

**34th Annual General Meeting
Chairman's Address**

**Bhubaneswar
26th September 2015**

**Achieving Business Excellence Through
PRODUCTIVITY, PROFITABILITY & CREDIBILITY**

Valued Shareholders,

It gives me immense pleasure to welcome you all to the 34th Annual General Meeting of your Company. On behalf of the Board of Directors, it is an honour and privilege for me to present the performance of the Company during 2014-15, the Company's Financial Statement, along with Directors' Report, Auditors' Report, etc. for the year ended March 31, 2015 that have been circulated to you. With your permission, I take them as read.

Before taking up the agenda for today's meeting, I would like to share with you some of my thoughts on the economic scenario in general, the aluminium industry in particular and your Company's present position, plans and prospects. I would also like to take this opportunity to congratulate all the stakeholders on allocation of Utkal D and E Coal Blocks to NALCO by

Govt. of India, a landmark decision on which your Company's smooth operations and future plans greatly depend. And now, we eagerly look forward to State Govt. to allot Pottangi Bauxite Mine in Koraput district of Odisha, to usher in a secured future of the Company for more than three decades. You will also be happy to know that your Company has achieved the distinction of planting 6.8 million trees, focussing on nature, nurture and future.

THE ECONOMY

Global Economic Scenario

The Global economic growth in 2014 was a modest 3.4 per cent, reflecting a pick-up in growth in advanced economies, but a continued slowdown in developing and emerging markets. Complex forces that affected global economic activities in 2014 are still shaping the outlook. The slowdown in Chinese economy and falling crude oil prices are challenges for global business in 2014-15 fiscal. Besides U.S. dollar's rise in value, high levels of dollar-denominated corporate borrowing pose a risk to emerging markets. Volatile financial market and tumbling raw-materials' prices have also raised the risks to economic growth around the world. This sluggish

growth, close to a recession, is due to persistent structural causes, which is now being termed as a '*structural recession*' by the financial analysts and economists, indicating its region specific structural origin than cyclical fluctuations.

Indian Economic Scenario

India is set to emerge as the world's fastest-growing major economy by 2015 ahead of China, as per the recent report by the World Bank. India's Gross Domestic Product (GDP) is expected to grow at 7.5 per cent in 2015.

The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, RBI's inflation focus strategies supported by benign global commodity prices. According to the reports of the analysts, India ranks seventh globally in terms of GDP and is expected to grow at 7.5 per cent in 2016. As per the latest Global Economic Prospects (GEP) report by World Bank, India is leading the World Bank's growth chart for major economies.

For the first time since 1999, India will outgrow China and its BRIC peers with a GDP growth of 7.5% this calendar year and the next. Initiatives of Govt. of India such as 'Make in India', 'Digital India', Skill Building, Reform in Mining and Power Sectors, Infra & Construction Projects, etc. are expected to build up the growth trajectory in coming years.

ALUMINIUM SCENARIO

Global Outlook

World Aluminium Market is sluggish and is in slump cycle. Aluminium price has nose-dived and is hovering around 1550 dollar per tonne, below the cost of production of primary producers. Slowdown in China is making that country dump its excess production in International market, bringing global prices under supply side pressure. Increased availability of metal in domestic market with no corresponding demand pick-up, keeps the domestic prices subdued. This situation is likely to continue for some time.

Global aluminium production in 2014 was about 54.11 million tonnes while global consumption was about 53.97 million tonnes.

Despite weak economic growth, China is still expected to remain the key driver for global demand growth in the aluminium sector in 2015. After China, India is expected to register the highest increase in production considering the Greenfield and Brownfield expansion plans of Indian primary producers.

Although production in India and Middle East is expected to be strong in the near-term, it is expected that factors such as lower global prices and higher Chinese exports may lead to curtailments and capacity closures and may also hinder new projects and restarts in the rest of the world. However, the production losses so entailed are expected to be offset by the continuous growth in output from China.

Global prices of aluminium have remained under pressure on account of a number of factors including the high global inventory of the metal, concerns about the performance of Chinese economy, appreciation in US dollar etc. Prices of aluminium are generally expected to remain low in the near-term due to subdued global demand for the metal, as well as uncertain macro-economic environment prevailing globally.

LME aluminium stocks, which were more than 5 million tonnes at the beginning of 2014, declined to a level of 3.2 million tonnes at the end of the year. Stocks are forecast to fall further in 2015.

The major sectors expected to drive global demand for the metal are aerospace, automotive, packaging and commercial construction, etc.

Domestic Outlook

The present installed smelting capacity of Indian primary aluminium producers is about 4.1 million tonnes per annum. The current production level of primary aluminium in the country was about 2.04 million tonnes during 2014-15. Production is expected to rise in 2015-16 to a level of 2.4-2.5 million tonnes, as the operating capacity of primary producers increase.

With increasing investment by the Central Government in power transmission during 2014, India has seen improved demand growth from the electrical sector, which is likely to continue through 2015. Demand growth is likely to be the highest in transport, building and construction sectors, but other sectors are also expected to grow simultaneously. It is estimated

that by 2020, India would double its consumption to 5 million tonnes.

Future growth prospects for aluminium in the country are seen in products like beverage cans, alloy wheels, automobile bodies, railway coaches etc. Growth is also being seen in use of aluminium in the housing sector, in the backdrop of growing emphasis on protection of environment and prevention of deforestation. In fact, we have requested Govt. to declare all 98 smart cities as green cities, to enhance the use of aluminium and save precious trees.

Threats to the Indian aluminium industry include competition from large-scale scrap imports, availability of substitute materials particularly plastics, and increasing input costs. Volatility in aluminium prices, declining export premiums, fluctuations in US dollar exchange rates, slowdown in the global economy and growing competition from secondary producers in the domestic market have also become a matter of concern.

Further, at a time when the domestic aluminium producers are facing problem due to slump in the metal prices worldwide, the foreign players are dumping aluminium in the country currently taking advantage of

the low import duty rate in India. However, we have recently requested Central Government to hike the import duty and introduce safeguard duty to save the domestic industries.

SCALING NEW HEIGHTS OF SUCCESS

You will be pleased to know that your Company performed significantly well during the year 2014-15 in physical as well as financial terms. I must convey my appreciation to you all for your unstinted support for achieving this excellent performance.

Production

In terms of production, as against 3.16 lakh tonnes of cast metal production achieved last year, the Aluminium Smelter of the Company achieved cast metal production of 3.27 lakh tonnes in 2014-15. This includes 96,070 tonnes of Wire Rod and 39,803 tonnes of T-Ingot, the highest-ever produced since inception. Alumina Hydrate Production of 18.51 lakh tonnes was achieved and the Captive Power Plant of the Company registered net power generation of 5,131 million units (MU) against 4,989 million units in previous fiscal.

Besides, NALCO generated 181 MU of wind energy, the highest-ever during the year by operation of a 50.4 MW Wind Power Plant at Gandikota, Andhra Pradesh and another 47.6 MW plant at Jaisalmer, Rajasthan. During the year, the Company commissioned 260 KWp Rooftop Solar Power System at Corporate Office and Township in Bhubaneswar.

Sales

Your Company sold 12.25 lakh tonnes of chemicals in 2014-15 as compared to 13.43 lakh tonnes sold during 2013-14. This includes Calcined Alumina export of 11.85 lakh tonnes during 2014-15.

The total metal sales during 2014-15 were 3.26 lakh tonnes, compared to 3.20 lakh tonnes during 2013-14. Total metal sales consist of domestic sale of 2.65 lakh tonnes and export of 60,752 tonnes. The domestic sales include Wire Rod sale of 96,070 tonnes, which is the highest-ever sales since inception, surpassing the previous best of 87,969 tonnes achieved during 2013-14.

You will be pleased to know that your Company achieved the highest-ever T-Ingot sale of 36,716 tonnes, surpassing the previous best of 14,460 tonnes, achieved during 2013-14 and exported 1,529 tonnes of T-Ingots for the first time during the year. It is indeed a good sign for this new entrant in Company's product profile.

Finance

I am glad to report that your Company posted a Net Profit of Rs.1322 crore in 2014-15, up by 106%, compared to Rs.642 crore achieved during the previous fiscal. The export turnover of the Company for the fiscal was Rs.3307 crore. The Company has achieved the highest-ever gross turnover of Rs.7771 crore against Rs. 7024 crore achieved last year and previous best of Rs.7247 crore achieved in FY12-13.

DIVIDEND

As you are aware, your Board has recommended a final dividend of Rs. 0.50 per share (10% on the equity shares of Rs.5 each) for the financial year 2014-15 in addition to the interim dividend of Rs.1.25 per share (25% on equity share of Rs.5 each), already paid in March, 2015.

The total dividend payout for the financial year 2014-15 works out to Rs.451 crore as against Rs.387 crore for the previous year. The final dividend will be paid after approval in the Annual General Meeting.

Your Directors propose to transfer Rs.780 crore to General Reserve Account from the profits of the year 2014-15 as against Rs.190 crore transferred in 2013-14.

NALCO, which started its commercial operations in 1987, has been earning profits consistently and has been declaring dividends since 1992. It may be mentioned that since inception, NALCO has contributed to State Govt. Rs. 4,981 crore and Central Government Rs. 19,111 crore towards taxes, duties royalties and dividends.

MoU PERFORMANCE

Based on financial performance and achievements of other parameters, your Company is likely to be rated 'Excellent' as per the Memorandum of Understanding (MoU), signed by your Company with the Government of India for the Financial Year 2014-15.

SUSTAINABLE GROWTH INITIATIVES

At this stage, your Company is targeting to be a global player in the mining, metal and energy sectors. But Friends, as you know, Aluminium Sector is in the midst of numerous challenges and so is your Company. We need to convert these challenges into opportunities. It is aptly said, '*Fortune Favours the Brave*' and NALCO is determined to prove it, overcoming the turbulence and emerging as a global player. Towards this, we have planned to increase the existing metal, alumina and bauxite production and start coal mining. You are all aware, value-chain has shifted in favour of minerals and we have plans to avail the opportunity of Government policies to enter into merchant mining. In the domain of energy, we have already diversified into renewable energy like wind and solar.

Now, we are in the process of putting up additional windmills and solar plants. We also want to go as a model independent power producer. Our action plan includes increasing the volume of production, go for expansion and modernization of our plants and diversification of products.

The other target is to increase our networks in the domestic as well as in the international market. We are revisiting our Corporate Plan to make a blue print robust enough to meet the uncertainties in business climate and steer Company clear, ensuring growth. While we have got the much-awaited and much-needed allocation of Utkal D & E Blocks, I am sure, our future plans and strategies would be further strengthened to acquire such mineral assets to strengthen our mineral portfolio.

New Ventures

Here, I would like to share some of the initiatives contemplated beyond existing operational boundaries.

Alumina Refinery Project in Gujarat

NALCO is pursuing to set up a 0.5 MTPA Alumina Refinery in Kutch district of Gujarat based on supply of bauxite from GMDC's mines. Detailed Project Report (DPR) for the project has been prepared and is also getting revisited based on bauxite availability. The Company is in discussion with GMDC for setting up the project.

Nuclear Power Plant in JV with Nuclear Power Corporation of India Ltd. (NPCIL)

A Joint Venture company namely NPCIL-NALCO Power Company Ltd has been incorporated in March, 2012. Kakrapar Atomic Power Project (3&4) has been selected as the first project of this JV company. Rs.2.6 lakh has been paid to the JV company in March, 2013 towards initial paid-up capital. Further equity infusion would be made after approval of Govt. of India for establishment of the project in JV mode.

Caustic Soda Project

As a backward integration measure, NALCO plans to set up 2.7 lakh TPA Caustic Soda Plant along with 100 MW Captive Power Plant at Dahej in Gujarat at an estimated investment of Rs.1789 crore in JV with Gujarat Alkalies and Chemicals Limited, for which JV-cum-Share Holder's Agreement has been signed in June, 2015. Detailed Project Report (DPR) for the project has been prepared.

Titanium Slag Project

NALCO has revived the MoU with Indian Rare Earths Limited in July, 2014 for development of 1 LTPA Titanium Slag Project at Chhatrapur in Odisha in Joint Venture. Pre-feasibility Report for the project is being prepared.

Smelter & Power Plant in Odisha

A Smelter of 0.5 MTPA with a power plant of 1050 MW Capacity at a cost of Rs.22,000 crore is being planned at Sundargarh district of Odisha. NALCO has already applied for single window clearance of above project.

Angul Aluminium Park

NALCO, in association with Govt. of Odisha, has plans to set up Angul Aluminium Park for downstream units.

Overseas Smelter

NALCO is exploring the opportunity to set up a Greenfield aluminium smelter in a country where energy would be available at a competitive price. Based on a study carried out by the consultants for identification of suitable location, further action is being envisaged.

Alumina Refinery : 3rd Expansion

Your Board has accorded approval for setting up of 5th Stream of 1 MTPA capacity in existing Alumina Refinery at Damanjodi at an estimated investment of Rs.5,540 crore. The project is envisaged with Medium Pressure Digestion Technology. Sourcing of the Bauxite is planned from Pottangi Mines, for which matter is being pursued with Govt. of Odisha. However, while awaiting the clearance for the same, pre-project activities have been initiated considering sourcing of Bauxite from existing Panchpatmali deposit.

220 KV Transmission Line Project from Laxmipur to Damanjodi

For stable and reliable grid connectivity and for uninterrupted power supply to its Alumina Refinery, construction of 220 KV transmission line from Laxmipur to Damanjodi of about 38 km and up-gradation of present Sub-station at Damanjodi at a capital outlay of Rs.95 crore is under implementation.

Back Pressure Turbo-Generator

Another Back Pressure Turbo-Generator (BPTG) having rated capacity of 19.5 MW is being installed at Steam-cum-Co-Generation Power Plant of Alumina Refinery complex at a capital outlay of Rs.42 crore to augment its captive power source. The project is under implementation.

Renewable Energy

You will be happy to know, NALCO is one of the leading producers of green energy in the country. The Company has commissioned two Wind Power Plants in Gandikota of Andhra Pradesh and Jaisalmer, Rajasthan. The first Wind Power Plant of 50.4 MW in Andhra Pradesh was commissioned in 2012-13. The second one was commissioned in January, 2015. About 181 million units of electricity have been generated from these two plants, in 2014-15. At present, your Company has plans to invest in the following Green energy projects.

- a. 100 MW wind power project at any suitable location in India at an estimated investment of Rs.660 crore.

- b. 14 MW wind power project at mined out area of its bauxite mines in Koraput at an estimated investment of Rs.82 crore.
- c. 20 MW ground mounted solar power plant at any suitable location in India at an estimated investment of Rs.140 crore.
- d. 40 KWp rooftop solar project at NALCO Research and Technology Centre (NRTC), Bhubaneswar at an investment of Rs.25 lakh.

R&D

Your Company adopts and encourages R&D activities in pursuit of technological excellence and process improvement. The Company is in the advance stage of setting up a state-of-art research and testing centre at Bhubaneswar. Your Company has signed MoU & R&D agreements with reputed organization like Rio-Tinto Alcan, IITs, IMMT, JNARDDC, NIT, etc. for collaborative research. Your Company is one of the few companies, which has been consistently spending more than 1% of PAT towards R&D as mandated by Govt. of India.

SAFETY & OCCUPATIONAL HEALTH

In the field of safety and occupational health, all production units are certified to International Standards under OHSAS 19001. There is no fatal accident and all employees and contract labourers are provided with personal protective equipment (PPES) and imparted safety training regularly.

HUMAN RESOURCE

‘People make things happen’ is what NALCO believes in. The Company is endowed with effective and efficient human capital – a blend of excellent resources, including knowledge, talents, skills, abilities, attitude, aptitude, experience, intelligence, training, judgment, and wisdom, both individually and collectively. In the present competitive environment, it is the quality of people that determines the success and survival of an organization. Your Company has realized this need and has taken up several measures to ensure a conducive work environment for its employees, with a view to enhance productivity.

Your Company has maintained a tradition of resolving employee-related issues through participative management, dialogue & discussion leading to peaceful and healthy industrial relations climate with optimal utilization of human resources. Your Company has an established system of workers' participation at different levels to address various issues concerning productivity, quality (including quality of work life) and employee-related issues.

In order to enhance the motivation level among the employees, revised Productivity Linked Incentive Scheme was implemented. Security as well as productivity of the Company was addressed by successful implementation of bio-metric attendance system throughout the Company. Further, as a step towards creating and maintaining decent work place, better work-life balance, your Company continued to implement SA 8000:2008 Standard. All Units, including Corporate Office, have been re-certified to SA 8000 Standard.

I would like to take this opportunity to appeal to all the employees of NALCO to build a unique work culture with strong business sense at all levels. We must work in a concerted manner to enhance business excellence through enhanced productivity, profitability and credibility.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Today, CSR has become a buzzword in the corporate world and it is the social accountability and sustainability that determine the corporate image. You will be pleased to know that while your Company has been taking up periphery development activities and CSR activities since inception, it is one of the few companies in India having a voluntarily Board approved CSR Policy & Guidelines prior to issue of guidelines and New Companies Act. Present CSR Policy is compliant with DPE Guidelines and New Companies Act, 2013. Your Company has adopted all the thrust areas identified in the Schedule-VII of the Companies Act, 2013.

The CSR activities of the Company have been primarily in the areas of education, health, sanitation, drinking water, communication, environment, sustainability, promotion of art & culture, sports, natural calamity relief, etc. Major features of CSR are definitive process of identification, execution and monitoring of CSR projects with active involvement of people's representatives, state and district administration. NALCO has been consistently allocating 2% of PAT as CSR Fund.

All along, NALCO has proved itself as a responsible corporate citizen. Now, the thrust would be on bringing its robust humane face to the fore, through empathetic CSR measures.

Highlights of CSR activities

NALCO's CSR activities are focused on development of villages located within 15 kms radius of your Company's Mines & Refinery Complex at Damanjodi, Smelter & Power Complex at Angul and also the proposed mining areas at Pottangi in Odisha and Gudem & KR Konda in Andhra Pradesh.

Some of the major CSR initiatives undertaken by NALCO are as follows:

Swachh Vidyalaya Abhiyan

Your Company actively participated in the campaign initiated by Hon'ble Prime Minister on Swachh Bharat and has been appreciated by the Ministry of HRD, Govt. of India for achieving 100% target under Swachh Vidyalaya initiative. As a PSU-partner in Govt's Swachh Vidyalaya Abhiyan, NALCO was asked by Ministry of HRD, Govt. of India, to construct 354 toilets in 202 schools, in Angul and Koraput districts of Odisha and Visakhapatnam district of Andhra Pradesh. NALCO could successfully complete the task within the stipulated time. The project was implemented through NALCO Foundation, the CSR arm of the Company. Despite heavy odds, NALCO not only achieved the targets in time but also constructed 79 additional toilets, beyond the target, as per ground realities and requests from school authorities. With that, NALCO altogether constructed 433 toilets in 206 schools, under Swachh Vidyalaya Abhiyan.

NALCO Ki Ladli

You will be pleased to know that your Company has launched 'NALCO ki Ladli' Scheme, under the 'Beti Bachao, Beti Padhao' programme, initiated by Govt of India recently. Under this scheme, NALCO shall promote meritorious girl-students from BPL families studying in the periphery schools of Company's production units at Angul and Damanjodi in Odisha.

Mobile Health Units

Your Company continued the operation of the Mobile Health Units (MHUs) – 4 MHUs in Damanjodi sector (covering 142 villages) and 3 MHUs and 1 OPD in Angul sector (covering 43 villages). These services at Damanjodi are being operated through Wockhardt Foundation and at Angul through Lions Club. During the year, total 2,254 camps were conducted and total 1,06,272 number of patients from periphery villages of Damanjodi and Angul were treated free of cost.

Sponsoring formal education of children living in periphery villages of Damanjodi

Keeping in view the importance of education for future generations, your Company continued the unique scheme of sponsoring children predominantly belonging to SC/ST of peripheral villages of Damanjodi, to

residential schools bearing the entire cost. Total number of students sponsored so far has been 655 with annual expenditure of Rs.1.31 crore. The children are from 18 periphery villages of its Mines & Refinery Complex at Damanjodi, in the tribal dominated and Maoist-infested district of Koraput.

Moreover, periphery village students constituting around 60% in Odia-medium and 30% in English-medium are also extended educational facilities in the Company-aided schools, that is, Saraswati Vidya Mandirs & Delhi Public Schools located at Damanjodi and Angul sectors.

Good Samaritan

NALCO provided 10 lakh drinking water pouches and 250 temporary toilets during Nabakalebara Rathayatra at Puri.

CORPORATE GOVERNANCE:

Corporate Governance is an institutional framework with proper checks and balances to undertake, co-ordinate and oversee the interest of all stakeholders.

We consider the establishment and maintenance of a strong culture of values, ethics, integrity, reliability and fairness in all dealings, within and outside the organization, as an important cornerstone in our business. Corporate Governance is looked upon as a distinctive brand and benchmark in the profile of Corporate Excellence.

Your Company has adopted various codes and policies to carry out its duties in an ethical manner. The Company strives to manage the affairs in a fair and transparent manner to gain and retain the trust of all stakeholders. An enlightened, well-informed and independent Board is the key to ensure the highest standards of corporate governance, a sound system of internal control, compliance of laws, rules and regulations, timely supply of material information to all stakeholders have strengthened the governance practices in NALCO over the years. The Company has endeavoured to adhere to the ethical standards at the highest level for effective management and to discharge social responsibility for sustainable development.

AWARDS & ACCOLADES

NALCO has received EEPC Star Performer Award for outstanding contribution to engineering export. The Company has also received State Pollution Control Board Award for excellence in control & protection of environment.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I take this opportunity to place on record my gratitude & deep appreciation of our esteemed customers, investors, suppliers, bankers and consultants for their continued support. I sincerely thank Govt. of India, particularly the Ministry of Mines, Ministry of Coal, MoEF & DPE for their unstinted support and valuable guidance. I thankfully acknowledge the support extended by the Govt. of Odisha, Indian Railways, Mahanadi Coalfields Ltd. and other Government agencies. I would also like to thank my colleagues on the Board for their valuable guidance and contribution in steering the Company on growth path. I also feel privileged to put on record that our long association with all our shareholders has been a rewarding experience. The place of pride that we enjoy today is largely due to the trust you have been

reposing on us. I sincerely acknowledge the support and co-operation of my colleagues and thank my fellow Nalconians and their families for their untiring efforts in achieving yet another year of success for your Company.

(T.K. Chand)
Chairman-cum-Managing
Director

Bhubaneswar
September 26, 2015

Note: *This does not purport to be record of the proceedings of the Annual General Meeting.*