	-	3.02	3.02	-	-	-	-	-	-	-	-	
14 Aditya Birla Minerals Limited - Consolidated *	1,588.59	(139.01)	2,200.38	2,200.38	-	-	-	1,405.43	(395.56)	(120.83)	(274.73)	-	
15 Birla Resources Pty Limited *	2.29	(0.00)	2.31	2.31	-	-	-	0.14	(0.00)	-	(0.00)	-	
16 A V Minerals (Netherlands) B.V. *	14,139.19	(1,311.99)	17,923.96	17,923.96	-	-	-	2.33	(592.92)	-	(592.92)	-	
17 A V Metals Inc * *	17,902.36	(18.04)	17,904.28	17,904.28	-	-	-	0.05	(0.64)	-	(0.64)	-	
18 A V Aluminium Inc # # *	17,902.11	(170.17)	17,731.94	17,731.94	-	-	-	-	-	1.65	(1.65)	-	
19 Novelis Inc - Consolidated # # # *	17,815.50	(9,015.18)	38,243.03	38,243.03	-	4,478.88	-	46,771.00	(7,258.98)	(1,311.11)	(5,947.87)	-	

\* Balance sheet items are translated at closing Exchange rate and Profit/(Loss) items are translated at Average exchange rate.

\$ Subsidiary of Hindalco-Almex Aerospace Limited.

# Subsidiary of AV Minerals (Netherlands) B.V.

# Subsidiary of AV Metals Inc.

# Subsidiary of AV Aluminium Inc.

\*\* Excluding Investment in Subsidiaries.

Note :

The Ministry of Corporate Affairs, Government of India vide its order No. 47/365/2009-CL-III dated 30th June, 2009 issued under section 212 (8) of the Companies Act, 1956, has exempted the Company from attaching the documents of Company's subsidiaries, required to be attached under section 212 (1) of the Companies Act, 1956, for the financial year ended on 31.03.2009. However annual accounts of the Subsidiary Companies and the related detailed information will be made available to the investors of the Company and subsidiaries of the Company, seeking such information at any point of time. The annual accounts of the subsidiary companies are available for inspection by any investor at the Registered Office of the Company and the concerned Subsidiary of the Company.







**HINDALCO**



Hindalco Industries Limited

## VISION, MISSION & VALUES

### *Vision*

*“To be a premium Metals major, global in size and reach, with a passion for excellence”*

### *Mission*

*“To relentlessly pursue the creation of superior shareholder value by exceeding customer expectations profitably, unleashing employee potential and being a responsible corporate citizen adhering to our values”*

### *Values*

*Integrity Honesty in every action.*

*Commitment Doing whatever it takes to deliver, as promised.*

*Passion Missionary zeal arising out of an emotional engagement with work.*

*Seamlessness Thinking and working together across functional silos, hierarchy levels, businesses and geographies.*

*Speed Responding to stakeholders with a sense of urgency.*

## HINDALCO & ITS SUBSIDIARIES/JVs

### **Hindalco Industries Limited**

: Aluminium, Copper

### **Subsidiaries**

- Novelis Inc., Canada : Aluminium Rolled Products
- Aditya Birla Chemicals (India) Limited : Caustic Soda, Liquid Chlorine, Hydrochloric Acid
- Aditya Birla Minerals Limited : Copper Mining
- Hindalco-Almex Aerospace Limited : Aerospace Alloy
- Utkal Alumina International Limited : Alumina
- Dahej Harbour & Infrastructure Limited : Handling of Captive Cargo (Copper Unit) and Commercial Cargo
- Novelis (India) Infotech Ltd. : Information Technology Services
- Tubed Coal Mines Ltd. : Mining

### **Joint Ventures**

- Mahan Coal Limited : Mining



**Hindalco Industries Limited**

**Corporate Office:** Aditya Birla Centre, S. K. Ahire Marg, Worli, Mumbai 400 030.

**Registered Office:** Century Bhavan, Third Floor, Dr. Annie Besant Road, Worli, Mumbai 400 030.

**Website:** [www.hindalco.com](http://www.hindalco.com) / [www.adityabirla.com](http://www.adityabirla.com)