

Letter of Offer

September 13, 2008

For Equity Shareholders of the Company Only



HINDALCO INDUSTRIES LIMITED

(Originally incorporated on December 15, 1958 under the Companies Act, 1956 as Hindustan Aluminium Corporation Limited and the name was changed to Hindalco Industries Limited with effect from October 9, 1989)

Registered Office: Century Bhavan, 3rd Floor, Dr. Annie Besant Road, Worli, Mumbai 400 030, India

Tel: +91 22 6662 6666; **Fax:** +91 22 2422 7586/2436 2516

Corporate Office: Aditya Birla Centre, S.K. Ahire Marg, Worli, Mumbai 400 030, India

Contact Person: Mr. Anil Malik, Company Secretary and Compliance Officer

E-mail: hilinvestors@adityabirla.com; **Website:** www.hindalco.com

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF THE COMPANY ONLY
LETTER OF OFFER

ISSUE OF 525,802,403 EQUITY SHARES WITH A FACE VALUE OF Re. 1 EACH AT A PREMIUM OF Rs. 95 PER EQUITY SHARE AGGREGATING Rs. 50,477.03 MILLION TO THE EXISTING EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF THREE EQUITY SHARES FOR EVERY SEVEN EXISTING EQUITY SHARES HELD BY THE EXISTING SHAREHOLDERS ON THE RECORD DATE, i.e., SEPTEMBER 5, 2008 (THE "ISSUE"). THE ISSUE PRICE IS 96 TIMES OF THE FACE VALUE OF THE EQUITY SHARES. THIS BEING A FAST TRACK ISSUE UNDER CLAUSE 2.1.2A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED, THE COMPANY HAS FILED THIS LETTER OF OFFER WITH THE DESIGNATED STOCK EXCHANGE WITH A COPY TO SEBI.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to "Risk Factors" on page xiii of this Letter of Offer before making an investment in this Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Company has received "in-principle" approvals from BSE and the NSE for listing the Equity Shares arising from this Issue vide their letters dated August 25, 2008. For the purposes of the Issue, the Designated Stock Exchange shall be NSE. Global Depository Receipts, which represent the Equity Shares of the Company, are listed on the Luxembourg Stock Exchange.

LEAD MANAGERS TO THE ISSUE
REGISTRAR TO THE ISSUE

					
ABN AMRO Securities (India) Private Limited 81 Sakhar Bhavan Nariman Point Mumbai 400 021 Tel: +91 22 6632 5535 Fax: +91 22 6632 5541 Email: hindalco.rights@in.abnamro.com Investor Grievance Id: Customercare.ecm@in.abnamro.com Website: www.abnamro.co.in Contact person: Mr. Vivek Agarwal SEBI Registration: INM000010551	Citigroup Global Markets India Private Limited 12 th Floor, Bakhtawar Nariman Point Mumbai 400 021 Tel: +91 22 6631 9999 Fax: +91 22 6646 6670 Email: hindalco.rights@citigroup.com Investor Grievance ID: investors.cgmib@citigroup.com Website: www.citibank.co.in Contact Person: Mr. Rajiv Jumanji SEBI Registration: INM000010718	Deutsche Equities India Private Limited DB House Hazarimal Somani Marg Fort, Mumbai 400 001 Tel: +91 22 6658 4600 Fax: +91 22 2200 6765 Email: hindalco.rights@db.com Investor Grievance Id: db.redressal@db.com website: www.db.com/India Contact person: Mr. Muffazal Arsiwalla SEBI Registration: INM000010833	DSP Merrill Lynch Limited Mafatlal Centre 10th Floor Nariman Point Mumbai 400 021 Tel: +91 22 6632 8000 Fax: +91 22 2204 8518 Email: hindalco_rights@ml.com Investor Grievance ID: india_merchantbanking@ml.com Website: www.dspml.com Contact Person: Mr. Tanuj More SEBI Registration: INM000002236	SBI Capital Markets Limited 202, Maker Towers 'E' Cuffe Parade Mumbai 400 005 Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 Email: hindalco.rights@sbicaps.com Investor Grievance ID: investor.relation@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Ajay Srivastava SEBI Registration: INM000003531	Karvy Computershare Private Limited "Cyber Ville" Plot no 17 - 24 Near Image Hospital Lane Vittal Rao Nagar Madhapur Hyderabad 500 081 Toll free no: 1-800-345-4001 Tel: +91 40 2342 0815 Fax: +91 40 2342 0814 Email: mailmanager@karvy.com Website: www.karvy.com Contact Person: Mr. M. Murali Krishna SEBI Registration: INR000000221

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
SEPTEMBER 22, 2008	OCTOBER 01, 2008	OCTOBER 10, 2008

TABLE OF CONTENTS

EXCHANGE RATES.....	V
ABBREVIATIONS AND TECHNICAL TERMS	IX
RISK FACTORS	XIII
SUMMARY.....	1
THE ISSUE	9
SELECTED FINANCIAL INFORMATION.....	10
RECENT DEVELOPMENTS	15
GENERAL INFORMATION.....	21
CAPITAL STRUCTURE.....	28
OBJECTS OF THE ISSUE.....	39
BASIS FOR ISSUE PRICE	42
INDUSTRY OVERVIEW	45
OUR BUSINESS	57
REGULATIONS AND POLICIES	87
HISTORY OF OUR COMPANY AND OTHER CORPORATE MATTERS.....	92
DIVIDENDS.....	102
MANAGEMENT	103
OUR SUBSIDIARIES	119
RELATED PARTY TRANSACTIONS.....	146
FINANCIAL STATEMENTS	147
STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY	148
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	150
SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP ...	177
DESCRIPTION OF CERTAIN INDEBTEDNESS	185
OUTSTANDING LITIGATIONS AND DEFAULTS	188
GOVERNMENT APPROVALS	264
STATUTORY AND OTHER INFORMATION.....	267
TERMS OF THE ISSUE	282
MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION	306
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	322
DECLARATION	324

NO OFFER IN THE UNITED STATES

The Rights Entitlement and the Equity Shares of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended, or any US state securities laws and may not be offered, sold, resold, or otherwise transferred within the United States of America or the territories or possessions thereof (the “United States” or “U.S.”), except in a transaction exempt from the registration requirement of the United States Securities Act of 1933, as amended. The Rights Entitlement referred to in this Letter of Offer are being offered in India but not in the United States of America. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer should not be forwarded to or transmitted in or into the United States by any person other than the Company at any time. None of the Company, the Lead Managers or any person acting on their behalf will accept subscriptions from any person, or his agent, who appears to be, or who the Company has reason to believe is, a resident of the United States and to whom an offer, if made, would result in requiring registration of this Letter of Offer with the United States Securities and Exchange Commission. The Company is informed that there is no objection to a United States shareholder selling its Rights Entitlement in India.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial data in this Letter of Offer is derived from the Company's restated consolidated financial statements which have been prepared in accordance with Indian GAAP and restated in accordance with SEBI DIP Guidelines. The Company's current financial year commenced on April 1, 2008 and ends on March 31, 2009.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

For definitions, please see the section titled "Abbreviations and Technical Terms" on page ix of this Letter of Offer.

Unless stated otherwise, industry data used throughout this Letter of Offer has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that industry data used in this Letter of Offer is reliable, it has not been independently verified.

FORWARD LOOKING STATEMENTS

The Company has included statements in this Letter of Offer which contain words or phrases such as “will”, “may”, “aim”, “is likely to result”, “believe”, “expect”, “continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the Company’s expectations include, but are not limited to:

- Changes in the market prices of alumina, aluminium, copper and TcRc that could adversely affect our results of operations;
- Movements in exchange rates, particularly between the Rupee and the Euro and the U.S. Dollar as our operating results are affected by the same;
- Any disruption to our power plants could increase our production costs, as a significant portion of our Indian energy requirements are met by our own power plants. Additionally, Novelis’ operations consume energy and its profitability may decline if energy costs were to rise, or if its energy supplies were interrupted;
- Metal price ceilings contained in certain of Novelis’ contracts pursuant to which we may not be able to pass through any increases in aluminium prices;
- Our inability in obtaining steady supply of copper concentrate at reasonable costs may adversely affect our results of operations;
- Our inability in obtaining steady supply of bauxite concentrate at reasonable costs may adversely affect our results of operations;
- An increase in competition in our target markets that could result in lower prices or sales volumes of the aluminium, aluminium products and copper we produce, which may cause our profitability to suffer;
- The seasonal nature of some of our customers’ industries which could have an adverse effect on our financial results;
- The rate of Indian price inflation increasing which may result in our operations and financial condition being adversely affected; and
- Political, economic and social changes in India which could adversely affect our business;
- Fluctuation in the market value of our Equity Shares which may be caused due to the volatility of the Indian securities market.

For a further discussion of factors that could cause the Company’s actual results to differ, please refer to the sections titled “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Lead Managers nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchanges requirements, the Company and Lead Managers will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the US dollar (in Rupees per US dollar). The exchange rate as at August 29, 2008 was Rs. 43.25 = U.S.\$ 1.00. No representation is made that the Rupee amounts actually represent such US dollars amounts or could have been or could be converted into US dollar at the rates indicated, any other rate or at all.

Rupee and US Dollars Exchange Rates

Year ended March 31,	Period End	Average	High	Low
2004.....	43.40	45.96	47.46	43.40
2005.....	43.62	44.86	46.45	43.27
2006.....	44.48	44.17	46.26	43.05
2007.....	43.10	45.12	46.83	42.78
2008.....	40.02	40.13	43.05	38.48

Month	Period End	Average	High	Low
January 2008.....	39.31	39.27	39.55	39.13
February 2008.....	39.96	39.67	40.11	39.12
March 2008.....	40.02	40.15	40.46	39.76
April 2008.....	40.45	39.97	40.45	39.73
May 2008.....	42.15	42.00	42.93	40.45
June 2008.....	42.93	42.76	42.97	42.38
July 2008.....	42.47	42.70	43.29	41.10
August 2008.....	43.25	42.91	43.74	42.01

Source: Federal Reserve Bank of New York

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the Australian Dollar ("AUD") (in Rupees per AUD). The exchange rate as at August 29, 2008 was Rs. 37.89 = AUD 1.00. No representation is made that the Rupee amounts actually represent such AUD or could have been or could be converted into AUD at the rates indicated, any other rate or at all.

Rupee and AUD Exchange Rates

Year ended March 31,	Period End	Average	High	Low
2004.....	33.44	31.89	36.14	28.13
2005.....	33.84	33.19	36.39	30.93
2006.....	31.80	33.32	34.76	31.47
2007.....	35.15	34.61	35.74	31.97
2008.....	36.64	34.95	37.99	32.14

Month	Period End	Average	High	Low
January 2008.....	35.13	34.68	35.34	33.82
February 2008.....	37.64	36.30	37.64	35.24
March 2008	36.64	37.28	37.99	36.47
April 2008	37.92	37.28	38.12	36.43
May 2008.....	40.68	39.99	41.28	37.99
June 2008.....	41.46	40.78	41.46	40.16
July 2008	40.15	41.27	42.45	40.15
August 2008.....	37.89	37.97	39.45	37.03

Source: Bloomberg

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the Korean Won (“Won”) (in Rupees per Won). The exchange rate as at August 29, 2008 was Rs. 0.40 = Won 1.00. No representation is made that the Rupee amounts actually represent such Won or could have been or could be converted into Won at the rates indicated, any other rate or at all.

Rupee and Korean Won Exchange Rates

Year ended March 31,	Period End	Average	High	Low
2004.....	0.38	0.39	0.40	0.38
2005.....	0.43	0.41	0.44	0.38
2006.....	0.46	0.44	0.46	0.41
2007.....	0.46	0.48	0.49	0.46
2008.....	0.40	0.43	0.46	0.40

Month	Period End	Average	High	Low
January 2008.....	0.42	0.42	0.42	0.41
February 2008.....	0.43	0.42	0.43	0.42
March 2008	0.40	0.41	0.43	0.40
April 2008	0.40	0.41	0.41	0.40
May 2008.....	0.41	0.41	0.42	0.40
June 2008.....	0.41	0.41	0.42	0.41
July 2008	0.42	0.42	0.43	0.41
August 2008.....	0.40	0.41	0.42	0.40

Source: Bloomberg, (Currency of South Korea)

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the Euro (in Rupees per Euro). The exchange rate as at August 29, 2008 was Rs. 64.65 = Euro 1.00. No representation is made that the Rupee amounts actually represent such Euro or could have been or could be converted into Euro at the rates indicated, any other rate or at all.

Rupee and Euro Exchange Rates

Year ended March 31,	Period End	Average	High	Low
2004.....	53.31	53.98	58.51	49.49
2005.....	56.69	56.52	59.62	52.10
2006.....	53.96	53.90	57.28	51.83
2007.....	57.88	58.05	59.91	53.78
2008.....	63.38	57.03	64.32	54.39

Month	Period End	Average	High	Low
January 2008.....	58.52	57.87	58.53	57.22
February 2008.....	60.80	58.63	60.80	57.39
March 2008.....	63.38	62.66	64.32	61.25
April 2008.....	63.11	63.12	63.89	62.24
May 2008.....	65.95	65.55	67.69	62.77
June 2008.....	67.91	66.63	67.91	65.79
July 2008.....	66.41	67.62	69.19	66.00
August 2008.....	64.65	64.40	66.22	63.11

Source: Bloomberg

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the Real (in Rupees per Real). The exchange rate as at August 29, 2008 was Rs. 26.92 = Real 1.00. No representation is made that the Rupee amounts actually represent such Reais or could have been or could be converted into Reais at the rates indicated, any other rate or at all.

Rupee and Real Exchange Rates

Year ended March 31,	Period End	Average	High	Low
2004.....	15.14	15.67	16.48	7.69
2005.....	16.35	15.69	17.11	14.11
2006.....	20.40	19.16	21.27	16.43
2007.....	21.28	21.02	21.87	19.42
2008.....	23.00	21.74	24.20	19.79

Month	Period End	Average	High	Low
January 2008.....	22.12	22.18	22.64	21.52
February 2008.....	23.94	22.94	23.94	22.38
March 2008.....	23.00	23.66	24.20	22.97
April 2008.....	23.78	23.69	24.20	22.79
May 2008.....	25.95	25.37	25.97	24.38
June 2008.....	26.97	26.46	26.97	26.03
July 2008.....	27.25	26.91	27.25	26.59

Month	Period End	Average	High	Low
August 2008.....	26.92	26.74	27.19	26.05

Source: Bloomberg

ABBREVIATIONS AND TECHNICAL TERMS

In this Letter of Offer, all references to “Re.”, “Rupees”, “Rs.” or “INR” refer to Indian Rupees, the official currency of India, “USD” or “U.S.\$” refer to the United States Dollar, the official currency of the United States of America, “AUD” or “A\$” refer to the Australian Dollar, the official currency of Australia, “Korean Won” or “Won” refer to Korean Won, the official currency of South Korea, “Euro” refers to the official currency of European Union and “Reais” refers to Brazilian Reais, the official currency of Brazil. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words “Lakh” or “Lac” mean “100 thousand” and the word “million” means “10 lakh” and the word “crore” means “10 million” or “100 lakhs” and the word “billion” means “1,000 million” or “100 crores”. Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings in this Letter of Offer.

Term	Description
“Hindalco” or “the Company” or “our Company” or “Issuer”	Unless the context otherwise requires, refers to Hindalco Industries Limited, a public limited company incorporated under the Companies Act, and having its registered office at Century Bhavan, 3rd Floor, Dr. Annie Besant Road, Worli, Mumbai 400 030 and corporate office at Aditya Birla Centre, S.K. Ahire Marg, Worli, Mumbai 400 030, India
“we” or “us” or “our”	Hindalco Industries Limited along with its subsidiaries, joint venture companies and associate companies

COMPANY/ ISSUE RELATED TERMS

Term	Description
ABN	ABN AMRO Securities (India) Private Limited
Abridged Letter of Offer	the abridged letter of offer to be sent to shareholders of the Company with respect to this Issue in accordance with SEBI DIP Guidelines
Articles/ Articles of Association	articles of association of the Company
Auditor	Singhi & Co., having their office at 1-B Old Post Office Street, Kolkata 700 001
Board/ Board of Directors	Board of Directors of the Company
Bankers to the Issue	ABN AMRO Bank N.V., Citibank N.A., HDFC Bank Limited, the Hongkong and Shanghai Banking Corporation Limited and State Bank of India
Consolidated Certificate	in case of physical certificate, the Company would issue one certificate for the Equity Shares allotted in one folio
Citi	Citigroup Global Markets India Private Limited
Designated Stock Exchange	NSE
Deutsche	Deutsche Equities India Private Limited
DSPML	DSP Merrill Lynch Limited
Equity Share(s) or Share(s)	equity shares of the Company having a face value of Re. 1 unless otherwise specified in the context thereof. On August 6, 2005, the shareholders of the Company approved the sub-division of equity shares of the Company from Rs.10 per share to Re. 1 per share.

Term	Description
Equity Shareholder	A holder of Equity Shares
Financial Year/ Fiscal/ Fiscal Year/ FY	any period of twelve months ended March 31 of that particular year, unless otherwise stated
Issue	the issue of 525,802,403 Equity Shares of Re. 1 each at a premium of Rs. 95 per Equity Shares aggregating to Rs. 50,477.03 million to the Equity Shareholders on rights basis in the ratio of three Equity Share for every seven Equity Shares held on the Record Date i.e., September 5, 2008
Issuer	Hindalco Industries Limited, a company incorporated under the Companies Act, 1956 having its registered office at Century Bhavan, 3rd Floor, Dr. Annie Besant Road, Worli, Mumbai 400 030
Issue Closing Date	October 10, 2008
Issue Opening Date	September 22, 2008
Issue Price	Rs. 96 per Equity Share
Investor(s)	the holder(s) of Equity Shares of the Company on the Record Date and Renouncees
Lead Managers	ABN AMRO Securities (India) Private Limited, Citigroup Global Markets India Private Limited, Deutsche Equities India Private Limited, DSP Merrill Lynch Limited and SBI Capital Markets Limited
Letter of Offer	this letter of offer filed with the Stock Exchanges
Memorandum/ Memorandum of Association	memorandum of association of the Company
Promoter/ Promoters	Mr. Kumar Mangalam Birla and Birla Group Holdings Private Limited
Record Date	September 5, 2008
Registrar of Companies/ RoC	Registrar of Companies at Mumbai, Maharashtra located at 100, Everest, Marine Drive, Mumbai 400 002, Maharashtra, India
Registrar to the Issue or Registrar	Karvy Computershare Private Limited
Renouncees	any persons who have acquired Rights Entitlements from the Equity Shareholders
Rights Entitlement	the number of Equity Shares that a shareholder is entitled to in proportion to his/ her shareholding in the Company as on the Record Date
SBICAPS	SBI Capital Markets Limited
Stock Exchange(s)	BSE and NSE where the Equity Shares of the Company are presently listed
Underwriters	ABN AMRO Securities (India) Private Limited, ABN AMRO Asia Equities (India) Limited, Citigroup Global Markets India Private Limited, Deutsche Equities India Private Limited, DSP Merrill Lynch Limited and State Bank of India
Underwriting Agreement	The agreement amongst the Underwriters and the Company entered into on September 12, 2008

CONVENTIONAL/GENERAL TERMS

Term	Description
Act/ Companies Act	the Companies Act, 1956 and amendments thereto
BIFR	Board for Industrial and Financial Reconstruction
Cenvat	the Central Value Added Tax
CESTAT	the Customs, Excise, Service Tax Appellate Tribunal

Term	Description
CLRA	the Contract Labour (Regulation and Abolition Act), 1970 and amendments thereto
Depositories Act	the Depositories Act, 1996 and amendments thereto
EPS	the earnings per share
GDR	global depository receipts
IT Act	the Income Tax Act, 1961 and amendments thereto
Indian GAAP	the generally accepted accounting principles in India
Modvat	the Modified Value Added Tax
NAV	net asset value
NRE Account	A Non-Resident External Account
NRO Account	A Non-Resident Ordinary Account
PAT	profit after tax
SEBI Act, 1992	the Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI DIP Guidelines	the SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 and amendments thereto
SIA	the Secretariat of Industrial Assistance
SICA	the Sick Industrial Companies (Special Provisions) Act, 1985 and amendments thereto
Securities Act	the United States Securities Act of 1933, as amended
Takeover Code	the SEBI (Substantial Acquisition Of Shares and Takeovers) Regulations, 1997 and amendments thereto
U. S. GAAP	the generally accepted accounting principles in the United States
Wealth-Tax Act	the Wealth-Tax Act, 1957 and amendments thereto

BUSINESS/ INDUSTRY RELATED TERMS

Term	Description
ABNL	Aditya Birla Nuvo Limited
AV Aluminum	AV Aluminum Inc.
AV Metals	AV Metals Inc.
AV Minerals	AV Minerals B.V.
Alcan	Rio Tinto Alcan Inc., pursuant to the Rio Tinto Group purchasing all of the outstanding shares in Alcan Inc. in October 2007
BCCL	Bihar Caustic and Chemicals Limited
Birla Copper	the copper division of Hindalco
CRISIL	Credit Rating Information Services of India Limited
CRU	the CRU International Limited with its head office at 31 Mount Pleasant, London, WC1X 0AD, UK
Grasim	Grasim Industries Limited
Hindalco	Hindalco Industries Limited
Idea	Idea Cellular Limited
Indal	Indian Aluminium Company Limited
Novelis	Novelis Inc., Canada
Reserves	refers to our mineral reserves determined in accordance with the United Nations Classification norms
UCL	Ultra Tech Cement Limited
Utkal Alumina	Utkal Alumina International Limited

ABBREVIATIONS

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards, as issued by the Institute of Chartered Accountants of India
Bn	Billion
BSE	the Bombay Stock Exchange Limited
CAF	Composite Application Forms
CDSL	Central Depository Services (India) Limited
CEPS	Cash Earnings Per Share
DP	Depository Participant
DSE	Designated Stock Exchange
EPS	Earnings Per Share
FCCB	Foreign Currency Convertible Bonds
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GOI	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
ITAT	Income Tax Appellate Tribunal
km	Kilometre
ktpa	Kilo-Tonnes Per Annum
LME	London Metal Exchange
Mn	million
MoU	Memorandum of Understanding
MU	Million Units
MVA	Million Volts per Annum
MW	Mega Watt
NR	Non Resident
NRI(s)	Non Resident Indian(s)
NSDL	National Securities Depository Limited
NSE	the National Stock Exchange of India Limited
OCB	Overseas Corporate Body
PAN	Permanent Account Number
RBI	the Reserve Bank of India
SCN	Show cause notice
SEBI	Securities and Exchange Board of India
TcRc	Treatment Charges and Refining Charges
Tpa	Tons per annum
UTI	Unit Trust of India

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should consider all information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks or any of the other risks and uncertainties discussed in this Letter of Offer actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. These risks and uncertainties are not the only issues that we face, additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. The numbering of risk factors is provided solely for convenience.

Risks Relating to our Business

1. Changes in the market prices of alumina, aluminium, copper and TcRc could adversely affect our results of operations.

We price a part of our alumina sales and sales of all our aluminium products by reference to international market prices (London Metal Exchange (“LME”) linked prices). These prices have been volatile and cyclical in the past. Aluminium prices have risen significantly over the past year with the average LME prices increasing from U.S.\$2,028/MT in the financial year 2006 to U.S.\$2,623/MT in the financial year 2008. Alumina prices have remained relatively stable during the last year because of the increased cost of production (mainly due to rise in crude prices) coupled with strong demand from smelters. Any significant decline in the domestic and international prices of alumina and aluminium may adversely affect our operating revenues and results of operations.

The prices our Indian custom copper smelter pays for copper concentrate and the prices we charge for our copper products are based on the LME price for copper for the relevant quotational period, less treatment charges and refining charges (“TcRc”). Because our facility is a custom copper smelter, we attempt to make the LME price a pass through, as both our copper concentrate purchases and sales of finished goods are based on LME.

We are exposed to differences in the LME price between the quotational periods for the purchase of copper concentrate and the eventual sale of the copper, and any decline in the LME price between this period will adversely affect us. We attempt to hedge against such risks, but are still exposed to timing and quantity mismatches. We also have our own copper mines from which we source an amount of copper concentrate equivalent to approximately 26% of our requirements. From time to time, we hedge exposures of our copper business to LME price fluctuations. Nonetheless, we cannot assure you that our commodity hedging activities will adequately protect us from price fluctuations. Further, our hedging may at times limit our ability to benefit from favourable price movements. TcRc for some of our long-term copper concentrate supply contracts are also negotiated as a percentage of the prevailing LME price. In addition, certain of our long-term copper concentrate supply agreements provide for price participation terms which are linked to LME prices. As a result, any significant decreases in the LME price for copper could adversely affect our operating revenues and results of operations.

The level of TcRc has a significant impact on the profitability of our copper business. While our TcRc is negotiated between our supplier and us, our TcRc is influenced by global factors such as the supply and demand of copper concentrates, prevailing and forecasted LME prices and mining and freight costs. Our TcRc are also substantially affected by the benchmark price set by certain large Japanese smelters. TcRc has been volatile and any significant decline will adversely affect our results of operations.

2. *Our operating results are affected by movements in exchange rates, particularly between the Rupee and the Euro and the U.S. dollar.*

We are a net exporter and earner of foreign exchange, and an appreciation of the Rupee against the U.S. dollar could have a negative impact on our results of operations and financial condition. Our presentation currency is the Rupee, while our products are typically priced in Rupees for Indian sales and in U.S. dollars or Euros for international sales. We produce and sell commodities that are typically priced by reference to U.S. dollar prices, while a majority of our costs for our Indian operations are incurred in Rupees. An appreciation of the Rupee against the U.S. dollar tends to result in a decrease in our revenues relative to our costs. Conversely, a depreciation of the Rupee can increase the cost of our imports. While we use foreign currency forward and option contracts to hedge our risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions, changes in exchange rates may have an adverse effect on our results of operations and financial condition.

The price of aluminium sold in the domestic market is referenced with the landed-cost of imported aluminium, and consequently to the exchange rate of the Rupee and the U.S. dollar. The Reserve Bank of India ("RBI") currently does not permit hedging of commodities sold in the domestic market at prices that are linked to international prices. Therefore, an appreciation of the Rupee against the U.S. dollar will have an adverse effect on our results of operations and our financial condition.

In addition, we derive a significant portion of our turnover and incur much of our costs in North America, South America, Europe and other countries in Asia, after our acquisition of Novelis, in foreign currencies. For the financial year 2008, U.S.\$ 10 billion (determined on the basis of U.S. GAAP), or 67%, of our total turnover was derived from Novelis' operations. Turnover in other export markets and Novelis' major supplies purchases, including primary aluminium, recycled aluminium, sheet ingot, alloying elements and grain refiners, are mainly denominated in U.S. dollars. As a result, Novelis' revenues are impacted by fluctuations in the U.S. dollar to Euro exchange rates. Volatility affects Novelis' revenues from export markets and the strength of Novelis' competitors, which may result in a reduction in demand for aluminium rolled products and may consequently result in an adverse effect on our business, financial condition and results of operations.

We also incur a portion of our costs in Australian Dollars in connection with mining operations in Australia. Therefore, a U.S. dollar decline against the Australian Dollar could adversely affect the revenues and profitability of our Australian subsidiary, Aditya Birla Mineral Limited, which wholly owns Birla Nifty Pty Limited and Birla Mt. Gordon Pty Limited.

In addition, the policies of the RBI are subject to change from time to time and this may impact our ability to adequately hedge our foreign currency exposures.

3. *A significant portion of our Indian energy requirements are met by our own power plants, any disruption to these power plants could increase our production costs. Additionally, Novelis' operations consume energy and its profitability may decline if energy costs were to rise, or if its energy supplies were interrupted.*

We require a substantial amount of electricity for our aluminium and copper production, and energy costs represent a significant portion of the production costs for our operations. We source almost all the electricity requirements for our smelters at Renukoot, Hirakud and Dahej from our own power plants at competitive costs. If these power plants are not able to supply the requisite electricity for any reason, we will need to rely on the state electricity board as an alternative source. The state electricity board may not be able to consistently meet our requirements and, if for any reason such electricity is not available, we may need to shut down our plants until an adequate supply of electricity is restored. The cost of such purchased power would be significantly higher, thereby adversely affecting our cost of production and profitability.

Any interruption in the supply of electricity to our aluminium smelter lasting longer than six hours can cause substantial damage to our smelter. Pots are used in the process of transforming alumina into primary aluminium and they will cool if they are deprived of electricity for six consecutive hours, which could cause the molten aluminium in the pot to solidify. Interruptions of electricity supply can also result in production shutdowns, increased costs associated with restarting production and the loss of production in progress. Historically, we have experienced significant power interruption and cannot assure that such power interruptions may not recur in the future.

Furthermore, most of these dedicated power plants are dependent on coal as a raw material. Renusagar has long-term agreements in place with two suppliers for its coal supply, Hirakud operates its own coal mines and Dahej relies on tender based contracts from time to time to procure its coal requirements. If for any reason, we are unable to procure sufficient coal of requisite quantity and quality, and at acceptable prices, it could disrupt our supply of power or increase our power costs.

In addition, Novelis' operations consume substantial amounts of energy in its rolling operations, its cast house operations and its Brazilian smelting operations. The factors that affect Novelis' energy costs and supply reliability tend to be specific to each of its facilities. A number of factors could adversely affect its energy position including:

- increases in costs of natural gas;
- significant increases in costs of supplied electricity or fuel oil related to transportation;
- interruptions in energy supply due to equipment failure or other causes; and
- the inability to extend energy supply contracts upon expiration on economical terms.

If energy costs were to rise, or if energy supplies or supply arrangements were disrupted, our profitability could decline.

4. *Certain of Novelis' contracts contain metal price ceilings pursuant to which we may not be able to pass through any increases in aluminium prices.*

Prices for metal are volatile, have recently been impacted by changes in the market, and may increase from time to time. Nearly all aluminium products have a price structure with two components: (i) a pass-through aluminium price based on the LME plus local market premiums and (ii) a "conversion premium" price based on the conversion cost to produce the rolled product and the competitive market conditions for that product. Sales contracts representing approximately 10% of Novelis' total shipments for the financial year 2008 provided for a ceiling over which metal prices could not contractually be passed through to Novelis' customers, unless otherwise adjusted. This negatively impacts Novelis' margins when the price it pays for metal is above the ceiling price contained in these contracts. During the twelve months ended March 31, 2008 and 2007; December 31, 2006 and 2005, Novelis was unable to pass through approximately U.S.\$ 230 million and U.S.\$ 460 million; U.S.\$ 475 million and U.S.\$ 75 million, respectively, of metal purchase costs associated with sales under these contracts. Novelis calculates and reports this difference to be approximately the difference between the quoted purchase price on the LME (adjusted for any local premiums and for any price lag associated with purchasing or processing time) and the metal price ceiling in its contracts. Cash flows from operations are negatively impacted by the same amounts, adjusted for any timing difference between customer receipts and vendor payments, and offset partially by reduced income taxes.

Novelis' exposure to metal price ceilings is expected to be approximately 8.0% of estimated shipments for the financial year 2009. Based on actual can ceiling losses of U.S.\$78 million during the first quarter of financial year 2009 and a June 30, 2008 aluminum price of U.S.\$3,075 per ton, and Novelis' best estimate

of a range of shipment volumes, Novelis estimates that it will be unable to pass through aluminum purchase costs of approximately U.S.\$318 — U.S.\$338 million for the financial year 2009 and U.S.\$240 — U.S.\$260 million in the aggregate thereafter.

5. *Novelis' efforts to mitigate risk from its contracts with metal price ceilings may not be effective.*

Novelis employs three strategies to mitigate its risk of rising metal prices that it cannot pass through to certain customers due to metal price ceilings. First, Novelis maximises the amount of its internally supplied metal inputs from its smelting, refining and mining operations in Brazil. Second, Novelis relies on the output from its recycling operations which utilise used beverage cans ("UBCs"). Both of these sources of aluminium supply have historically provided a benefit as these sources of metal are typically less expensive than purchasing aluminium from third party suppliers. Novelis refers to these two sources as its internal hedges.

Beyond Novelis' internal hedges described above, its third strategy to mitigate the risk of loss or reduced profitability associated with the metal price ceilings is to purchase derivative instruments on projected aluminium volume requirements above its assumed internal hedge position. Novelis currently purchases forward derivative instruments to hedge part of its exposure to increases in metal prices. However, any failure to mitigate the risk of metal price ceiling contracts will have an adverse effect on the business and operations of Novelis.

6. *If we are unable to obtain a steady supply of copper concentrate at reasonable costs, our results of operations may be adversely affected.*

For the financial year 2008, 21% of our net sales and operating revenues were generated from our copper business. Copper is produced from copper concentrate that we source. For the financial year 2008, we procured 57% of our copper concentrate from long-term suppliers, 17% from spot purchases and 26% from our mines in Australia.

We have a custom copper smelting facility comprising of three smelters at Dahej, India. To operate these smelters, copper concentrate needs to be economically sourced. Since 2006, copper concentrate in the international markets has become scarce, and as a result, there has been an increase in TcRc prevailing in the spot market. This increase in the TcRc has adversely affected the conversion costs of one of these smelters, making it economically unviable to operate. As a result, we have suspended the operations of this copper smelter since October 2006. There can be no assurance that we will be able to obtain copper concentrate in the quantities and at the prices that make it viable for us to re-start operations of such smelter.

In general, our long-term supply contracts run for a period of one to five years, and are renewable on mutually agreed terms. The quantity of supply for each year is fixed for the duration of the contract period and terms such as TcRc and freight differential are negotiated each year based on prevailing market conditions. If these contracts are suspended or cancelled during a period of force majeure (force majeure under these agreements generally include acts of nature, labour strikes, fires, floods, wars, transportation delays, government actions or other events that are beyond the control of the parties) or cannot be renewed on time or on terms favourable to us, our results of operations could be adversely affected.

In most of our contracts, each party has an option to decline to purchase or deliver, as the case may be, the contracted copper concentrate for any particular year. If such terms are invoked by our suppliers and if we are unable to source copper concentrate from alternate sources on a timely basis and on commercially reasonable terms, our results of operations could be adversely affected.

7. *If we are unable to obtain a steady supply of bauxite at reasonable costs, our results of operations from our Indian operations may be affected.*

Bauxite is the primary raw material used for the production of alumina. Our current level of alumina production at our Indian operations depends to a large extent on the consistency of the supply and on the quality of bauxite. We source most of the bauxite from the mines we lease while a portion is purchased from private mines. Each of these sourcing methods exposes us to risks relating to supply and cost. As of March 31, 2008, based on management estimates, our bauxite deposits have a total potential Reserve of 438.00 million tons which contain proven Reserves of 112.00 million tons, probable Reserves of 192.00 million tons and the remaining 134.00 million tons in possible Reserves. If the quality of bauxite deteriorates in our existing mines, our production cost may increase, thereby adversely affecting our results of operations. We have applied to lease 177.00 million tons of bauxite Reserves in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh and expect to secure most of the leases by 2012. We cannot assure you that we will be able to procure any or all such leases on the terms and schedule contemplated, or at all. Any delay or inability in obtaining the requisite leases will impact these expansion plans and the operating costs of these facilities. Further, we cannot assure you that any bauxite that we may extract from these new mines will be of acceptable quality. If such bauxite is of sub-optimal quality, our production costs could be higher than anticipated.

Based on our current requirements as well as our proposed expansion, we expect our total potential Reserves including the above mentioned additional quantity to last for approximately 20, 40 and 30 years, respectively, at our Muri, Renukoot and Belgaum refineries. Such estimates are our internal estimates and could be subject to change. A steady supply of bauxite from these sources is contingent upon geological and economic uncertainties, and renewal of our mining leases.

We may not be able to renew the purchase contracts for the bauxite we acquire from third party sources at commercially reasonable prices or at all. If we are unable to obtain a steady supply of requisite quality bauxite at competitive prices, our business and results of operations will be adversely affected.

8. *Our estimates of our mineral reserves are subject to assumptions, and if the actual amounts of such reserves are less than estimated, our results of operations and financial condition may be adversely affected.*

Our estimates of our bauxite, copper and coal reserves and resources in our leased mineral mines are subject to assumptions. These estimates are based on interpretations of geological data obtained from sampling techniques and projected rates of production in the future. We characterise our Indian mineral Reserves in accordance with the United Nations Framework Classification (the “UNFC”) norm. Mineral Reserves are classified as “proved”, “probable” and “possible” in the order of reducing levels of confidence in a matrix of three axes, geological axis, feasibility axis and economic axis. Proved Reserve indicates that the estimated ore tonnage of grade are at the highest level of confidence and are economically and commercially recoverable. Possible Reserves, having the lowest degree of confidence, are inferred and assumed ore tonnage and grade that warrants more detailed exploration. Probable reserve is the level between Proved and Possible categories of Reserves in confidence levels. Our estimate of reported mineral Reserves include all the above three categories depending on our level of confidence in the calculation following the UNFC system.

Actual reserves and resources and production levels may differ significantly from reserve or resource estimates. In addition, it may take many years from the initial phase of exploration before production is possible. During that time, the economic feasibility of exploiting a discovery may change as a result of changes in the market price of bauxite, coal or other raw materials. In the event that we have overestimated the mineral reserves or resources to which we have access, or the quality of such reserves or resources, it would reduce our mineral reserves or resources more quickly than estimated, which could force us to purchase such minerals in the open market. Prices in the open market may significantly exceed the cost at which we might otherwise be able to extract these minerals, which would cause our costs to increase and

consequently adversely affect our results of operations and financial condition. In addition, our methodology for determining our mineral Reserves may not be recognised or followed by the industry. Therefore, there can be no assurance that our management's assumptions and estimates on our existing mineral reserves and resources are accurate or may be relied upon.

9. *Defects in title to, losses of any leasehold interests in and our inability to procure surface rights with respect to any of our properties could limit our ability to conduct mining operations or result in significant unanticipated costs.*

Our ability to mine the land on which we have been granted mining lease rights is dependent on the surface rights that we acquire separately and subsequently to the grant of mining lease rights and generally over only part of the land leased. Additional surface rights may be negotiated separately with landowners, though there is no guarantee that these rights will be granted. Although we expect to be able to continue to obtain additional surface rights in the ordinary course, any delay in obtaining, or inability to obtain, surface rights could negatively affect our financial condition and results of operations.

A significant part of our mining operations are carried out on leasehold properties. Our right to mine some of our reserves may be adversely affected if defects in title or boundary disputes exist or if a lease expires and is not renewed or if a lease is terminated due to our failure to comply with its conditions, and as a result, we may have to incur unanticipated delays or costs in order to conduct our mining operations on properties affected by such defects.

We are currently in the process of obtaining clearance from the Ministry of Environment and Forests for 118.00 million tons of bauxite. We are also required to pay for the re-forestation and re-vegetation of degraded forestland and non-mineral bearing areas when our mining takes place in designated forest land. For further details, see "Government Approvals" beginning on page 264 of this Letter of Offer. These processes and obligations are time consuming and increase our total expenditure.

10. *We intend to refinance the borrowings incurred for the acquisition of Novelis from the Net Issue Proceeds, cash flows from operations and borrowings under a senior secured facility agreement we intend to enter.*

We acquired Novelis at a total cost of U.S.\$6.2 billion. To finance the acquisition, AV Minerals (Netherlands) BV ("AV Minerals") and AV Metals Inc. ("AV Metals") entered into a loan agreement, dated May 10, 2007, as amended pursuant to an amendment agreement dated June 18, 2007, as amended further pursuant to a second amendment agreement dated September 19, 2007 and as amended further pursuant to a third amendment agreement dated November 26, 2007, and incurred, U.S.\$3.03 billion of principal indebtedness. Pursuant to the third amendment agreement dated November 26, 2007 all the borrowing obligations of AV Metals have been transferred to AV Minerals. All amounts outstanding under such acquisition loan agreement are payable by, and such acquisition loan agreement terminates on, November 10, 2008. We propose to use the Net Issue Proceeds, together with cash flows from operations and amounts to be borrowed under a senior secured facility agreement we intend to enter into, to repay a portion of the outstanding amount under the acquisition loan agreement. There can be no assurance that we will be able to complete such refinancing on the terms contemplated or within the period required for us to not be in default of our loan repayment obligations. In the event that we are unable to complete the refinancing and along with the proceeds of the Issue, such amounts are not adequate to repay all outstanding amounts under the acquisition loan agreement, we may need to enter into alternative financing arrangements, use additional cash reserves (including cash from sale of some of our investments) in order to repay the outstanding loan. A failure to repay the outstanding acquisition loan agreements when it becomes due, would have serious consequences on our business and financial condition. See section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 150 of this Letter of Offer, for details on the terms and conditions of the senior secured facility agreement.

In addition, there are significant risks arising out of the loan taken by our subsidiary, AV Minerals in respect of the financing. The Company has guaranteed the obligations of AV Minerals capped at U.S.\$4.00 billion and has provided indemnities to the lenders capped at U.S.\$30.00 million for any loss suffered by them and has also agreed to increase the capped indemnity and guarantee, in the event that the caps were to be inadequate. Additionally, the loan facility contains a number of restrictive covenants, which restricts and limits the Company and each of AV Metals and AV Minerals. For example, the Company is required to comply with specified financial ratios and tests, including a minimum interest expense coverage ratio and maximum leverage ratios, and restrictions on capital expenditure programmes which could restrict its ability to conduct business and reduce operational flexibility as well as the ability of AV Metals or AV Minerals to conduct their business and operations.

11. *We have incurred a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business.*

As of March 31, 2008, we had Rs. 323,524.33 million of principal amount of indebtedness outstanding. Our substantial indebtedness has important consequences to us such as:

- increasing our vulnerability to general adverse economic and industry conditions and adverse competitive and industry conditions and placing us at a competitive disadvantage to competitors that have less debt;
- requiring us to dedicate a substantial portion of our cash flow from operations and proceeds from any capital raising to payments on indebtedness, thereby reducing our cash flows for working capital expenditures, research and product development efforts, strategic acquisitions, investments and other general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry and could limit our ability to pursue other business opportunities, borrow more money for operations or capital expenditures in the future and implement our business strategies; and
- increasing our interest expenditure, since a substantial portion of our debt bears interest at floating rates.

The agreements and instruments governing our existing indebtedness and the agreements we expect to enter into governing future indebtedness, contain and are likely to contain restrictions and limitations, such as restrictions on issuance of new shares or other securities, incurring further indebtedness, creating further encumbrances on assets, disposing of assets, effecting any scheme of amalgamation or restructuring, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. In addition, some of these financing agreements contain and are likely to contain financial covenants, which may require us or the specific borrower entity to maintain, amongst other things, a specified net worth to assets ratio, debt service coverage ratio, other leverage ratios and maintenance of collateral. Most of our financing arrangements are secured by specific immovable and movable assets. Many of our financing agreements also include various conditions and covenants that require us or the borrower entity, as applicable, to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could lead to defaults or cross-defaults, and as such, repayments of outstanding indebtedness and termination of such financing agreements.

Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flow generated by our business. There can be no assurance that we will generate sufficient cash to enable us to service our existing or proposed borrowings, comply with covenants or fund other liquidity needs. Furthermore, adverse developments in the Indian credit markets or a reduced perception of our creditworthiness in the credit markets could increase our debt service costs and the overall

cost of our funds. If we fail to meet our debt service obligations or financial covenants required under the financing documents, our lenders could declare us in default under the terms of our borrowings, accelerate the maturity of our obligations, enforce the security interest, take possession of the project assets or substitute themselves or their nominees under any document in relation to the project. There can be no assurance that, in the event of any such acceleration, we will have sufficient resources to repay these borrowings. Failure to meet our obligations under the debt financing arrangements could have an adverse effect on our cash flows, business and results of operations.

12. Novelis' substantial indebtedness could adversely affect its business and therefore make it more difficult for Novelis to fulfill its obligations under its New Credit Facilities and its Senior Notes.

On July 6, 2007, Novelis entered into new senior secured credit ("New Credit Facilities") providing for aggregate borrowings of up to U.S.\$1.76 billion. The New Credit Facilities consist of (A) a U.S.\$960 million seven-year term loan facility (the "Term Loan facility") and (B) a U.S.\$800 million five year multi-currency asset-based revolving credit line and letter of credit facility (the "ABL facility"). As of the financial year 2008, Novelis had total indebtedness of U.S.\$2.7 billion (determined on a U.S. GAAP basis), including its U.S.\$1.4 billion (determined on a U.S. GAAP basis) of senior unsecured debt securities (Senior Notes) (excluding unamortized fair value adjustments recorded as a result of the acquisition arrangement for Novelis). Novelis' substantial indebtedness and interest expense could have important consequences to Novelis and holders of its Senior Notes, including:

- limiting Novelis' ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of its growth strategy, or other general corporate purposes;
- limiting Novelis' ability to use operating cash flow in other areas of its business because it must dedicate a substantial portion of these funds to service the debt;
- increasing Novelis' vulnerability to general adverse economic and industry conditions;
- placing Novelis at a competitive disadvantage as compared to its competitors that have less leverage;
- limiting Novelis' ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation;
- limiting Novelis' ability or increasing the costs to refinance indebtedness; and
- limiting Novelis' ability to enter into marketing, hedging, optimisation and trading transactions by reducing the number of counterparties with whom it can enter into such transactions as well as the volume of those transactions.

13. The covenants in Novelis' New Credit Facilities and the indenture governing its Senior Notes impose significant operating and financial restrictions on it.

The New Credit Facilities and the indenture governing the Senior Notes impose significant operating and financial restrictions on Novelis. These restrictions limit Novelis' ability and the ability of its restricted subsidiaries, among other things, to:

- incur additional debt and provide additional guarantees;
- pay dividends beyond certain amounts and make other restricted payments;
- create or permit certain liens;

- make certain asset sales;
- use the proceeds from the sales of assets and subsidiary stock;
- create or permit restrictions on the ability of Novelis' restricted subsidiaries to pay dividends or make other distributions to Novelis;
- engage in certain transactions with affiliates;
- enter into sale and leaseback transactions;
- designate subsidiaries as unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of Novelis' assets or the assets of its restricted subsidiaries.

The New Credit Facilities also contains various affirmative covenants, with which Novelis is required to comply.

Although Novelis currently expects to comply with these covenants, it may be unable to comply with these covenants in the future. If Novelis does not comply with these covenants and is unable to obtain waivers from its lenders, it would be unable to make additional borrowings under these facilities, its indebtedness under these agreements would be in default and could be accelerated by its lenders and could cause a cross-default under its other indebtedness, including Novelis' Senior Notes. If Novelis' indebtedness is accelerated, Novelis may not be able to repay its indebtedness or borrow sufficient funds to refinance it. In addition, if Novelis incurs additional debt in the future, it may be subject to additional covenants, which may be more restrictive than those that Novelis is subject to now.

14. We face substantial risks and uncertainties in connection with the integration of Novelis.

On May 15, 2007, we acquired Novelis Inc. ("Novelis") at a total cost of U.S.\$ 6.2 billion. Our ability to achieve the benefits we anticipate from our acquisition of Novelis will depend in large part upon whether we are able to integrate the businesses of our Indian operations and Novelis in an efficient and effective manner. Novelis currently operates in 11 countries across South America, North America, Europe and Asia, and Novelis' existing platform marks our entry into new geographical areas that could lead to risks and uncertainties and could result in an adverse effect on our business and results of operations. We face significant management, administrative, operational and financial challenges in relation to the acquisition, including, but not limited to, the following:

- integration of management information and financial and reporting control systems, legal and regulatory compliance oversight;
- technological integration;
- additional or unexpected capital expenditure risks;
- refinancing risks;
- retention of customers and suppliers;
- integration of Novelis and its management policies, including, but not limited to, internal audit controls, risk management, capital expenditure and corporate governance policies; and

- retention, hiring and training of key personnel in Novelis.

The integration process requires significant coordination and substantial management time and energy and may involve unforeseen difficulties that could require significant time and attention of our management that could otherwise be directed at developing our existing business.

Further, we cannot be certain that the anticipated synergies, cash flows, cost savings, technological gains, efficiency gains or economies of scale as a result of the Novelis acquisition will materialise or reach expected levels within the expected timeframes, or at all. If any of our understandings or assumptions prove to be incorrect, our return on and expected growth resulting from this acquisition may not materialise. Such circumstances could affect our plans of becoming a globally integrated aluminium producer and our business, financial condition and results of operations could be adversely affected as well.

15. We may not be successful in implementing our growth strategy.

The success of our business will depend greatly on our ability to effectively implement our business and strategies. See “Business – Our Strategy” beginning on page 62 of this Letter of Offer. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted customers. We expect our strategies to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to manage our business and strategies could have an adverse effect on our business, financial condition and profitability.

We are embarking on an ambitious growth strategy, which involves, as a result of the acquisition of Novelis, global operations and reach. Our expansion and diversification is on a scale that is unprecedented in our history and places significant demands on our management as well as our financial, accounting and operating systems. In order to achieve future growth, we need to effectively manage our expansion projects, accurately assess new markets, attract new customers, obtain sufficient financing for our expected capital expenditure, control our input costs, maintain sufficient operational and financial controls and make additional capital investments to take advantage of anticipated market conditions. We may not be able to sustain such growth in revenues and profits or maintain a similar rate of growth in the future. If we are unable to manage our growth effectively, our business and financial results will be adversely affected.

16. Our expansion projects may require significant capital expenditure and may not be completed in the timeframe or at cost levels originally anticipated, and may not achieve the intended economic results.

We currently have a number of expansion projects planned for our existing alumina and aluminium operations and also intend to construct new alumina and aluminium facilities. We are currently in the process of expanding the production capacities of our refinery in Muri and our smelter in Hirakud and are in the process of constructing two alumina refineries in Orissa with capacities of 1,500 ktpa each and intend to build three aluminium smelters of capacities of 359 ktpa each, in Orissa, Madhya Pradesh and Jharkhand. We have also been allotted mines to provide bauxite and coal for these proposed projects. These mines have reserves of 197.00 million tons of bauxite and 220.00 million tons of coal. In addition, to supplement our existing mineral reserves, we have made applications to various state governments to lease 177.00 million tons (including a mine which has reserves of 91.00 million tons, for which we have not yet received environmental approval) of bauxite Reserves in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh. For further details on our expansion plans, see “Our Business – Our Expansion Projects” beginning on page 73 of this Letter of Offer.

These projects and any other future projects could be significantly delayed by failure to receive necessary licenses, regulatory approvals or to obtain sufficient funding, or due to construction delays, technical difficulties, human resources, technological or other resource constraints, or for other unforeseen reasons,

events or circumstances that could also render our lease rights to bauxite and/or coal cancellable and affect our results of operations. The funding requirements and project costs for our projects are based on management estimates. The implementation of our projects is subject to a number of variables, and the actual amount of capital required for these projects may differ from our estimates. We cannot guarantee that the funding requirements of any particular project will not substantially exceed these estimates. In addition, due to the number of large-scale infrastructure projects currently under development in India and increased lending by banks and institutions to these projects resulting in domestic funds not being available or being available on unattractive terms, we may be required to seek funding internationally, resulting in unattractive terms and conditions and exposure to higher interest rates and foreign exchange risks. If the funding requirements of a particular expansion project increase, we will need to look for additional sources of finance, which may not be readily available, or may not be available on attractive terms, which may have an adverse effect on the profitability of that project.

Our ability to finance our capital expenditure plans are subject to a number of risks, contingencies and other factors, some of which are beyond our control, including tariff regulations, borrowing or lending restrictions, if any, imposed by the RBI and general economic and capital market conditions. Furthermore, adverse developments in the Indian and international credit markets may significantly increase our debt service costs and the overall cost of our funds. There can be no assurance that we will be able to raise sufficient funds to meet our capital expenditure requirements on terms and schedule acceptable to us. If we are unable to raise the capital needed to fund the costs of our projects, or experience any delays in raising such funds, there could be an adverse effect on our ability to complete these projects and on our revenues and profitability.

17. We may be unable to obtain future financing on favourable terms, or at all, to fund our operations, expected capital expenditure and working capital requirements.

We require capital for, amongst other purposes, expanding our operations, making acquisitions, managing acquired assets, acquiring new equipment, maintaining the condition of our existing equipment and maintaining compliance with environmental laws and regulations. For details of our planned capital expenditure, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation” beginning on page 150 of this Letter of Offer. To the extent that cash generated internally and cash available under our existing credit facilities are not sufficient to fund our capital requirements, we will require additional debt or equity financing, which may not be available on favourable terms, or at all. Future debt financing, if available, may result in increased finance charges, increased financial leverage, decreased income available to fund further acquisitions and expansions and the imposition of restrictive covenants on our business and operations. In addition, future debt financing may limit our ability to withstand competitive pressures and render us more vulnerable to economic downturns. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance our indebtedness.

In light of the above, our planned and any proposed future expansions and projects may be adversely affected if we are unable to obtain funding for such capital expenditures on satisfactory terms, or at all, including as a result of any of our existing facilities becoming repayable and we may be unable to improve our technology or address any gaps in our product offerings,. In addition, there can be no assurance that our planned or any proposed future expansions and projects will be completed on time or within budget, which may adversely affect our cash flow.

18. The construction and operation of aluminium and copper plants or mines may face opposition from local communities and other parties.

The construction and operation of aluminium and copper plants and mines has, in the past, faced opposition from the local communities where these projects are located and from special interest groups. A number of the bauxite and coal mines which we currently operate, or propose to operate or source from are located in areas that have experienced social unrest and have faced attacks by groups of protestors. For example, our

Bagru mines were suspended for nearly a month during December 2003 as were our Lohardaga bauxite mines for nearly a month in February 2004 as a result of such activities. We have also had to suspend our mining operations in our Utkal Alumina operations due to protests by non-governmental organisations for the resettlement and rehabilitation of the local people. We are in the process of rehabilitating such persons, including by building houses and providing them with other facilities. In addition, some of these protestors picketed our head quarters in Mumbai in 2005. Among these protestors, the public, the forest authorities and other authorities may oppose mining operations due to the perceived negative impact it may have on the environment. If the mining operation in respect of any mining lease leads to a displacement of people, the mining project can become functional only after obtaining the consent of such affected persons and the resettlement and rehabilitation of the persons displaced by the mining operations and payment of other benefits is required to be carried out in accordance with the guidelines of the relevant state Governments, including payment for the acquired land that are owned by those displaced persons. There can be no assurance that there will not be any objection or dispute in relation to such resettlement, including litigation which may entail us having to suspend mining operations until the dispute is resolved. Significant opposition by local communities, NGOs and other parties, at public hearings or otherwise, to the construction or expansion of our plants may adversely affect our results of operations and financial condition.

19. Our operations are reliant on the timely supply of raw materials and products to our plants and transportation of our products from our plants to our customers, which are subject to uncertainties and risks.

We depend on various forms of transport, such as seaborne freight, rail and road transport to receive raw materials used in production and to deliver our products from our manufacturing facilities to our customers. These transportation facilities may not adequately support our operations due to traffic congestion and unavailability of railway wagons or trucks. Further, disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair our ability to source raw materials and components and our ability to supply our products to our customers. We can provide no assurance that such disruptions will not occur in the future. In addition, significant increases in transportation cost may adversely impact our financial results.

20. We are dependent upon external suppliers to meet a certain portion of our caustic soda requirements.

Caustic soda is a key raw material used to dissolve the bauxite in the alumina refining process. The caustic soda requirement varies significantly depending on the bauxite quality and technology employed. At our refineries, caustic soda consumption represented approximately 6% of our aluminium manufacturing and other expenses for the financial year 2008. During the financial year 2008, we sourced approximately half of our caustic soda requirements from our subsidiary, Bihar Caustic and Chemicals Limited on an arms length basis, with the balance sourced from other domestic producers. Contract prices for caustic soda increased from U.S.\$365.00 (Rs. 15,000.00) per dry metric ton during the calendar year 2007 to U.S.\$650.00 (Rs. 26,000.00) per dry metric ton so far in the calendar year 2008. In the financial year 2004, we stopped importing caustic soda due to high international prices and anti-dumping duties on caustic soda, which made domestic prices more attractive. Consequently, we now rely only on local suppliers for our caustic soda requirements. In the event of any increase in the price of caustic soda, our operating expenses will increase which may have an adverse effect on our business and results of operations.

21. Novelis has supply agreements with Alcan for a portion of its raw materials requirements. If Alcan is unable to deliver sufficient quantities of these materials or if it terminates these agreements, Novelis' ability to manufacture products on a timely basis could be adversely affected.

The manufacture of Novelis' products requires sheet ingot that has historically been, in part, supplied by Alcan. For the financial year 2008, Novelis purchased the majority of its third party sheet ingot requirements from Alcan's primary metal group. For example, Novelis' continuous casting operations at

Novelis' Saguenay Works, Canada facility depend upon a local supply of molten aluminium from Alcan. If this supply were to be disrupted, Novelis' Saguenay Works production could be interrupted and Novelis' net sales and profitability adversely affected.

In connection with the spin-off, Novelis entered into metal supply agreements with Alcan upon terms and conditions substantially similar to market terms and conditions for the continued purchase of sheet ingot from Alcan, which was amended in March 2008. If Alcan is unable to deliver sufficient quantities of this material on a timely basis or if Alcan terminates one or more of these agreements, Novelis' production may be disrupted and Novelis' net sales and profitability could be adversely affected. Although aluminium is traded on the world markets, developing alternative suppliers for that portion of Novelis' raw material requirements it expects to be supplied by Alcan could be time consuming and expensive.

22. Activities in our business can be dangerous and can cause injury to people or property in certain circumstances.

Our business requires individuals to work under potentially dangerous circumstances, with explosives and other volatile and often highly flammable materials. If improperly handled or subjected to unsuitable conditions, molten aluminium or copper can seriously hurt or even kill employees or other persons, and cause damage to our properties and the properties of others. This could subject us to disruptions in our business, legal and regulatory difficulties and costs and liabilities which could adversely affect our results of operations, financial condition and reputation.

23. Our mining leases contain onerous terms.

The mining leases we enter into with various state governments contain onerous terms and restrictions. Some of these restrictions include prohibition on constructing a building on holy ground, burial sites and public grounds, restrictions on conducting mining activities within 50 meters of a railway line without the permission of the concerned railway official, undertaking resettlement and rehabilitation programs for displaced persons, employment displaced persons and paying compensation to displaced persons in terms of the Mines Act, 1952. In addition, in the event that the state government determines that the weighing machine used by us is faulty, the error shall be deemed to have existed for a period of three months prior to determining the error, and accordingly we will be required to pay the difference in rent and royalty. There can be no assurance that we will be able to satisfy all of the terms and conditions of the mining leases and that our lessors will not terminate the mining leases for non-compliance. In the event that such termination does occur, or we are unable to renew the mining leases, our results of operations will be adversely affected.

24. Any disruptions to water supply could adversely affect our operations

Water is critical to power plants that supply electricity for use in aluminium production, and in copper production. Any disruptions in water supply could seriously hamper our aluminium and copper production and may adversely affect our business, operating revenues and results of operations.

25. Our customers can suspend or cancel delivery of the products in certain cases.

Events of force majeure such as disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, government actions or other events that are beyond the control of the parties and allow the suppliers to suspend or cancel the deliveries of the raw materials could impair our ability to source raw materials and components and our ability to supply our products to our customers. Similarly, our customers may suspend or cancel delivery of our products during a period of force majeure and any suspensions or cancellations that are not replaced by deliveries under new contracts or sales on the spot market to third parties would reduce our cash flow and could adversely affect our financial condition and results of operations. We can provide no assurance that such disruptions will not occur.

26. *We may be adversely affected by challenges relating to slope stability.*

Most of our bauxite and coal mines in India are open-pit mines. The open-pit mines get deeper as we mine them, presenting certain geotechnical challenges including the possibility of slope failure. If we are required to decrease pit slope angles or provide additional road access to prevent such a failure, our stated reserves could be negatively affected. Further, hydrological conditions relating to pit slopes, removal of material displaced by slope failures and increased stripping requirements could also negatively affect our stated reserves. We have taken actions in order to maintain slope stability, but we cannot assure you that we will not have to take additional action in the future. If any of our mines experience unexpected slope failure, or we are required to take additional measures to prevent slope failure such measures may negatively affect our results of operations and financial condition, as well as have the effect of diminishing our stated ore reserves.

27. *Changes in technology may affect our business by making our equipment or plants less competitive or obsolete.*

Our future success will depend in part on our ability to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails technical and business risks. For example, with increasing global concerns on carbon emissions and potential mitigation through clean development mechanisms or CDM, carbon credits and certified emissions, we may not stand to gain substantially from usage of new emerging technologies that our competition could choose to use. In addition, while we have invested in, and are involved with, a number of technology and process initiatives, several technical aspects of these initiatives are still unproven and the eventual commercial outcomes cannot be assessed with any certainty. Even if we are successful with these initiatives, we may not be able to deploy them in a timely fashion. Accordingly, the costs and benefits from our investments in new technologies and the consequent effects on our financial results may vary from present expectations. There can be no assurance that we will be able to successfully implement new technologies or adapt our processing systems to customer requirements or emerging industry standards. Changes in technology and high fuel costs may make newer plants or equipment more competitive than ours or may require us to make additional capital expenditures to upgrade our facilities.

If we are unable, for technical, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

28. *Our insurance does not cover all of the risks we face, and the occurrence of events that are not covered by our insurance could cause us losses, which if significant, could adversely affect our financial condition.*

We maintain insurance which we believe is typical in our industry and in amounts which we believe to be commercially appropriate. Nevertheless, we may become subject to liabilities, including liabilities for pollution or other hazards, against which we do not have adequate insurance, or at all, or cannot insure. For example, we generally maintain insurance against product liability risks, but there can be no assurance that this coverage will be adequate for any liabilities ultimately incurred. A successful claim that exceeds our available insurance coverage could have an adverse effect on our financial results. Our insurance policies contain exclusions and limitations on coverage, and we do not have business interruption insurance for our Indian operations. In addition, our insurance policies may not continue to be available at economically acceptable premiums, or at all.

Additionally, while Novelis maintains insurance policies covering, amongst other things, physical damage, business interruptions and product liability, these policies may not cover all of Novelis' losses and Novelis could incur uninsured losses and liabilities arising from such events, including damage to Novelis' reputation, loss of customers and suffer substantial losses in operational capacity. Further, Novelis' insurers

have in the past reserved their right to request for a refund from Novelis based on the claims, if such claims included costs which were believed to have not been covered under the insurance contracts.

As a result, our insurance coverage may not cover the extent of any claims against us, including for environmental or industrial accidents or pollution. For further details, see “Our Business – Insurance” beginning on page 86 of this Letter of Offer.

29. Certain of Novelis’ customers are significant to Novelis’ revenues, and Novelis could be adversely affected by changes in the business or financial condition of these significant customers or by the loss of their business.

Novelis’ ten largest customers accounted for approximately 45%, 43% and 40% of Novelis’ total net sales for the financial year 2008 and for the years ended December 31, 2006 and 2005, respectively. Purchases by Rexam Plc and its affiliates represented 15.3%, 13.5%, 15.5%, 14.1% and 12.5% of Novelis’ total net sales for the period from May 16, 2007 to March 31, 2008, the period from April 1, 2007 to May 15, 2007, the three months ended March 31, 2007, and the years ended December 31, 2006 and 2005, respectively (each percentage is determined on a U.S. GAAP basis). A significant downturn in the business or financial condition of Novelis’ significant customers could adversely affect our results of operations. In addition, if Novelis’ existing relationships with significant customers deteriorate or are terminated in the future, and Novelis is not successful in replacing business lost from such customers, Novelis’ results of operations could be adversely affected. Some of the longer term contracts under which Novelis supplies to its customers, including under umbrella agreements are subject to renewal, renegotiation or re-pricing at periodic intervals or upon changes in competitive supply conditions. Novelis’ failure to successfully renew, renegotiate or re-price such agreements could result in a reduction or loss in customer purchase volume or revenue, and if Novelis is not successful in replacing business lost from such customers, Novelis’ results of operations could be adversely affected. The markets in which Novelis operates are competitive and customers may seek to consolidate supplier relationships or change suppliers to obtain cost savings and other benefits.

30. If Novelis fails to establish and maintain effective internal control over its financial reporting, Novelis may have material misstatements in its financial statements and it may not be able to report its financial results in a timely manner.

Under the authorisation and direction of Novelis’ audit committee, Novelis’ management has reassessed the effectiveness of the Novelis’ internal control over financial reporting and determined that (a) the material weakness relating to its accounting for income taxes remains remediated and (b) a new material weakness relating to the application of purchase accounting for an equity method investee including related income tax accounts has been identified.

This new material weakness in its internal control over financial reporting led to the restatement of Novelis’ consolidated financial statements as of March 31, 2008 and for the period May 16, 2007 through March 31, 2008. We cannot be certain that any remedial measures Novelis takes will ensure that Novelis will implement and maintain effective internal control over financial reporting in the future. Any failure to implement new or improved controls or difficulties encountered in their implementation could cause Novelis to fail to meet its reporting obligations. In particular, if the material weakness described above is not remediated, it could result in a misstatement of Novelis’ accounts and disclosures that could result in a misstatement to Novelis’ annual or interim consolidated financial statements in future periods that would not be prevented or detected. For further discussion of Novelis’ disclosure controls and procedures and internal control over financial reporting, see “Recent Developments” beginning on page 15 of this Letter of Offer.

31. Novelis’ results can be negatively impacted by timing differences between the prices Novelis pays under purchase contracts and metal prices Novelis charges its customers.

In some of Novelis' contracts there is a timing difference between the metal prices Novelis pays under its purchase contracts and the metal prices Novelis charges its customers. As a result, changes in metal prices impact Novelis' results, since during such periods Novelis bears the additional cost or benefit of metal price changes, which could have an adverse effect on its profitability.

32. *Novelis' agreements with Alcan do not reflect the same terms and conditions to which two unaffiliated parties might have agreed.*

The allocation of assets, liabilities, rights, indemnifications and other obligations between Alcan and Novelis under the separation and ancillary agreements Novelis entered into with Alcan do not reflect what two unaffiliated parties might have otherwise agreed. Had these agreements been negotiated with unaffiliated third parties, their terms may have been more favourable, or less favourable, to Novelis.

33. *Novelis could incur significant tax liability, or be liable to Alcan, if certain transactions occur which violate tax-free spin-off rules.*

Under Section 55 of the Income Tax Act (Canada), Novelis and or Alcan will recognise a taxable gain on Novelis' spin-off from Alcan if, amongst other specified circumstances, (1) within three years of Novelis' spin-off from Alcan, Novelis engages in a subsequent spin-off or split-up transaction under Section 55 of the Income Tax Act (Canada), (2) a shareholder who (together with non-arm's length persons and certain other persons) owns 10% or more of Novelis' common shares or Alcan common shares, disposes to a person unrelated to such shareholder of any such shares (or property that derives 10% or more of its value from such shares or property substituted therefor) as part of the series of transactions which includes Novelis' spin-off from Alcan, (3) there is a change of control of Novelis or of Alcan that is part of the series of transactions that includes Novelis' spin-off from Alcan, (4) Novelis sells to a person unrelated to itself (otherwise than in the ordinary course of operations) as part of the series of transactions that includes Novelis' spin-off from Alcan, property acquired in Novelis' spin-off from Alcan that has a value greater than 10% of the value of all property received in the spin-off from Alcan, (5) within three years of Novelis' spin-off from Alcan, Alcan completes a split-up (but not spin-off) transaction under Section 55 of the Income Tax Act (Canada), (6) Alcan made certain acquisitions of property before and in contemplation of Novelis' spin-off from Alcan, (7) certain shareholders of Alcan and certain other persons acquired shares of Alcan (other than in specified permitted transactions) in contemplation of Novelis' spin-off from Alcan, or (8) Alcan sells to a person unrelated to it (otherwise than in the ordinary course of operations) as part of the series of transactions or events which includes Novelis' spin-off from Alcan, property retained by Alcan on the spin-off that has value greater than 10% of the value of all property retained by Alcan on Novelis' spin-off from Alcan. Novelis would generally be required to indemnify Alcan for tax liabilities incurred by Alcan under the tax sharing and disaffiliation agreement if Alcan's tax liability arose because of (i) a breach of Novelis' representations, warranties or covenants in the tax sharing and disaffiliation agreement, (ii) certain acts or omissions by Novelis (such as a transaction described in (1) above), or (iii) an acquisition of control of Novelis. Alcan would generally be required to indemnify Novelis for tax under the tax sharing and disaffiliation agreement if Novelis' tax liability arose because of (i) a breach of Alcan's representations, warranties or covenants in the tax sharing and disaffiliation agreement, or (ii) certain acts or omissions by Alcan (such as a transaction described in (5) above). These liabilities and the related indemnity payments could be significant and could have an adverse effect on Novelis' financial results.

34. *Novelis may be required to satisfy certain indemnification obligations to Alcan, or may not be able to collect on indemnification rights from Alcan.*

In connection with the spin-off, Novelis and Alcan agreed to indemnify each other for certain liabilities and obligations related to, in the case of Novelis' indemnity, the business transferred to Novelis, and in the case of Alcan's indemnity, the business retained by Alcan. These indemnification obligations could be significant. We cannot determine whether Novelis will have to indemnify Alcan for any substantial obligations in the future or the outcome of any disputes over spin-off matters. We also cannot be assured

that if Alcan has to indemnify Novelis for any substantial obligations, Alcan will be able to satisfy those obligations.

35. *Novelis' agreement not to compete with Alcan in certain end-use markets may hinder Novelis' ability to take advantage of new business opportunities.*

In connection with the spin-off, Novelis agreed not to compete with Alcan for a period of five years from the spin-off date in the manufacture, production and sale of certain products for use in the plate and aerospace markets. As a result, it may be more difficult for Novelis to pursue successfully new business opportunities, which could limit Novelis' potential sources of revenue and growth.

36. *Our mining operations are subject to operational hazards.*

Mining operations are subject to hazards and risks normally associated with the exploration, development and production of natural resources, any of which could disrupt our operations or cause damage to persons or property. The occurrence of industrial accidents, such as explosions, fires, transportation interruptions and inclement weather as well as any other events with negative environmental consequences, could adversely affect our operations by disrupting our ability to extract minerals from the mines we operate or exposing us to significant liability. Risks associated with our open-pit mining operations include flooding of the open-pit, collapses of the open-pit wall and operation of large open-pit mining and rock transportation equipment. Risks associated with our underground mining operations include underground fires and explosions (including those caused by flammable gas), cave-ins or ground falls, discharges of gases or toxic chemicals, flooding, sinkhole formation and ground subsidence and underground drilling, blasting and removal and processing of ore. Any significant accident caused by such equipment could interrupt our operations and result in legal and regulatory liabilities. Insurance coverage related to accidents resulting from the proper or improper use of equipment may be inadequate to offset losses arising from claims related to such accidents. Moreover, any equipment involved in an accident or malfunction may be damaged or destroyed thereby adversely affecting our business, financial condition and results of operations.

37. *The loss, shutdown or slowdown of operations at any of our facilities could have an adverse effect on our results of operations and financial condition.*

Our facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply interruptions, facility obsolescence or disrepair, labour disputes, natural disasters and industrial accidents. The occurrence of any of these risks could affect our operations by causing production at one or more facilities to shutdown or slowdown. Although we take reasonable precautions to minimise the risk of any significant operational problems at our facilities, no assurance can be given that one or more of the factors mentioned above will not occur, which could have an adverse effect on our results of operations and financial condition.

38. *We depend on the experience and skills of our management and certain key employees. Any loss of such persons could adversely affect our business.*

We are dependent on our management team and certain key employees and our ability to meet future business challenges depends on their continuation and our ability to attract and recruit talented and skilled personnel. We face strong competition in recruiting and retaining skilled and professionally qualified staff. The current strong commodity cycle and the large number of projects being developed in the aluminium and copper industry have increased the demand for skilled personnel. The loss of key personnel or any inability to manage the attrition levels in different employee categories may adversely affect our business, our ability to grow and our control over various business functions.

39. *Our costs of compliance with environmental laws are expected to be significant, and the failure to comply with new environmental laws could adversely affect our business, operations and financial condition.*

Our operations are subject to environmental laws and regulations within the jurisdictions in which we operate, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Environmental law and regulation of industrial activities across the world may become more stringent, and the scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted with any certainty. In case of any change in environmental, or pollution regulations, such as the imposition of carbon taxes and other such levies, we may be required to incur significant amounts on, amongst other things, environmental monitoring, pollution control equipment and emissions management. We may also be required to bear additional expenditure for the establishment of additional infrastructure, such as laboratory facilities for monitoring pollution impact and effluent discharge and effluent treatment or recycling plants. Such additional costs may adversely affect our results of operations. In addition, failure to comply with environmental laws may result in the assessment of penalties and fines against us by regulatory authorities. The commencement of environmental actions against us or the imposition of any penalties or fines on us as a result thereof may have an adverse effect on our business, prospects and results of operations. Some environmental laws, such as Superfund and comparable laws in U.S. states and other jurisdictions world-wide, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct, on those persons who contributed to the release of a hazardous substance into the environment.

We expect to generate a considerable amount of ash from our captive power plants in India. There are limited options for utilising ash. Compliance with emission norms, as well as any future norms with respect to ash utilisation, may add to our capital expenditure and operating expenses.

We use a variety of hazardous materials and chemicals in our manufacturing processes, as well as in our smelting operations and in connection with maintenance work on our manufacturing facilities. Because of the nature of these substances or related residues, we may be liable for certain costs, including, amongst others, costs for health-related claims or removal or re-treatment of such substances. Certain of our current and former facilities incorporate asbestos-containing materials, a hazardous substance that has been the subject of health-related claims for occupation exposure. In addition, although we have developed environmental, health and safety programs for our employees, including measures to reduce employee exposure to hazardous substances, and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances or other hazards at our current or former facilities. It is not possible to predict the ultimate outcome of these claims and lawsuits due to the unpredictable nature of personal injury litigation. If these claims and lawsuits, individually or in the aggregate, were finally resolved against us, our results of operations and cash flows could be adversely affected.

We could also be subject to substantial civil and criminal liability and other regulatory consequences in the event that an environmental hazard was to be found at the site of any of our plants, or if the operation of any of our plants results in material contamination of the environment. Currently we are involved in a number of compliance efforts, remediation activities and legal proceedings concerning environmental matters, including certain activities and proceedings arising under Superfund and comparable laws in U.S. states and other jurisdictions world-wide for one of Novelis' operations. We may also be the subject of public interest litigation in India relating to allegations of environmental pollution by our plants, as well as cases having potential criminal and civil liability filed by state pollution control authorities. If such cases are determined against us, there could be an adverse effect on our business, operations and financial condition.

40. *Product liability claims against us could result in significant costs or negatively impact our reputation and could adversely affect our business results and financial condition.*

We are sometimes exposed to warranty and product liability claims. There can be no assurance that we will not experience material product liability losses arising from such claims in the future and that these will not have a negative impact on our net sales and profitability. While we generally maintain insurance against product liability risks, there can be no assurance that this coverage will be adequate for any liabilities ultimately incurred. In addition, there is no assurance that insurance will continue to be available on terms acceptable to us. A successful claim that exceeds our available insurance coverage could have an adverse effect on our financial results.

41. *We may not have sufficient cash to pay future dividends and repay indebtedness and we may be limited in our ability to access financing for future capital requirements, which may prevent us from increasing our manufacturing capability, improving our technology or addressing any gaps in our product offerings.*

Although historically our cash flow from operations has been sufficient to pay dividends, repay indebtedness, satisfy working capital requirements and fund capital expenditure and research and development requirements, in the future we may need to incur additional debt or issue equity in order to fund these requirements as well as to make acquisitions and other investments. To the extent we are unable to raise new capital, we may be unable to increase our manufacturing capability, improve our technology or address any gaps in our product offerings. The terms of the debt securities may impose restrictions on our operations that have an adverse impact on our financial condition. If we raise funds through the issuance of equity, the proportional ownership interests of our shareholders could be diluted.

42. *A deterioration of Novelis' financial position or a downgrade of its ratings by a credit rating agency could increase its borrowing costs and its business relationships could be adversely affected.*

A deterioration of Novelis' financial position or a downgrade of its ratings for any reason could increase its borrowing costs and have an adverse effect on its business relationships with customers and suppliers. From time to time, Novelis enters into various forms of hedging activities against currency or metal price fluctuations and trade metal contracts on the LME. Financial strength and credit ratings are important to the pricing of these hedging and trading activities. As a result, any downgrade of Novelis' credit ratings may make it more costly for it to engage in these activities, and changes to its level of indebtedness may make it more costly for Novelis to engage in these activities in the future.

43. *Novelis could be required to make unexpected contributions to its defined benefit pension plans as a result of adverse changes in interest rates and the capital markets.*

Most of Novelis' pension obligations relate to funded defined benefit pension plans for its employees in the U.S., the U.K. and Canada, unfunded pension benefits in Germany, and lump sum indemnities payable to Novelis' employees in France, Italy, Korea and Malaysia upon retirement or termination. Novelis' pension plan assets consist primarily of listed stocks and bonds. Novelis' estimates of liabilities and expenses for pensions and other postretirement benefits incorporate a number of assumptions, including expected long-term rates of return on plan assets and interest rates used to discount future benefits. Novelis' results of operations, liquidity or shareholders' equity in a particular period could be adversely affected by capital market returns that are less than their assumed long-term rate of return or a decline of the rate used to discount future benefits.

If the assets of Novelis' pension plans do not achieve assumed investment returns for any period, such deficiency could result in one or more charges against its earnings for that period. In addition, changing economic conditions, poor pension investment returns or other factors may require Novelis to make

unexpected cash contributions to the pension plans in the future, preventing the use of such cash for other purposes.

44. *Novelis may lose key rights if a change in control of its voting shares were to occur.*

Novelis' separation agreement with Alcan provides that if it experiences a change in control in its voting shares during the five years following the spin-off and if the entity acquiring control does not refrain from using the Novelis assets to compete against Alcan in the plate and aerospace products markets, Alcan may terminate any or all of certain agreements Novelis currently has with Alcan. Hindalco delivered the requisite non-compete agreement to Alcan on June 14, 2007, following its acquisition of Novelis' common shares. However, if Hindalco were to sell its controlling interest in Novelis before January 6, 2010, a new acquirer would be required to provide a similar agreement.

The termination of any of these agreements could deprive any potential acquirer of certain services, resources or rights necessary to the conduct of Novelis' business. Replacement of these assets could be difficult or impossible, resulting in a material adverse effect on Novelis' business operations, net sales and profitability. In addition, the potential termination of these agreements could prevent Novelis from entering into future business transactions such as acquisitions or joint ventures at terms favorable to Novelis or at all.

45. *Most of our facilities are staffed by a unionised workforce, and union disputes and other employee relations issues could adversely affect our financial results.*

A large majority of our employees are represented by labour unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future, and any such work stoppage could have an adverse effect on our financial results.

46. *Novelis may have potential business conflicts of interest with Alcan with respect to its past and ongoing relationships that could harm Novelis' business operations.*

A number of Novelis' commercial arrangements with Alcan that existed prior to the spin-off transaction, Novelis' spin-off arrangements with Alcan and Novelis' post spin-off commercial agreements with Alcan could be the subject of differing interpretation and disagreement in the future. These agreements may be resolved in a manner different from the manner in which disputes were resolved when Novelis was part of the Alcan group. This could in turn affect Novelis' relationship with Alcan and ultimately harm Novelis' business operations.

47. *Past and future acquisitions or divestitures may adversely affect our financial condition.*

We have grown partly through the acquisition of other businesses, including Novelis. As part of our strategy for growth, we may continue to pursue acquisitions, divestitures or strategic alliances, which may not be completed or, if completed, may not be ultimately beneficial to us. There are numerous risks commonly encountered in business combinations, including the risk that we may not be able to complete a transaction that has been announced, effectively integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could have an adverse effect on our financial results.

48. *We face risks relating to certain joint ventures and subsidiaries that we do not entirely control. Our ability to generate cash from these entities may be more restricted than if such entities were wholly-owned subsidiaries.*

Some of our activities are, and will in the future be, conducted through entities that we do not entirely control or wholly own. These entities include Novelis Norf, Germany and Logan, Kentucky joint ventures, as well as our majority-owned Korean and Malaysian subsidiaries, Aditya Birla Minerals Limited and Bihar

Caustic and Chemicals Limited. The Malaysian subsidiary, Aditya Birla Minerals and Bihar Caustic and Chemicals Limited are public companies whose shares are listed for trading on the Bursa Malaysia Securities Berhad, the Australian stock exchange and the Indian Stock Exchanges, respectively. Under the governing documents or agreements of, securities laws applicable to or stock exchange listing rules relative to certain of these joint ventures and subsidiaries, our ability to fully control certain operational matters may be limited.

Many significant decisions on the development model, revenues and costs for these entities are taken in close consultation with our partners and could be subject to extensive negotiations. There can be no guarantee that any disagreement with our equity interest holders will be resolved in our favour. For example, under the joint venture agreement with Almex USA, Inc. (“Almex”) for our joint venture, Hindalco-Almex Aerospace Limited, approval of at least one Almex representative is required at board meetings for decisions including, further issue of equity capital, alteration of the memorandum of association and the articles of association of Hindalco-Almex Aerospace Limited and restructuring its business. In the event of a deadlock on a reserved matter, both parties have a call option against the other to sell all of their shares in the joint venture entity, which if exercised, could have an adverse effect on our business, financial condition and results of operations.

If the other holders of equity interests in our joint ventures fail to perform their obligations satisfactorily, the relevant joint venture may be unable to perform adequately or deliver its contracted services. In this case, we may be required to make additional investments and/or provide additional services to ensure the adequate performance and delivery of the contracted services. We may also be required to purchase the other equity interest holders’ shares, but in such cases, we may not be able to enforce the equity interest holders obligations to transfer their equity holding to us for their performance failure. These additional obligations could result in reduced profits or, in some cases, significant losses for us. The inability of an equity interest holder to continue with the relationship due to financial or legal difficulties could mean that we may be required to bear increased and possibly sole responsibility for the entity and bear a correspondingly greater share of the financial risk.

49. We are involved in several litigation proceedings and we cannot assure you that we will prevail in these actions.

There are outstanding litigations against us, our Directors, our Promoters and group companies. We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals and in different jurisdictions, we may need to make provisions in our financial statements, which could adversely impact our business results. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have an adverse effect on our business and profitability.

50. Our trademark and logo appearing on the cover page of this Letter of Offer is not owned by us.

The trademark and logo appearing on the cover page of this Letter of Offer is not owned by us. We have obtained the non-exclusive rights to use the trademark and logo appearing on the cover page of this Letter of Offer from Aditya Birla Management Corporation Limited, an affiliate company, under a license agreement dated August 7, 2006. The trademark and logo appearing on the cover page of this Letter of Offer, is an important asset of our business. We cannot assure you that we will continue to have the uninterrupted use and enjoyment of the trademark or logo. Infringement of the trademark, for which we may not have any immediate recourse, may adversely affect our ability to conduct our business as well as our affect our reputation, and consequently, our results of operations.

51. Litigation relating to the Company, the Promoters, the Directors, group companies and joint venture companies could adversely affect our business and financial condition.

There are outstanding litigations against the Company, its subsidiaries, its directors, its Promoters and its promoter group companies. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against the Company by appellate courts or tribunals, the Company may need to make appropriate provisions in its financial statements, which could adversely impact its business results. Furthermore, if significant claims are determined against the Company and it is required to pay all or a portion of the disputed amounts, there could be an adverse effect on the Company's business and profitability. The details of litigations against the Company, its subsidiaries and its Directors are as follows:

Litigation against the Company

- There are 29 criminal cases filed against the Company.
- There are 141 labour related cases filed against the Company for claims aggregating approximately Rs. 34.25 million.
- There are 50 civil cases filed against the Company for claims aggregating approximately Rs. 8.63 million. We have also received six demand notices for an amount aggregating Rs. 32.1 million.
- There are 29 income tax related proceedings in respect of the Company for claims aggregating approximately Rs. 9,865.22 million.
- There are 281 central excise related cases, appeals and SCNs in respect of the Company for claims and demands for amounts aggregating approximately Rs. 5,739 million.
- There are 69 customs related cases, appeals and SCNs in respect of the Company for amounts aggregating approximately Rs. 744.17 million.
- There are 77 sales tax and VAT related cases, appeals and SCNs for amounts aggregating approximately Rs. 418 million.
- There are 17 cases related to other taxes, fees and cesses in respect of the Company for amounts aggregating approximately Rs. 3,299 million.
- There are 11 service tax related SCNs and 2 appeals in respect of the Company for claims aggregating Rs. 70.86 million.
- The Company is involved in 16 arbitration proceedings for claims aggregating approximately Rs. 497 million.
- There are 28 other cases filed against us for claims aggregating approximately Rs. 110 million.

Litigation involving Indian subsidiaries

- There is one criminal case filed against one of our Indian subsidiaries.
- Our Indian subsidiaries are involved in 20 civil cases for claims aggregating approximately Rs. 152.49 million.
- There are five labour related cases filed against our Indian subsidiaries for claims aggregating approximately Rs. 15.6 million.
- There are income tax related cases for claims aggregating approximately Rs. 4.8 million.

Litigation involving foreign subsidiaries

- There are ten civil proceeding pending against our overseas subsidiaries.
- There are certain environmental matters pending against our overseas subsidiaries where the claims are up to U.S.\$100,000.
- There are certain tax proceedings pending against our overseas subsidiaries.

For further details and details regarding outstanding litigation involving the Directors, Promoters and promoter group companies, please see section titled "Outstanding Litigation and Defaults" on page 188 of this Letter of Offer.

52. The Company has a number of contingent liabilities under Indian GAAP, and its profitability could be adversely affected if any of these contingent liabilities materialise.

The Company's contingent liabilities as of March 31, 2008 are as follows:

(in Rs. million)

Claims/Disputed liabilities not acknowledged as debt:	
Demands disputed by the Company and not provided for:	
Demand notice by Assistant. Collector Central Excise Mirzapur for excise duty on power generated by the Company's captive power plant, Renusagar Power Co. Ltd. (since amalgamated) * Writ petition pending with the High Court of Delhi. Earlier demand raised was quashed by the High Court of Delhi. The amount has been sequestered in the Aluminium Regulation account. According to the terms of settlement dated December 5, 1983 between the Central Government and the Company, this amount will be reimbursed to the Company in the event the case is decided against the Company.	91.21
Demand of interest on past dues of the aluminium regulation account up to December 31, 1987 * The demand is in dispute with Controller of Aluminium Regulation Account.	63.29
Retrospective revision of water rates by U.P. Jal Vidyut Nigam Limited (April 1989 to June 1993 and January 2000 to January 2001) * Writ petition pending with Lucknow Bench of the High Court of Allahabad. The demand has been stayed vide order dated May 11, 2001.	40.8
Transit fees levied by Divisional Forest Officer, Renukoot on coal and bauxite * Appeal pending with the High Court of Allahabad and payment of transit fee has been stayed. According to legal opinion received by the Company, the forest department has no authority to levy such fee.	444.98
M.P transit fee on coal demanded by Northern Coal Fields Limited * Writ petition pending with the High Court of Jabalpur. The Company has paid Rs 105.90 million to Northern Coal Fields Limited under protest subject to the final conclusion of the writ petition.	160.53
Imposition of cess on coal by Shaktinagar Special Area Development Authority. * Appeal is pending before the 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 coal since this field is covered under Mines and Minerals Development and Regulation Act.	39.68
Demand of Royalty on Vanadium by District Mining officer, Lohardaga. * Appeal is pending with the High Court of Allahabad. The demand has been stayed on certain conditions fulfilled by the Company.	84.44
The demand of Excise Duty on gold. * Appeal is pending with the Supreme Court.	1,553.06
Demand for disallowances of depreciation claim and other claim on the leased assets by Lessor. * Matter is pending with Lessor.	180.20
Tax under MPGATSA, 2005 @ 5% on basic price of coal with effect from September 30, 2005 by M.P. State Government. * Writ petition is being filed before the High Court of Madhya Pradesh at Jabalpur.	268.59
Demand raised on provisional assessment for entry tax. * Writ petition is pending before the High Court of Allahabad and demand has been stayed while in some cases the High Court has directed to pay the amount which will be deposited in the interest bearing account.	1,545.35
Demand raised on assessment under CST Act & UP Sales Tax Act. * Appeal has been filed with the appropriate Authority.	404.56
Revision of surface rent on land by Government of Jharkhand with effect from June 16, 2005. * Matter is in dispute at the High Court of Jharkhand.	66.98
Demand made by Nayab Tehsildar Kusmi / Collector under Chattisgarh (Adhosanrachna Vikas evam Parayavaran Upkar Adhinyam, 2005). * Writ petition has been filed before the High Court of Chhattisgarh at Bilaspur.	17.39
Service tax paid on GTA and BAS. * Commissioner has confirmed the demand. Appeal is being filed to CESTAT New Delhi.	20.50
Demand for duty on loading and transportation charges on scrap. * Appeal has been filed with appropriate Authority.	-
Demand for reversal of difference between duty paid and credit taken on returned material. * Appeal has been filed with appropriate Authority.	-
CST demand on reopening of assessments for earlier years. * Appeals have been filed.	88.10
Recovery of differential duty on account of Final Assessment of different B/Es. for import under Advance Licences.	-

*Appeal pending with Commissioner of Customs (Appeals), Ahmedabad.	
Disallowances of Sales Tax Forms for Sales Tax Assessment year 1997-98. *Appeal is pending with Joint Commissioner (Appeal), Vadodara, Gujarat.	12.05
Demand for Sales Tax u/s 15B for A.Y. 2001-02 & 2002-03. * Appeal is pending with J. C Appellate Authority, Baroda.	81.70
Demand for Stamp Duty on Imported Cargo. * Matter is pending with the High Court, Ahmedabad, Gujarat.	104.93
Classification dispute of Aluminium Casserole. * Matter is pending with CESTAT, Ahmedabad.	52.38
Service tax on insurance policy attributable to Renusagar. * Commissioner has confirmed the demand. Appeal is being filed with CESTAT, New Delhi.	12.90
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.	517.27
Disallowance of CENVAT credit. * The matter is pending with CESTAT, Ahmedabad.	52.89
Demand for interest on claim. * Matter is pending with the arbitrator.	53.16
Demand raised on assessment under CST Act and APGST Act for various years. * Appeals have been filed with appropriate authorities.	26.13
Other contingent liabilities in respect of excise, customs, sales tax etc. each being for less than Rs. 10 million. * The demands are in dispute at various legal forums.	100.85

*indicates uncertainties

If any of these contingent liabilities materialise, our profitability could be adversely affected. For more detailed descriptions of our contingent liabilities, see "Financial Statements" beginning on page 147 of this Letter of Offer.

53. Certain of our subsidiaries and joint ventures have incurred losses in the last three years.

Certain of our subsidiaries have incurred losses in the last three years, as set forth in the table below:

S.No	Company	Financial Year 2006	Financial Year 2007	Financial Year 2008
1.	East Coast Bauxite Mining Company Private Limited (in Rs. million)	N.A.	N.A.	(0.03)
2.	Indal Exports Limited (in Rs. million)	(0.028)	(0.010)	(0.043)
3.	Aditya Birla Minerals Limited (in AUD million)	(17.149)	(0.739)	104.965
4.	Birla Resources Pty Ltd (in AUD Thousand)	(4.400)	0.528	1.731
6.	Birla Maroochydore Pty Ltd (in AUD million)	(0.071)	(0.098)	(0.254)
7.	Birla Mt Gordon Pty Ltd (in AUD million)	(5.330)	14.193	30.854
8.	Birla Nifty Pty Ltd (in AUD million)	(11.982)	(14.289)	78.430
9.	Novelis (India) Infotech Limited (in Rs. million)	N.A.	N.A.	(0.44)

Additionally, Novelis was loss making as follows (U.S. GAAP basis):

Successor	Predecessor	Predecessor	Predecessor	Predecessor
May 16, 2007 through March	April 1, 2007 through May	Three months ended March	Year ended December 31,	Year ended December 31,

	31, 2008	15, 2007	31, 2007	2006	2005
Novelis (in U.S.\$ million)	(20)	(97)	(64)	(275)	90

For further details see section titled “Our Subsidiaries” beginning on page 119 of this Letter of Offer.

54. *The proceeds from the previous rights issue undertaken by the Company in January 2006 has not been fully utilised in accordance with the objects of the issue as set out in the letter of offer dated November 25, 2005.*

The Company undertook a rights issue of 231,936,993 Equity Shares of Re. 1 each at a price of Rs. 96 per Equity Share. The net proceeds of the previous rights issue, being Rs. 21,829 million, were to be applied for the objects of the issue as disclosed in the letter of offer dated November 25, 2005. However, as of March 31, 2008, the Company has utilised Rs. 3,935 million out of the net proceeds towards Utkal Alumina, one of the Company’s expansion projects. As on March 31, 2008, the unutilised amount from the previous rights issue was Rs. 17,894 million. For further details, please see “Statutory and Other Information - Previous Issue by the Company” beginning on page 267 of this Letter of Offer.

Further, the Board of Directors has sought the approval of the shareholders of the Company for an amendment to the objects of the issue for the previous rights issue. The Board has proposed that this unutilised amount be used for repaying a part of the bridge loan facility incurred by the Company’s overseas subsidiary, AV Minerals for the acquisition of Novelis.

55. *The Company has issued certain warrants convertible into Equity Shares. Any exercise of warrants will dilute your shareholding in the Company.*

The Company had, on April 11, 2007, issued 80,000,000 warrants, representing an entitlement to 80,000,000 Equity Shares, on a preferential basis to IGH Holdings Private Limited, a promoter group company, at a price of Rs. 173.87 per warrant. IGH Holdings Private Limited has paid-in an amount representing 10% of the price per warrant as on date. These warrants are currently outstanding and can be exercised up to October 10, 2008. We cannot assure you that IGH Holdings Private Limited will exercise these warrants, in whole or in part. In the event that IGH Holdings Private Limited exercises its entitlement in full, the Equity Shares issued pursuant to such an exercise shall constitute 4.56% of the post-issue paid up capital of the Company. Any exercise of warrants will dilute your shareholding in the Company, and may adversely affect the trading price of our Equity Shares. Conversely, if IGH Holdings Private Limited does not exercise any warrants, these warrants shall lapse, the funds paid by IGH Holdings Private Limited shall stand forfeited and the Company would not be required to issue any Equity Shares to IGH Holdings Private Limited. In addition, as a result, the Company will not receive any additional payment from IGH Holdings Private Limited and may require to seek alternative sources of capital.

External Risk Factors

56. *Any increase in competition in our target markets could result in lower prices or sales volumes of the aluminium, aluminium products and copper we produce, which may cause our profitability to suffer.*

There is substantial competition in the alumina, aluminium and copper industries, both in India and internationally, and we expect this to continue. Our competitors in the alumina, aluminium and copper markets outside India include major international producers. Certain of these global players have significantly greater financial resources and manufacturing and technological capabilities, more established and larger marketing and sales organisations, and larger technical staff than we do.

Novelis competes primarily on the basis of its value proposition, including price, product quality, ability to meet customers’ specifications, range of products offered, lead times, technical support and customer service. In addition, Novelis’ competitive position within the global aluminium rolled products industry

may be affected by, amongst other things, the recent trend toward consolidation amongst Novelis' competitors, exchange rate fluctuations that may make Novelis' products less competitive in relation to the products of companies based in other countries and economies of scale in purchasing, production and sales, which accrue to the benefit of some of Novelis' competitors. See "Business – Competition" beginning on page 82 for details on Novelis' competitors.

In the domestic aluminium market, we compete primarily with National Aluminium Company Limited, Bharat Aluminium Company Limited and Madras Aluminium Company Limited. In the domestic copper market, we compete primarily against Sterlite Industries Limited and Hindustan Copper Limited. These companies are also expanding their production capacities. If domestic demand is not sufficient to absorb these increases in capacity, our competitors could reduce their prices, which may require us to do the same or cause us to lose market share to our competitors or sell our products in overseas markets at relatively lower prices. Should the price of our products decline, our profit margins would decline, and without a sufficient increase in our sales volume, our revenues would also decline.

The end-user markets for certain value-added aluminium and copper products are highly competitive. Aluminium and copper compete with other materials particularly plastic, steel, iron, glass, and paper, amongst others, for various applications. In the past, customers have demonstrated a willingness to substitute other materials for aluminium and copper. The willingness of customers to accept substitutes could have an adverse effect on our business, results of operations and prospects.

57. The seasonal nature of some of our customers' industries could have an adverse effect on our financial results.

The construction industry and the consumption of beer and soda are sensitive to weather conditions and as a result, demand for aluminium products in the construction industry and for can feedstock can fluctuate by season. Our financial results could fluctuate as a result of climatic changes, and a prolonged series of cold summers in the different regions in which we conduct our business could have an adverse effect on our financial results.

58. Changes in tariffs, royalties, customs duties and government assistance may reduce our domestic premium, which would adversely affect our profitability and results of operations.

Copper and aluminium are sold in the Indian market at a premium to the international prices of these metals due to tariffs payable on the import of such metals. Between March 2002 and January 2007, customs duties on imported aluminium decreased from 25.0 % to 5.0% and that of copper reduced from 35.0% to 5.0%. The government of India may reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As we sell the majority of the commodities we produce within India, any further reduction in Indian tariffs on imports will decrease the premiums we receive in respect of those sales. Our profitability is dependent to a small extent on the continuation of import duties and any reduction would have an adverse effect on our results of operations and financial condition.

We pay royalties to the state governments of Jharkhand, Madhya Pradesh (indirectly), Maharashtra, Karnataka (indirectly) and Chattisgarh based on our extraction of bauxite and ore, respectively and to the state governments of Western Australia and Queensland in Australia based on our extraction of copper ore. The government of India charges us royalties on the amount of bauxite we extract. In September 2000, the government of India changed the nationwide bauxite royalty from a fixed fee to a variable fee formula, which was further revised upward in October 2004 under the same formula. The most significant royalty we pay is the royalty to the state government of Jharkhand, where most of our aluminium mines are located, at a rate of 0.4% of the LME aluminium metal price payable on the aluminium metal contained in the ore. Any future increase in the royalty we pay will increase our cost of bauxite, which would adversely impact our profitability. The royalties we pay are subject to change. Any upward revision to the royalty rates being charged currently may adversely affect our profitability. In addition, the Department of Mines and Geology of the State of Jharkhand has raised additional demands for payment through several show cause notices for mining minerals associated with lead metals such as vanadium. Any upward revision to the royalty rates

being charged currently or payment of additional royalty for mining of associated minerals may adversely affect our profitability.

Indian exports of copper and aluminium receive assistance premiums from the government of India, which have been reduced since 2002. These export assistance premiums have been reduced in recent years and may be further reduced in the future. Any reduction in these premiums will decrease the operating revenues we receive from sales outside India and may have an adverse effect on our results of operations or financial condition. For further details, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Duties and Taxes” beginning on page 158 of this Letter of Offer.

59. Our operations are subject to extensive governmental regulation which have in the past and could in the future cause us to incur significant costs or liabilities or interrupt or close our operations.

Our operations are subject to extensive regulations including regulations relating to pollution and protection of the environment and worker’s health and safety. National, state and local authorities in the countries in which we have operations, including India, the United States, Europe, Australia, Brazil and Canada, amongst others, regulate the industries in which we operate with respect to matters such as labour conditions, royalties, permit and licensing requirements, planning and development, tax registrations, mining leases, supply of water, environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, air emissions, discharges and forest and soil conservation requirements), plant and wildlife protection, reclamation and restoration of properties after operations are complete, surface subsidence from underground mining and the effects that mining, smelting and refining operations have on groundwater quality and availability.

In addition, numerous governmental permits, approvals and leases are required for our operations. We are required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration, mining or production activities may have upon the environment. A significant number of approvals are required from government authorities in India for metals and mining and power generation projects, and any such approvals may be subject to challenge. In addition, we require certain registration and permits for our expansions and greenfield, projects, which we have applied for. In respect of Utkal Alumina, some of the existing approvals are in the name of Indal and have not been amended in favour of Utkal Alumina. We have applied for renewal of the letter of intent granted by the Ministry of Commerce, Government of India in respect of approval as a 100% export oriented unit, which is pending approval. Any renewal, re-application or amendment of approvals in respect of Utkal Alumina cannot be completed until the letter of intent is renewed. Further, we have applied for renewal of a number of our mining leases for bauxite which have expired. There can be no assurance that we will be able to satisfy all of the terms and conditions of the renewal of these mining leases and in the event that we are unable to renew the mining leases, our results of operations will be adversely affected.

The costs, liabilities and requirements associated with complying with these laws and regulations or to comply with changes and requirements or the manner in which they are applied may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. Failure to comply with these laws and regulations or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to mine or operate a smelter, refinery or other plant, the assessment of administrative, civil or criminal penalties, the imposition of cleanup or site restoration costs and liens, the imposition of costly compliance procedures, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of closing or limiting production from our operations. There can be no assurance that compliance with these laws and regulations or changes thereto or the failure to obtain necessary permits, approvals or leases or successful challenges to the grant of such permits, approvals and leases will not adversely affect our results of operations or financial condition.

New legislation or regulations may be adopted in the future that may adversely affect our operations, our cost structure or our customers' ability to use our products. Currently, some of our power plants are coal based, which generate carbon dioxide. There are currently no regulations in India that govern the level of carbon dioxide emission by power plants, but that may change. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require us or our customers to change operations significantly or incur increased costs which could have an adverse effect on our results of operations or financial condition.

In addition, a violation of health and safety laws relating to a mine, smelter, refinery or other plant or a failure to comply with the instructions of the relevant health and safety authorities could lead to, amongst other things, a temporary shutdown of all or a portion of the mine, smelter, refinery or other plant, a loss of the right to mine or operate the smelter, refinery or other plant or the imposition of costly compliance procedures. If health and safety authorities require us to shut down all or a portion of a mine, smelter, refinery or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have an adverse effect on our results of operations or financial condition.

We incur and expect to continue to incur significant capital and operating costs to comply with environmental regulations. We could also incur significant costs, including clean up costs, fines and civil and criminal sanctions, if we fail to comply with environmental laws and regulations or the terms of consents and approvals.

Our business, financial condition, results of operations and prospects may be adversely affected by any of a number of significant legal and regulatory matters to which we are subject. For further details, see "Government Approvals" beginning on page 264 of this Letter of Offer.

60. The price for our phosphatic fertilizers is primarily fixed by the Government of India and any decrease in the pre-determined price will adversely affect our results of operations.

The price of phosphatic fertilizers is primarily fixed by the Government of India. In the event the prices of these products decline, it could result in an adverse impact on our revenues and results of operations.

61. Our business faces the risk of natural disasters and operational risks that may cause significant interruption of operations.

Our mining and production operations are subject to a number of risks and hazards, including unusual or unexpected geological conditions, ground conditions, phenomena such as inclement weather conditions, floods, tsunamis and earthquakes and the handling of hazardous substances and emissions of contaminants. Our refineries, smelters and rolling mill operations are particularly susceptible to risk of fire. Such risks and hazards could result in personal injury or death, damage to, or destruction of, our mines and mining operations, processing or production facilities or the environmental damage, potentially leading to monetary losses and legal liability.

In addition, breakdown of equipment or other events, including catastrophic events such as war or natural disasters, leading to production interruptions in our plants could have an adverse effect on its financial results. Further, as many of our customers are, to varying degrees, dependent on planned deliveries from our plants, those customers that have to reschedule their own production due to our missed deliveries could pursue financial claims against us. We may incur costs to correct any of these problems, in addition to facing claims from customers. Further, our reputation amongst actual and potential customers may be harmed, resulting in a loss of business. While we may maintain insurance policies covering, amongst other things, physical damage, business interruptions and product liability, these policies may not cover all of our losses and we could incur uninsured losses and liabilities arising from such events, including damage to our reputation, loss of customers and suffer substantial losses in operational capacity.

62. *Our operations have been and will continue to be exposed to various business and other risks, changes in conditions and events beyond our control in countries where we have operations or sell products.*

We are, and will continue to be, subject to financial, political, economic and business risks in connection with our global operations. We have made investments and carry on production activities in various emerging markets, including Brazil, Korea and Malaysia, and we market our products in these countries, as well as China and certain other countries in Asia. While we anticipate higher growth or attractive production opportunities from these emerging markets, they also present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal and regulatory systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced. In addition, inflation, fluctuations in currency and interest rates, competitive factors, civil unrest and labour problems could affect our revenues, expenses and results of operations. Our operations could also be adversely affected by acts of war, terrorism or the threat of any of these events as well as government actions such as controls on imports, exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in which we operate or services customers. Unexpected or uncontrollable events or circumstances in any of these markets could have an adverse effect on our financial results.

63. *Climate change, climate change regulations and greenhouse effects may adversely impact our operations and markets.*

Power and fuel are significant inputs in our operations. There is growing recognition that energy consumption is a contributor to global warming, greenhouse effects and potentially climate change. A number of governments or governmental bodies have introduced or are contemplating regulatory change in response to the potential impact of climate change. There is also current and emerging regulation, such as the mandatory renewable energy target in Australia, or potential carbon trading regimes that will affect energy prices. We will likely see changes in the margins of greenhouse gas-intensive assets and energy-intensive assets as a result of regulatory impacts in the countries in which we operate. These regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly through customers. Inconsistency of regulations may also change the attractiveness of the locations of some of our assets. Assessments of the potential impact of future climate change regulation are uncertain, given the wide scope of potential regulatory change in countries in which we operate.

The potential physical impact of climate change on our operations are highly uncertain, and will be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperature levels. These effects may adversely impact the cost, production and financial performance of our operations.

64. *A slowdown in growth in the global economy could cause our business to suffer.*

Our performance and the growth of our business are dependent on the health of the overall global economy and our expansion plans are based on our expectations of global economic growth. Certain end-use applications for aluminium products, such as construction and industrial and transportation applications, experience demand cycles that are highly correlated to the general economic environment, which is sensitive to a number of factors outside our control. A recession or a slowing of the economy in any of the geographic segments in which we operate, a continuation of the current credit environment, or a decrease in manufacturing activity in industries such as automotive, housing, construction and packaging and consumer goods, could have an adverse effect on our results of operations or liquidity. We are not able to predict the timing, extent and duration of the economic cycles in the markets in which we operate. Any future slowdown in the global economy could affect us, our customers and other contractual counter-parties.

Risks Associated with India**65. *Our growth is dependant on the Indian economy.***

Our performance and the growth of our business is dependant on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. A slowdown in the Indian economy could adversely affect our business, including our ability to implement our strategy. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon our business. Conditions outside India, such as slow downs in the economic growth of other countries or increases in the price of oil, has an impact on the growth of the Indian economy, and government policy may change in response to such conditions. While recent governments have been keen on encouraging private participation in the industrial sector, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Any downturn in the macroeconomic environment in India or in the aluminium and copper sector could adversely affect the price of our shares, our business and results of operations.

66. *If the rate of Indian price inflation increases, our results of operations and financial condition may be adversely affected.*

In 2006, India's wholesale price inflation index indicated an increasing inflation trend compared to recent years. An increase in inflation in India could cause a rise in the price of transportation, wages, raw materials or any other expenses. If this trend continues, we may be unable to reduce our costs or pass our increased costs on to our consumers and our results of operations and financial condition may be adversely affected.

67. *Political, economic and social changes in India could adversely affect our business.*

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our shares, may be affected by changes in the Government's policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect our business.

Since 1991, successive governments have pursued policies of economic liberalisation and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government's policies in the future could affect business and economic conditions in India in general and could also affect our business and industry in particular. In addition, any political instability in India or geo-political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

India has also witnessed civil disturbances in recent years. While these civil disturbances have not directly affected the operations of our project companies, it is possible that future civil unrest, as well as other adverse social, economic and political events in India, could also adversely affect us.

68. *Natural disasters in South Asia and elsewhere could disrupt our operations and cause our business to suffer.*

Our offshore and onsite operations may be impacted by natural disasters such as earthquakes, tsunamis, disease and health epidemics. India has experienced significant natural disasters in recent years such as earthquakes, tsunami, flooding and drought. The extent, location and severity of these natural disasters determines their impact on the Indian economy and our business. Further natural disasters could reduce economic activity in India generally, and adversely affect our business.

69. *Indian laws limit our ability to raise capital outside India and may prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.*

Indian law relating to foreign exchange management constrains our ability to raise capital outside India through the issuance of equity or debt securities.

Foreign investment in, or acquisition of, an Indian company, may require approval from relevant government authorities in India, including the RBI in certain cases. Though currently not applicable to us, a limit on the foreign equity ownership of Indian aluminium manufacturing companies may constrain our ability to seek and obtain additional equity investments by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our Equity Shares.

Further, as an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our existing business requirements or acquisitions and other strategic transactions, and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have an adverse impact on our business growth, financial condition and results of operations.

70. *Terrorist attacks and other acts of violence or war involving India, the United States, the United Kingdom, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.*

Terrorist attacks and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect the Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on our business, our future financial performance.

Risks Associated with Equity Shares

71. *The market value of our Equity Shares may fluctuate due to the volatility of the Indian securities market.*

The Indian securities markets may be more volatile than the securities markets in certain countries. The Indian Stock Exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities.

The Indian Stock Exchanges (including the BSE and NSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included broker defaults and settlement delays. In addition, the governing bodies of the Indian Stock Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

The Securities and Exchange Board of India (“SEBI”) received statutory powers in 1992 to assist it in carrying out its responsibility for improving disclosure and other regulatory standards for the Indian

securities markets. Subsequently, SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider trading and other matters relevant to the Indian securities market. There may, however, be less publicly-available information about Indian companies than is regularly made available by public companies in certain countries.

72. *You will receive the Equity Shares and other instruments that you subscribe for in this Issue within 15 days after the date on which this Issue closes, which will subject you to market risk.*

The Equity Shares you purchase in this Issue will be credited to your demat account with the depository participants within 15 days from the Issue Closing Date. You can commence trading such Equity Shares only after receipt of listing and trading approvals in respect of the Equity Shares. Since our Equity Shares are already listed on the Indian Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares until the date they are listed. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the time frames anticipated.

Notes to risk factors:

1. Net worth of the Company as on March 31, 2008 is Rs. 173,461 million on a consolidated basis.
2. The book value per equity share of the Company on a consolidated basis as of March 31, 2008 is Rs. 140.83.
3. The Company has entered into certain related party transactions, see “Related Party Transactions” beginning on page 146 of this Letter of Offer.
4. The Promoter and promoter group have not undertaken any transactions in Equity Shares of the Company in the past six months. For details of transactions in Equity Shares of the Company by the Directors of Company in the six months preceding the date of this Letter of Offer, see “Capital Structure” beginning on page 28 of this Letter of Offer
5. For details of interests of the Company’s Directors and key managerial personnel, please see “Management” beginning on page 103 of this Letter of Offer.
6. Investors may contact the Lead Managers with any complaints, or for information or clarifications pertaining to the Issue. The Lead Managers are obliged to provide a response to investors.
7. Before making an investment decision in respect of this Issue, investors are advised to review the entire Letter of Offer, please also see “Basis for Issue Price” beginning on page 42 of this Letter of Offer.
8. Please see “Basis of Allotment” beginning on page 293 of this Letter of Offer for details of the basis of allotment.
9. Average cost of acquisition of Equity Shares of our Company by our Promoters is as follows:
 - Birla Group Holdings Private Limited: Rs. 24.32 per Equity Share; and
 - Mr. K.M. Birla: Rs. 21.36 per Equity Share.

The Company and the Lead Managers are obliged to keep this Letter of Offer updated and inform investors in India of any material developments until the listing and trading of the Equity Shares offered under the Issue commences.

SUMMARY

We are one of the leading producers of aluminium and copper in India and the world. Our Indian aluminium production operations are integrated. For the calendar year 2007, we were the sixth largest aluminium producer in Asia and the eleventh largest in the world in terms of volume, according to CRU International Limited's ("CRU") Aluminium Quarterly Industry and Market Outlook, April 2008. On May 15, 2007, we acquired Novelis Inc. ("Novelis"), the world's largest aluminium rolled products producer based on shipping volume. for the calendar year 2007 Through the acquisition of Novelis, our aluminium products business has achieved economies of scale, increased our global reach and given us access to advanced technology critical to our future growth. In our copper production operations, we are a custom smelter and according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008, we own and operate one of the largest single location smelters in the world in Dahej, India. We source a portion of our copper requirements from our copper mines in Australia and also purchase copper concentrate at London Metal Exchange ("LME") linked prices for smelting and refining. We then sell the refined copper and continuous cast rod at LME-linked prices in the domestic and export markets. For the calendar year 2007, we were among the top 10 producers of copper in the world by capacity, according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008.

We are a part of the Aditya Birla Group, which is one of the largest business groups in India. The Aditya Birla Group is a multinational conglomerate and has a history of over 50 years, with a presence in 25 countries. We were incorporated in 1958 and have been listed on the Indian stock exchanges since 1968.

Aluminium

Our Indian aluminium operations are integrated and consist of bauxite mining, alumina refining, smelting and converting primary metal into value-added products. We have dedicated sources of critical raw materials for our Indian operations such as bauxite, power and to a limited extent, coal and have committed supply sources for auxiliary chemicals. Our finished products include alumina produced from our plants that we generally use for our own captive needs, the excess of which we sell to third parties, primary aluminium in the form of ingots, billets and wire rods, value-added products such as rolled products, extrusions, foils and alloy wheels and speciality alumina products used in a range of industries including water treatment chemicals, refractories, ceramics, cryolite, glass, fillers and plastics, conveyor belts and cables, among others. In addition, we manufacture intermediate products required for our own production such as power and carbon anode. Our Indian aluminium operations are located in 10 states and one union territory in India, with three refineries, that are capable of producing 1,160 ktpa of alumina and two smelters that are capable of producing 471 ktpa of aluminium.

On May 15, 2007, we acquired Novelis. Novelis is the world's largest aluminium rolled products producer based on shipping volumes for the calendar year 2007. Novelis is also the largest aluminium rolled products producer in Europe, South America and Asia, and the second largest producer in North for the calendar year 2007 Novelis is also the world leader in recycling used aluminium beverage cans, recycling approximately 36 billion used beverage cans for the financial year 2008. It currently operates in 11 countries and produces aluminium sheet and foil products for customers in high-value markets including automotive, transportation, packaging, construction and printing. Novelis' key customers include Anheuser-Busch Companies, Inc., affiliates of the Ball Corporation, Crown Cork & Seal Company, Inc. and Rexam Plc.

Copper

Our copper operations consist of producing copper (through smelting, refining copper from copper concentrate and converting refined copper cathode into continuous cast rod). We also manufacture precious metals (gold, silver and selenium, which are recovered from the anode slime as by-products), phosphatic

fertilizers and sulphuric acid, which are produced from the by-products generated through the copper manufacturing process. Our custom copper smelting facility comprising of three smelters at Dahej, India, with an installed capacity of 500 ktpa, is one of the largest smelting facilities in the world at a single location according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008. We have suspended the operations of one of such smelters since October 2006, as a result of scarcity of copper concentrate in the international markets and the resulting adverse change in TcRc. Our copper operations are supported by our two copper mines located in Australia, as well as our in-house jetty, power plants and oxygen plants located in the vicinity of our copper smelter in Dahej. We sell refined copper in the form of cathodes and continuous cast rods and also sell precious metals, phosphatic fertilizers, sulphuric acid and other by-products. We believe we enjoy strong brand presence in India and internationally, with two LME listed brands of copper cathodes, namely “Birla Copper” and “Birla Copper II”.

Our Competitive Strengths

We believe that the following are our key competitive strengths:

Low Production Cost and Integrated Operations in India

Given the commoditised nature of our aluminium and copper businesses, cost competitiveness is a key component of profitability. According to business operating cost estimates in CRU’s Primary Aluminium Smelting Costs Report, 2007, our Indian aluminium operations was ranked the second lowest cost producer of aluminium globally, for the calendar year 2006 and our Hirakud and Renukoot facilities are within the 25 percentile of site operating costs for the production of aluminium globally. One of the key components of our low production costs are our integrated aluminium operations in India. Our Indian aluminium operations span the entire value chain and consist of bauxite mining, alumina refining, smelting and converting primary metal into value-added products. We have cost effective access to good quality bauxite from our own mines that are located in close geographic proximity to our refineries, low cost power from our captive power plants, which meet a large part of our power requirements and which are either located in the vicinity of the captive coal mines or for which we have coal linkages, control over supplies of other key raw materials such as caustic soda from subsidiaries and a comprehensive range of value-added products with proximity to end-use markets. Another contributing factor to the low cost of productions is access and use of high quality bauxite, which has high gibbsite and low silica content. This allows us to consume less caustic soda, which is one of the primary cost drivers in the alumina production process. Thus, we enjoy significant cost advantages in the production of aluminium and delivery of quality products. The integrated nature of our Indian aluminium operations also provides us with flexibility to change our product mix to take advantage of market opportunities.

In our copper production operations, we have undertaken a number of innovative initiatives to reduce the cost of production. We have invested in highly advanced technology for our copper smelter at Dahej, which has resulted in reduced energy consumption. We also utilise our own captive power plants to cater to our energy requirements. As a result, we believe our energy costs are low when compared to companies with equal scale of operations. Our copper concentrate requirements are largely sourced through long term contracts and from the copper concentrate from our two mines in Australia which contributes towards raw material availability and cost controls. In order to reduce freight and handling charges, we operate an all season jetty located in the vicinity of our copper smelting facility at Dahej, which has the cargo handling capacity of approximately 4,500 ktpa. We also generate revenue from the production and sale of by-products in our copper production operations. Copper smelting generates sulphuric acid, the disposal of which is generally difficult. We convert this sulphuric acid into phosphatic fertilizers, which has a growing market in India. Copper smelting also generates anode slime, which contains traces of gold, silver and other precious metals, which are processed in our in-house precious metal refinery.

Access to High-End Technology

Novelis is a world leader in aluminium rolling products technology. Novelis has developed patented Novelis Fusion™ technology, where customers can benefit from superior characteristics. This technology allows us to produce a high quality ingot with a core of one aluminium alloy, combined with one or more layers of different aluminium alloys. The ingot can then be rolled into a sheet product with different properties on the inside and the outside, allowing for what we believe to be previously unattainable performance for flat rolled products and creating an opportunity for new applications as well as improved performance. Development of technology similar to Novelis Fusion™ has high entry barriers and we are ideally positioned to capitalise on this technology. We also intend to introduce products based on this technology into the Indian market, allowing us to increase our market share for value-added products. In addition, we have made significant investments in technology to improve our competitive advantage in the businesses we operate in. For example, we have implemented the new Gami technology at our Hirakud aluminium smelter which has made the smelter more efficient and we have used technology from Outokompu, Ausmelt and Mitsubishi Materials Corporation for our copper smelter in Dahej to reduce our power requirements and improve operating efficiencies. As a result of our technology initiatives, we believe our manufacturing process is streamlined in terms of efficiency and in terms of providing our customers with quality products.

Leading Industry Position

We are one of the leading producers of aluminium and copper in India and the world. According to CRU's Industry and Market Outlook – April 2008, we were the leading producer of primary aluminium in India for the calendar year 2007. Our Indian aluminium operations are integrated. For the calendar year 2007, we were the sixth largest aluminium producer in Asia and the eleventh largest in the world in terms of volume, according to CRU's Aluminium Quarterly Industry and Market Outlook, April 2008. Through the acquisition of Novelis, we are now the world's leading aluminium rolled products producer based on shipment volume in the calendar year 2007. Our aluminium rolled products operations are based in four continents, comprising 32 operating plants, one research facility and several market-focused innovation centres in 11 countries, as of June 30, 2008. In our copper business, we are a custom smelter and according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008, we own and operate one of the largest single location smelters in the world in Dahej, India and for the calendar year 2007, we were among the top 10 producers of copper in the world by capacity.

Market Strength in India

We were the leading aluminium producer in India, with a 42% market share, excluding imports for the financial year 2008. Our share of the Indian aluminium market, including imports, is 27% for the financial year 2008. We have a dominant position in flat rolled aluminium products with a market share of 56% for the financial year 2008. In the highly fragmented aluminium extrusions business, with low entry barriers, our market share is approximately 20% for the financial year 2008. (*Source: Aluminium Association of India*)

Our strength in aluminium products differentiates us from our competition. Over 53% of the Company's sales came from value-added products in the financial year 2008. This is in line with our "market grower philosophy". As a result, many new applications have been brought into the Indian market by the Company including branded roofing sheets, branded kitchen foils and wheels, and input material for bicycles and railway wagons. The Company also has an initiative called "The Aluminium Gallery" which provides a platform for its small customers to showcase their products to their consumers. These initiatives position the Company to undertake "first mover advantage" in the market.

Following the acquisition of Novelis, we intend to grow our range of value-added aluminium products in India. The largest application in flat rolled products worldwide is can-stock, which is used to manufacture aluminium beverage cans. We also intend to develop high grade lithographic sheets and automotive sheets in future.

Adequate Supplies of Bauxite and Other Key Raw Materials

Bauxite. India has sizeable deposits of bauxite. According to Brook Hunt – Bauxite and Alumina Costs to 2013, Summary and Analysis, 2006, India is home to the sixth largest bauxite deposit in the world with a reserve base of 2.20 billion tons. Indian bauxite is of superior quality generally and is largely located on a single plateau, thus making bulk mining possible and resulting in significant cost advantages in the production of alumina and aluminium. As of March 31, 2008, our bauxite deposits under existing leases had 112.00 million tons of proven and 192.00 million tons of probable reserves. We have applied for mining leases for 177.00 million tons of bauxite in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh. Based on our current requirements as well as our proposed expansion, we expect our total Reserves including the above mentioned applied leases to last for more than 20, 40 and 30 years, respectively, for our Muri, Renukoot and Belgaum refineries.

Caustic Soda. Caustic soda is a key raw material used to dissolve the bauxite in the alumina refining process. The caustic soda requirement varies significantly depending on the quality of bauxite and technology employed. During the financial year 2008, we sourced approximately half of our caustic soda requirements from our subsidiary, Bihar Caustic and Chemicals Limited.

Coal. Coal is the principal raw material for our captive power plants. We source the majority of our coal requirements for Renusagar from the northern coalfields and central coalfields of Coal India Limited, which are 8 kilometres and 300 kilometres away from Renusagar, respectively. The coal requirements for the Hirakud power plant are met by supplies from the Talabira coalfields which are leased from the Government of Orissa, and are approximately 45 kilometres away from Hirakud. We expect that our coal requirements will increase to a total of 7.20 million tons per year for our Renusagar and Hirakud plants after taking into consideration the recent commissioning of the additional 100 megawatt unit at Hirakud. As of March 31, 2008, based on our management estimates, our total coal Reserves were 232.00 million tons which comprised of proven Reserves of 60.00 million tons and probable and possible Reserves of 172.00 million tons. These reserves are expected to supply coal to our power plants at Hirakud and Renusagar as well as our greenfield projects for the next 20 years.

Copper Concentrate. Aditya Birla Minerals Limited, our 51% held subsidiary, holds mining and prospecting licence area for two copper mines in Australia through its wholly owned subsidiaries, Birla Nifty Pty Limited and Birla Mount Gordon Pty Limited. As of March 31, 2008, based on Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geo Scientists and Minerals Council of Australia, (more commonly referred to as JORC), compliant internal management estimates, we had 32.20 million tons of reserves at an average copper grade of 2.2% which contained proven reserves of 23.70 million tons at an average copper grade of 2.4% and probable reserves of 8.50 million tons at an average copper grade of 1.6% in possible reserves. During the financial year 2008, approximately 26% of our copper concentrate came from these two Australian mines.

As a result, we believe we are strategically placed for our critical raw material requirements over the long term.

Ideally Positioned to Capitalise on Asia's Growth

We are one of the leading producers of aluminium and copper in India and the world. Our custom copper smelting facility at Dahej, India has an installed capacity of 500 ktpa. Our Indian aluminium operations are

capable of producing 1,160 ktpa of alumina and 471 ktpa of aluminium. We are in close proximity to other growing economies of China, South-east Asia and the Middle East where demand for aluminium and copper has continued to be high. The freight cost advantages we enjoy in these markets because of our geographic proximity gives us a significant competitive advantage over a number of our competitors.

We expect to benefit from India's economic growth and proximity to other growing economies. India, with a 9% increase in real gross domestic product from the financial year 2007 to 2008, according to the RBI, is one of the fastest growing major economies in the world, with significant growth in industrial production and investments in infrastructure. We believe demand for aluminium products will continue to increase during the next several years, particularly in Asia, with the high growth markets being India and China. We also believe the Indian government's initiative to significantly increase power generation capacity in the next few years will continue to sustain the demand for aluminium in India, as high voltage electricity is transmitted through aluminium cables. In the domestic copper market, the rising living standards and the strong growth in the electrical and power industry, automobiles and infrastructure projects have sustained the demand for copper.

Therefore, given the leading position we have in the market and the competitive advantages we enjoy, we believe we are ideally placed to capitalise on the growth opportunities in India and the neighbouring economies.

Operations and Customer Base across Various Geographies and the Value Chain

Through the acquisition of Novelis, we have been able to further diversify our product offerings and geographic reach. Our product offerings extended from production of primary aluminium to flat rolled products with end-use application in North America, Europe, Asia and South America. We also have a widespread customer base in 12 countries across Asia, North America, South America and Europe, in industries such as automobiles, construction, packaging, power and consumer products. Some of our customers include Anheuser-Busch Companies, Inc., various bottlers of the Coca-Cola System, Ford Motor Company and affiliates of the Ball Corporation. We believe that the barriers of entry are high for new competitors in the aluminium rolled products business as a result of the long term customer relationships and technology know-how.

Experienced Management Team and Skilled Employee Base

Our management team includes some of the most experienced managers in the aluminium and copper industries. In addition, subsequent to the Novelis acquisition, we have managed to retain almost all of the key executive officers and skilled employees of Novelis and thereby continue to enjoy the benefits of their skills and expertise, contributing significantly to our integration efforts. Most of our senior management team have over two decades experience in their respective industries and have been instrumental in our growth. We believe that our management team is well placed to provide strategic leadership and direction to explore new emerging opportunities in these sectors as well as constantly improve our current operations. We have witnessed low attrition of key management personnel and have also recruited several professionals with domain expertise in critical areas. We believe our management provides us with a significant competitive edge. As of March 31, 2008, we have 19,667 and 13,222 employees in and outside India, respectively.

Our Strategy

We have a vision to be one of the top five aluminium companies in the world. To implement this vision, we follow the following strategies:

Increasing our Capacities in our Aluminium Business through Greenfield and Brownfield Projects

We intend to continue increasing our production capacities in our aluminium business through the construction of new facilities. We believe that increasing our capacities is critical to enable us to continue to capitalise upon the growing demand for metals in India and internationally, particularly in China and Southeast Asia. We seek to implement our expansion projects with speed and with efficient capital costs in order to generate a high internal rate of return on the projects.

We are currently in the process of expanding the production capacities of our refinery in Muri and our smelter in Hirakud and are in the process of constructing two alumina refineries in Orissa with capacities of 1,500 ktpa each and intend to build three aluminium smelters of capacities of 359 ktpa each, in Orissa, Madhya Pradesh and Jharkhand. By the end of 2015, we expect to increase our domestic aluminium capacity from 471 ktpa to 1,597 ktpa, and our alumina refining capacity from 1,160 ktpa to 4,800 ktpa.

Enhance Our Position as the Leading Manufacturer of Aluminium

To enhance our industry leading position, we implement the following key structures: integrated business model, control over key raw materials, locational advantages, economies of scale, implementation of superior technology and optimal mix of products.

In our Indian aluminium business, we intend to improve our efficiency by upgrading our technology as well as by continuing to expand our aluminium operations in an integrated manner. We develop our facilities in regions close to raw material sources, low cost and available labour and demand markets. This helps in reducing costs and improving profit margins. The technology upgrade will increase the utilisation rates at our plants and will improve efficiency in recovering more alumina from the bauxite we procure. We have implemented cost saving measures that have made us competitive in the past, such as operating our own coal and bauxite mines, keeping our refineries and our power plants in close geographic proximity to our mines to save on transportation costs and maintaining control over supplies of other key raw materials. We have also been able to utilise by-products generated from copper smelting to supplement our copper production business. Continuing to reduce our operational costs will also allow us to explore entering into new markets, grow our business and enable us to attain economies of scale.

We believe implementation of superior technology not only reduces costs but also provides superior and customised products, thus, improving our sales. We are currently developing greenfield projects with superior technology.

Through the acquisition of Novelis, we have been successful in diversifying into rolled and other value-added products. This has helped us reduce the volatility in our results of operations. We intend to continue seeking acquisition targets to enhance our mix of products in global markets. We also intend to synergise our integrated Indian aluminium operations and our international aluminium rolled products business by augmenting our Indian production facilities and introducing Novelis' aluminium rolled products in the Asian markets.

Focus on Capitalising on Asia's Growth

We benefit from being in close proximity to the growing economies of China, South-east Asia and the Middle East and having operations in India. These regions are witnessing significant and growing demand for aluminium and copper. We intend to capitalise on our position in the aluminium market and exploit our geographic proximity to the significant and high growth markets of India and China.

According to the CRU, notwithstanding the rise in aluminium production and capacities in Asia, aluminium supplies have lagged behind demand, resulting in a supply deficit of 3.22 million tons during the calendar

year 2007. During this period, apart from China and the Middle East, the rest of Asia witnessed a deficit of 4.46 million tons of primary aluminium. Additionally, given expectations of continued strong growth in China and other Asian markets, the deficit in the Asian region is expected to continue.

India's consumption growth is expected to increase as the infrastructure industry continues to grow in the country. Given that China does not have access to good quality bauxite and the Chinese government's policy of not providing incentives for manufacturing aluminium, we believe that China will become a net importer of primary aluminium in the near future. We believe we are ideally positioned to capitalise on supplying the region's aluminium needs and intend to concentrate our attentions on this market.

Leverage our Acquisition of Novelis

Novelis is the world's leading aluminium rolled products producer based on shipment volume for the calendar year 2007. Through the acquisition, we now produce aluminium sheet and light gauge products where the end-use destination of the products includes construction and industrial uses, beverage and food cans, foil products and automobiles. We have aluminium rolled products operations in 11 countries and several market focussed innovation centres, across North America, South America, Asia, and Europe, through 32 operating plants and one research facility.

The acquisition of Novelis has further strengthened our integrated business model and has transformed our business from being a low cost Indian aluminium producer to one of the leading global integrated metal companies with high end aluminium rolled products capabilities. Novelis has an established and well diversified geographical market base along with long standing relationships with clients that we intend to continue to exploit. We look to enhancing the range of products offered by Novelis in order to maximise on its core competencies in the aluminium rolled products market, particularly in high demand countries. We intend to launch a number of Novelis' value-added products in the Indian market by capitalising on Novelis' operations, leading position, experienced manpower, access to technology and know-how. Further, the addition of Novelis business reduces our exposure to movements in the LME price for aluminium due to pass through aluminium prices for its products.

Continue to Improve on Our Low Cost Operations

One of our key strengths is the low cost of production in India. We recognise that the commoditised nature of our aluminium and copper businesses warrants reduced production costs in order to maximise profitability. We intend to continue to focus on reducing our costs through a variety of measures.

Bauxite. We are focused on achieving adequate and secure supplies of superior bauxite and seek to acquire or lease bauxite mines. We have been allotted mines with Reserves of 197 million tons of bauxite. In addition, to supplement our existing mineral reserves, we have made applications to various state governments to lease 177 million tons (including a mine allocated for one of our greenfield expansion projects, which has Reserves of 91 million tons, for which we have not yet received environmental approval) of bauxite Reserves in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh.

Copper Concentrate. We plan to increase sourcing of copper concentrate through captive mines and long term contracts. We have captive supplies for our copper smelters of about 26% of our current production requirements and we intend to extend the life of mines through further regional exploration, thus, ensuring long term supplies and reducing exposure to the volatilities of the TcRc charges on spot. We also plan to enter into long term contracts from third party suppliers thus reducing exposure to spot prices.

Coal - Coal is the principal raw material for our captive power plants. We source the majority of our coal requirements for our Renuagar plant from the northern coalfields and central coalfields of Coal India Limited. The coal requirements for the Hirakud power plant is met by supplies from the Talabira coalfields

which are leased from the Government of Orissa. We expect that our coal requirements will increase to a total of 7.20 million tons per year for our Renusagar and Hirakud facilities after taking into consideration the recent commissioning of the additional 100 megawatt unit at Hirakud. As of March 31, 2008, based on our management estimates, our total coal Reserves were 232.00 million tons which comprised of proven Reserves of 60.00 million tons and probable and possible coal Reserves of 172.00 million tons. These reserves are expected to supply coal to our power plants at Hirakud and Renusagar for the next 20 years. We will continue to explore innovative means to further reduce our cost of operations in order to improve margins.

Continue to Invest in High-End Technology

One of the key components in maximising profitability is ensuring that we are efficient in our manufacturing processes. Technology plays a crucial role in reducing the amount and consequently, the costs of energy consumption in the manufacturing processes. Reducing energy usage also means that we use lesser raw materials for generating energy. In order to maintain the competitiveness of our business, we need to keep pace with these technological developments and for this purpose we have three research and development centres that are constantly looking at ways and means through which we can improve recovery and reduce consumption of raw material and energy. We incurred revenue expenditure of Rs. 1,887.78 million during the financial year 2008 for research and development. In addition to the advantages in the manufacturing process, advances in technology in the product development stage are also significant. For example, we use the Novelis FusionTM technology to manufacture superior products. We will continue to invest in technology across the value chain to remain competitive and to maintain our leadership position.

THE ISSUE

Equity Shares proposed to be issued by the Company	525,802,403 Equity Shares
Rights Entitlement for Equity Shares	Three Equity Shares for every seven Equity Shares held on the Record Date
Record Date	September 5, 2008
Issue Price per Equity Share	Rs. 96
Equity Shares outstanding prior to the Issue	1,226,872,273 Equity Shares
Equity Shares outstanding after the Issue	1,752,674,676 Equity Shares
Terms of the Issue	For more information, see “Terms of Issue” on page 282 of this Letter of Offer.
Terms of Payment	100% on application
Use of Issue Proceeds	For further information, please refer to “Objects of the Issue” beginning on page 39 of this Letter of Offer

SELECTED FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for the fiscal year ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004. Our restated consolidated financial statements have been prepared in accordance with Indian GAAP and the SEBI DIP Guidelines and are presented in the section titled “Financial Statements” beginning on page 147 of this Letter of Offer. The summary financial information presented below should be read in conjunction with restated consolidated financial statements, the notes thereto and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 150 of this Letter of Offer. Indian GAAP differs in certain significant respects from US GAAP. For a narrative summary of these differences, see the section titled ‘Summary of Significant Differences between Indian GAAP and US GAAP’ on page 177 of this Letter of Offer.

Summary Statement of Consolidated Profits and Losses, as restated

(in Rs. million)

	For the year ended 31st March,				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Income:					
Net Sales	596,962.99	190,674.40	118,159.31	99,955.78	79,319.21
Operating Revenues	3,165.24	3,090.77	1,795.48	3,136.35	3,209.89
Net Sales and Operating Revenues	600,128.23	193,765.17	119,954.79	103,092.13	82,529.10
Other Income	6,560.33	4,090.63	2,805.44	2,778.83	2,795.21
	606,688.56	197,855.80	122,760.23	105,870.96	85,324.31
Expenditure:					
(Increase)/ Decrease in Stocks	(1,457.20)	(4,501.25)	(10,111.91)	(2,242.07)	(779.19)
Trade Purchases	357.55	233.69	211.62	182.22	8.42
Consumption of Raw Materials	404,429.80	113,912.92	68,398.03	48,482.82	36,621.16
Employees Cost	43,415.20	5,715.71	5,028.16	4,850.43	4,475.17
Power and Fuel	31,166.81	18,584.94	18,011.41	15,546.73	13,183.88
Other Expenditure	56,178.13	15,017.66	11,428.16	10,849.03	9,496.89
Interest and Finance Charges	18,490.97	3,134.70	3,013.69	2,159.12	2,345.64
Depreciation	24,827.78	7,793.13	7,914.85	6,324.93	5,140.34
Impairment	54.73	852.40	44.54	-	-
	577,463.77	160,743.90	103,938.55	86,153.20	70,492.31
Profit before Tax and Exceptional Items	29,224.79	37,111.90	18,821.68	19,717.76	14,832.00
Exceptional Items (Net)	-	-	7.50	100.33	10.04
Profit before Tax and Minority Interest	29,224.79	37,111.90	18,814.18	19,617.43	14,821.96
Provision for Current Tax	9,632.40	10,101.60	2,795.71	5,849.76	3,239.07
Provision for Deferred Tax	2,027.40	(478.46)	979.74	93.44	1,637.73
Provision for Fringe Benefit Tax	122.63	120.71	108.54	-	-

	For the year ended 31st March,				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Profit before Minority Interest	17,442.36	27,368.05	14,930.19	13,674.23	9,945.16
Minority Interest	2,160.61	135.79	120.61	110.11	39.70
Share in (Profit)/ Loss of Associates (Net)	(997.88)	11.54	-	-	-
Net Profit	16,279.63	27,220.72	14,809.58	13,564.12	9,905.46

Summary Statement of Consolidated Assets and Liabilities, as restated

(in Rs. million)

	As at 31st March,				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
A. Fixed Assets					
Gross Block	418,687.70	142,422.69	134,290.81	109,451.02	102,549.50
Less : Depreciation	72,372.13	48,449.36	44,957.73	38,065.60	30,412.75
Less : Impairment	1,677.88	1,896.21	1,043.81	999.27	-
Net Block	344,637.69	92,077.12	88,289.27	70,386.15	72,136.75
Capital Work-in-Progress	24,571.14	19,169.47	10,402.80	16,386.94	7,115.58
	369,208.83	111,246.59	98,692.07	86,773.09	79,252.33
B. Investments	140,076.46	78,741.41	31,632.07	29,558.16	18,655.27
C. Current Assets, Loans and Advances					
Inventories	111,108.64	48,123.25	44,975.37	26,970.41	17,033.69
Sundry Debtors	67,173.76	15,485.21	13,056.55	8,404.44	7,517.35
Cash and Bank Balances	17,168.72	10,344.65	10,423.42	4,730.47	2,831.20
Loans and Advances	18,587.13	11,512.23	7,880.90	8,989.22	9,779.16
Other Current Assets	703.89	1,219.76	1,926.37	1,288.28	443.56
	214,742.14	86,685.10	78,262.61	50,382.82	37,604.96
	724,027.43	276,673.10	208,586.75	166,714.07	135,512.56
Less:					
D. Liabilities, Provisions and Minority Interest					
Secured Loans	109,030.01	72,589.06	31,178.07	32,310.15	24,385.11
Unsecured Loans	214,494.32	11,840.34	31,531.02	16,933.96	12,801.07
Deferred Tax Liability (Net)	39,350.52	11,629.59	12,238.83	11,318.26	11,941.93
Current Liabilities and Provisions	172,179.55	38,458.96	33,458.28	22,695.69	9,776.70
Minority Interest	16,153.62	8,502.65	1,309.71	857.73	932.11
	551,208.02	143,020.60	109,715.91	84,115.79	59,836.92
Net Worth	172,819.41	133,652.50	98,870.84	82,598.28	75,675.64
Net Worth Represented by:					
Share Capital	1,226.48	1,043.25	1,473.76	1,415.87	1,412.87
Share Capital Suspense	4.07	-	-	-	-
Share Warrants	1,390.96	-	-	-	-
Reserves and Surplus (Net of Miscellaneous Expenditure)	170,197.90	132,609.25	97,397.08	81,182.41	74,262.77
	172,819.41	133,652.50	98,870.84	82,598.28	75,675.64

Statement of Consolidated Cash Flow, as restated

(in Rs. million)

	For the year ended 31st March				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash Flow from Operating Activities:					
Profit before Tax and Minority Interest	29,224.79	37,111.90	18,814.18	19,617.43	14,821.96
Adjustment For:					
Interest and Finance Charges	18,490.97	3,134.70	3,013.69	2,208.47	2,185.87
Depreciation	24,827.78	7,793.13	7,914.85	6,324.93	5,140.34
Impairment	54.73	852.40	44.54	-	-
Unrealised Exchange (Gain)/ Loss (Net)	164.98	957.00	23.09	41.51	(120.21)
Employees Stock Option Provisions/ Provisions written-back (Net)	24.55	-	-	-	-
Miscellaneous Expenditure written-off	(519.13)	(17.23)	(1,475.57)	759.40	112.74
Write-off and amortization of fair value adjustments	50.48	51.27	67.93	64.37	85.89
Impact of Foreign Exchange translation (Net)	(9,482.08)	-	-	-	-
	(1,332.32)	-	-	-	-
Investing Activities (Net)	<u>(6,029.93)</u>	<u>(3,867.19)</u>	<u>(2,495.64)</u>	<u>(2,786.64)</u>	<u>(2,535.62)</u>
Operating Profit before Working Capital changes	55,474.82	46,015.98	25,907.07	26,229.47	19,690.97
Change in Working Capital:					
Inventories	3,456.88	(3,149.38)	(18,037.33)	(9,925.91)	(2,501.81)
Trade and other Receivables	8,104.16	(4,192.16)	(7,664.47)	(2,834.46)	(2,981.93)
Trade Payables	<u>(3,665.99)</u>	<u>1,353.65</u>	<u>14,989.37</u>	<u>5,223.26</u>	<u>2,933.54</u>
Cash generation from Operation	63,369.87	40,028.09	15,194.64	18,692.36	17,140.77
Payment of Miscellaneous Expenditure	(17.12)	(14.34)	(31.65)	(89.67)	(70.84)
Payment of Direct Taxes	<u>(9,353.60)</u>	<u>(5,898.98)</u>	<u>(3,059.45)</u>	<u>580.04</u>	<u>(2,025.32)</u>
Net Cash generated/ (used) - Operating Activities	<u>53,999.15</u>	<u>34,114.77</u>	<u>12,103.54</u>	<u>19,182.73</u>	<u>15,044.61</u>
Cash Flow from Investing Activities:					
Purchase of Fixed Assets	(27,857.47)	(28,664.10)	(27,225.45)	(17,756.69)	(12,175.11)
Sale of Fixed Assets	350.93	6,903.38	7,755.97	685.14	91.54
Acquisitions of Business/ Subsidiaries	(139,024.65)	-	(2.29)	(739.98)	(85.72)
Purchase/ Sale of Investments (Net)	(21,502.67)	(45,817.79)	(1,422.19)	(9,977.19)	(5,304.49)
Interest Received	2,362.89	1,787.88	403.85	1,258.73	1,077.65

	For the year ended 31st March				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Dividend Received	<u>4,947.04</u>	<u>2,427.12</u>	<u>1,108.97</u>	<u>833.47</u>	<u>636.52</u>
Net Cash generated/ (used) - Investing Activities	<u>(180,723.93)</u>	<u>(63,363.51)</u>	<u>(19,381.14)</u>	<u>(25,696.52)</u>	<u>(15,759.61)</u>
Cash Flow from Financing Activities:					
Proceeds from Shares issued (Net of Expenses)	25,242.05	18,039.52	5,512.77	97.32	103.81
Proceeds from State Capital Subsidy	-	-	21.57	-	-
Proceeds/ Repayments of Long Term Borrowings (Net)	126,162.28	32,997.57	787.66	12,304.38	(90.77)
Proceeds/ Repayments of Short Term Borrowings (Net)	960.36	(10,976.84)	11,910.15	(68.23)	3,963.42
Interest and Finance Charges	(23,118.06)	(6,505.50)	(3,169.19)	(2,189.53)	(2,257.75)
Dividend Paid (including Dividend Tax)	<u>(101.31)</u>	<u>(4,523.57)</u>	<u>(2,126.96)</u>	<u>(1,733.11)</u>	<u>(1,410.17)</u>
Net Cash generated/ (used) - Financing Activities	<u>129,145.32</u>	<u>29,031.18</u>	<u>12,936.00</u>	<u>8,410.83</u>	<u>308.54</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	2,420.53	(217.56)	5,658.40	1,897.04	(406.46)
Add: Opening Cash and Cash Equivalents	10,101.39	10,325.45	4,667.05	2,770.01	3,176.47
Add: Cash and Cash Equivalents taken over on acquisition	4,063.79	0.20	-	-	-
Add: Adjustment for change in holding in a Joint Venture	(25.86)	(6.70)	-	-	-
Add: Exchange variation on Cash and Cash Equivalents	<u>532.22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing Cash and Cash Equivalents	<u>17,092.07</u>	<u>10,101.39</u>	<u>10,325.45</u>	<u>4,667.05</u>	<u>2,770.01</u>

Notes:

1. Closing cash & cash equivalents represents Cash and Bank Balances except Rs. 76.65 million, 243.26 million, 97.97 million, 63.42 million and 61.19 million for FY 2007-08, 2006-07, 2005-06, 2004-05 and 2003-04 respectively lying in designated account with schedule 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/ restated wherever necessary.

RECENT DEVELOPMENTS

Our Company

On July 28, 2008, we published our unaudited unconsolidated (standalone) selected interim financial results for the quarter ended June 30, 2008. Our financial statements are prepared under generally accepted accounting principles in India. Our subsidiaries and associates are accounted for on a cost basis in our standalone financial statements, as a result our other income includes subsidiary income only to the extent dividends are paid to us. See our unaudited unconsolidated (standalone) financial statements as of and for the quarters ended June 30, 2008 and 2007, beginning on page F-64 of this Letter of Offer.

We provide below our published* unaudited unconsolidated (standalone) selected interim financial results:

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2008

(Rs. in million)

	Quarter ended June 30, 2008 (Unaudited)	Quarter ended June 30, 2007 (Unaudited)	Year ended March 31, 2008 (Audited)
Net Sales and Operating Revenues	46,475.30	46,851.40	192,010.30
Other Income	2,146.60	1,246.20	4,929.40
Total Income	48,621.90	48,097.60	196,939.70
Expenditure:			
(Increase) / Decrease in Stock	(2,491.10)	(2,307.10)	(1,370.30)
Consumption of Raw Materials	29,432.60	31,179.70	120,517.20
Purchase of Traded Goods	33.80	75.00	925.20
Employees Cost	1,493.90	1,336.50	6,212.20
Power and Fuel	5,543.60	4,237.30	19,108.30
Depreciation	1,568.00	1,437.50	5,878.10
Other Expenditure	2,972.10	3,519.00	12,606.60
Interest and Finance Charges	761.20	562.60	2,806.30
Profit Before Tax	9,307.80	8,057.10	30,256.10
Tax Expenses:	2,340.20	2,070.90	1,646.70
Current Year	2,340.20	2,070.90	7,053.40
Adjustment for Earlier Years (Net)	-	-	(5,406.70)
Net Profit	6,967.60	5,986.20	28,609.40
Paid-up Equity Share Capital (Face Value : Re. 1 per Share)	1,226.50	1,111.00	1,226.50
Reserves	-	-	171,736.60
Earning Per Share (EPS)			
Basic EPS (Rs.)	5.68	5.42	24.51
Diluted EPS (Rs.)	5.66	5.42	24.38
Basic EPS before Tax adjustment for earlier years (Rs.)	5.68	5.42	19.88
Diluted EPS before Tax adjustment for earlier years (Rs.)	5.66	5.42	19.77
Public Shareholding:			
Number of Shares	710,603,311	690,730,778	706,799,806
Percentage of shareholding	57.91%	56.29%	57.60%

*The actual figures in Rupees crores with one decimal point have been converted into Rupees million with two decimal point by the multiplying with ten

SEGMENT-WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. in million)

	Quarter ended June 30, 2008 (Unaudited)	Quarter ended June 30, 2007 (Unaudited)	Year ended March 31, 2008 (Audited)
1. Segment Revenue:			
(a) Aluminium	19,430.00	17,609.70	71,449.40
(b) Copper	27,065.70	29,261.80	120,655.10
	46,495.70	46,871.50	192,104.50
Less: Inter Segment Revenue	(20.40)	(20.10)	(94.20)
Net Sales & Operating Revenues	46,475.30	46,851.40	192,010.30

	Quarter ended June 30, 2008 (Unaudited)	Quarter ended June 30, 2007 (Unaudited)	Year ended March 31, 2008 (Audited)
2. Segment Results:			
(a) Aluminium	7,503.50	6,382.50	24,231.00
(b) Copper	743.30	1,123.10	5,033.60
	8,246.80	7,505.60	29,264.60
Less: Interest & Finance Charges	(761.20)	(562.60)	(2,806.30)
	7,485.60	6,943.00	26,458.30
Add: Other un-allocable Income net of un-allocable expenses	1,822.20	1,114.10	3,797.80
Profit before Tax	9,307.80	8,057.10	30,256.10
3. Capital Employed			
(a) Aluminium	82,164.80	75,481.90	80,082.70
(b) Copper	57,136.20	57,947.80	53,967.20
	139,301.00	133,429.70	134,049.90
Un-allocable / Corporate	143,069.50	104,974.60	136,830.80
Total Capital Employed	282,370.50	238,404.30	270,880.70

Notes:

- The Directors have approved the issue of equity shares for an amount not exceeding Rs. 50,000.00 million** to existing shareholders on rights basis. The proceeds of the rights issue will be utilized to refinance bridge loan of U.S.\$ 3.03 billion taken for the purpose of acquisition of Novelis.
- The Company raised Rs. 22,202.50 million from a rights issue in January 2006. The issue was made to part finance various brownfield and greenfield projects.

The brownfield expansions of Muri Alumina and Hirakud Aluminum are in the final stages of commissioning. However the Belgaum Alumina project could not be started due to non-allotment of bauxite mines. The greenfield projects namely Aditya Aluminium and Utkal Alumina are at various stages of implementation but have been delayed due to delay in securing regulatory approvals.

The proceeds of the rights issue aggregating to Rs. 22,202.50 million have been utilized for the purpose of defraying issue related expenses of Rs. 366.00 million and subscription to shares of a subsidiary company to the extent of Rs. 4,787.50 million while the balance amount is temporarily invested in short term liquid securities.

- In pursuance of announcement dated March 29, 2008 of the Institute of Chartered Accountants of India on Accounting for Derivatives, mark to market losses on outstanding derivative instruments as on June 30, 2008 stood at Rs. 1,151.90 million, 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 taking steps for early adoption of 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.
- Disclosure relating to number of complaints from investors during quarter –

Pending as on April 1, 2008	Received	Resolved	Pending as on June 30, 2008
0	27	27	0

- Figures of previous periods have been regrouped wherever found necessary.
- Figures of corresponding quarter of previous year have been recast to reflect effect of amalgamation of Indian Aluminium Company Limited effective April 1, 2007.
- The above results have been reviewed by the Audit Committee and have been taken on record at the meeting of the Board of Directors held on Monday, July 28, 2008. Limited review has been carried out by the statutory auditors of the Company as per clause 41 of the listing agreement with Stock Exchanges.

** Please see section titled “Statutory and Other Information – Authority for the Issue” on page 267 of this Letter of Offer.

For stock market data for Equity Shares, see section titled “Stock Market Data for Equity Shares of our Company” on page 148 of this Letter of Offer.

Novelis

On August 14, 2008, Novelis filed its unaudited consolidated interim financial results for the quarter ended June 30, 2008 on Form 10-Q with the United States Securities Exchange Commission. Novelis' financial statements are prepared under generally accepted accounting principles in the United States. See Novelis' consolidated financial statements as of and for the quarters ended June 30, 2008 and 2007, beginning on page F-241 of this Letter of Offer.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

(U.S.\$ in million)

	Three months ended June 30, 2008	May 16, 2007 Through June 30, 2007 (Restated)	April 1, 2007 Through May 15, 2007
Net sales	3,103	1,547	1,281
Cost of goods sold (exclusive of depreciation and amortization shown below)	2,831	1,436	1,205
Selling, general and administrative expenses	84	42	95
Depreciation and amortization	116	53	28
Research and development expenses	12	13	6
Interest expense and amortization of debt issuance costs - net	40	25	26
(Gain) loss on change in fair value of derivative instruments - net	(66)	(14)	(20)
Equity in net (income) loss of non-consolidated affiliates....	2	1	(1)
Sale transaction fees	-	-	32
Other (income) expenses - net	22	11	4
	3,041	1,567	1,375
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	62	(20)	(94)
Provision (benefit) for taxes on income (loss)	35	27	4
Income (loss) before minority interests' share	27	(47)	(98)
Minority interests' share	(2)	2	1
Net income (loss)	25	(45)	(97)
Other comprehensive income (loss) - net of tax Currency translation adjustment	10	(2)	35
Change in fair value of effective portion of hedges - net....	11	1	(1)
Amortization of net actuarial loss for postretirement benefit plans	-	-	(1)
Other comprehensive income (loss) - net of tax	21	(1)	33
Comprehensive income (loss)	46	(46)	(64)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in million, except number of shares)

	As of	
	June 30, 2008	March 31, 2008 (Restated)
ASSETS		
Current Assets		
Cash and cash equivalents	296	326
Accounts receivable (net of allowances of \$1 as of June 30, 2008 and March 31, 2008)		
Third parties	1,577	1,248
Related parties	27	31
Inventories	1,577	1,455
Prepaid expenses and other current assets	86	58
Current portion of fair value of derivative instruments	198	203
Deferred income tax assets	111	125
Total current assets	3,872	3,446
Property, plant and equipment – net	3,253	3,357

	As of	
	June 30, 2008	March 31, 2008 (Restated)
Goodwill	1,868	1,869
Intangible assets – net	868	888
Investment in and advances to non-consolidated affiliates	938	946
Fair value of derivative instruments – net of current portion	32	21
Deferred income tax assets	9	12
Other long-term assets		
Third parties	92	102
Related parties	37	41
Total assets	10,969	10,682
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long-term debt	14	15
Short-term borrowings	430	115
Accounts payable		
Third parties	1,613	1,582
Related parties	61	55
Accrued expenses and other current liabilities	805	850
Deferred income tax liabilities	46	39
Total current liabilities	2,969	2,656
Long-term debt – net of current portion	2,553	2,560
Deferred income tax liabilities	695	701
Accrued postretirement benefits	435	421
Other long-term liabilities	599	672
	7,251	7,010
Commitments and contingencies		
Minority interests in equity of consolidated affiliates	149	149
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 77,459,658 shares issued and outstanding as of June 30, 2008 and March 31, 2008	-	-
Additional paid-in capital	3,497	3,497
Retained earnings (Accumulated deficit)	5	(20)
Accumulated other comprehensive income (loss)	67	46
Total shareholder's equity	3,569	3,523
Total liabilities and shareholder's equity	10,969	10,682

Restatement. Novelis has restated its consolidated financial statements as of March 31, 2008 and for the period from May 16, 2007 through March 31, 2008 to reflect non-cash accounting adjustments to correct errors in its application of purchase accounting for an equity method investment which led to a misstatement of its provision for income taxes during the period it was finalizing its purchase accounting. Novelis has also included in the appropriate periods in its restated consolidated financial statements other miscellaneous adjustments that were previously identified but deemed not to be material by management, either individually or in the aggregate, and therefore were corrected in the period in which they were identified. See “Note 2 — Restatement of Financial Statements” in Novelis’ Consolidated and Combined Financial Statements beginning on page F-139 of this Letter of Offer.

Evaluation of Disclosure Controls and Procedures. Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that the information Novelis is required to disclose in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (2) accumulated and communicated to management, including Novelis’ principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the preparation of the amended Annual Report on Form 10-K/A for the year ended March 31, 2008 of Novelis, members of management of Novelis, at the direction (and with the participation) of its principal executive officer and principal financial officer, concluded that its disclosure

controls and procedures were not effective at the reasonable assurance level as of March 31, 2008 because of the material weakness in its internal control over financial reporting discussed below. Notwithstanding the material weakness described below, Novelis' management, based on the additional analysis and other post closing procedures performed during the restatement process, has concluded that Novelis' consolidated financial statements for the periods covered by and included in its annual report on Form 10-K/A are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented therein.

Identification of an Additional Material Weakness. In July 2008, Novelis identified non-cash errors relating to its purchase accounting for an equity method investee including related income tax accounts. As a result of the identification of these errors, Novelis' audit committee and management concluded on August 1, 2008, that its previously issued consolidated financial statements for the fiscal year ended March 31, 2008, should no longer be relied upon. Upon conducting a review of these accounting errors, Novelis' management determined that as of March 31, 2008, it had a material weakness with respect to the application of purchase accounting for an equity method investee including the related income tax accounts.

Management's Report on Internal Control over Financial Reporting. Novelis' management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act, as amended. Novelis' internal control over financial reporting is designed to provide reasonable assurance as to the reliability of Novelis' financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP). Novelis' internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Novelis;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of Novelis are being made only in accordance with authorizations of management and directors of Novelis, and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Novelis' assets that could have a material effect on Novelis' consolidated financial statements.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Novelis' management has assessed the effectiveness of Novelis' internal control over financial reporting as of March 31, 2008. In making this assessment, Novelis' management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework.

In Management's Report on Internal Control over Financial Reporting included in Novelis' original Annual Report on Form 10-K for the year ended March 31, 2008, Novelis' management previously concluded that Novelis maintained effective internal control over financial reporting as of March 31, 2008. Novelis' management subsequently concluded that the material weakness described below existed as of March 31,

2008. As a result, Novelis has concluded that it did not maintain effective internal control over financial reporting as of March 31, 2008, based on the criteria in Internal Control-Integrated Framework issued by COSO. Accordingly, Novelis' management has restated its report on internal control over financial reporting.

A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. As of March 31, 2008 Novelis did not maintain effective controls over the application of purchase accounting for an equity method investee including related income tax accounts. Specifically, Novelis' controls did not ensure the accuracy and validity of its purchase accounting adjustments for an equity method investee, resulting in an error in its provision for income taxes during the period Novelis was finalizing its purchase accounting. This control deficiency resulted in adjustments affecting the period from May 15, 2007 through March 31, 2008 identified in Note 2 — Restatement of Financial Statements in the accompanying consolidated and combined financial statements. Additionally, this control deficiency could result in a material misstatement of the accounts identified in Note 2 — Restatement of Financial Statements in the accompanying consolidated and combined financial statements that would result in a material misstatement of Novelis' annual or interim consolidated financial statements that would not be prevented or detected. Accordingly Novelis' management has determined that this control deficiency constitutes a material weakness.

The effectiveness of the Novelis' internal control over financial reporting as of March 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on June 20, 2008 and a Rights Issue Committee resolution on August 14, 2008 it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

ISSUE OF 525,802,403 EQUITY SHARES WITH A FACE VALUE OF RE. 1 EACH AT A PREMIUM OF RS. 95 PER EQUITY SHARE AGGREGATING TO RS. 50,477.03 MILLION TO THE EXISTING EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF THREE (3) EQUITY SHARES FOR EVERY SEVEN (7) EXISTING EQUITY SHARES HELD BY THE EXISTING SHAREHOLDERS ON THE RECORD DATE, i.e., SEPTEMBER 5, 2008 ("ISSUE"). THE ISSUE PRICE IS 96 TIMES OF THE FACE VALUE OF THE EQUITY SHARES.

Registered Office of the Company

Hindalco Industries Limited
Century Bhavan, 3rd Floor
Dr. Annie Besant Road, Worli
Mumbai 400 030
Tel: + 91 22 66626666
Fax: +91 22 24227586/ 24362516

Corporate Office of the Company

Aditya Birla Centre
S.K. Ahire Marg, Worli
Mumbai 400 030
Tel: + 91 22 66525000
Fax: +91 22 66525043/ 24995043

Registration No. 11-11238

Corporate Identification No. L27020MH1958 PLC011238

Address of the RoC

100, Everest,
Marine Drive,
Mumbai 400 002
Maharashtra, India

The Equity Shares of the Company are listed on the NSE and BSE.

Board of Directors

Name and Designation	Age	Address
Mr. Kumar Mangalam Birla Non-executive Chairman	41	Mangal Adityayan, 20, Carmichael Road, Mumbai 400 026, Maharashtra
Mrs. Rajashree Birla Non-executive Director	62	Mangal Adityayan, 20, Carmichael Road, Mumbai 400 026, Maharashtra
Mr. D. Bhattacharya Managing Director	59	14/A, Woodlands, Peddar Road, Mumbai – 400 026, Maharashtra
Mr. A. K. Agarwala Non-executive Director	75	"Haveli", Flat no.3, L.D. Ruparel Marg, Mumbai – 400 006, Maharashtra
Mr. C. M. Maniar Independent Director	72	Garden House, 1st Floor, Dady Seth, 2nd Cross Lane, Chowpatty, Band Stand, Mumbai – 400 007, Maharashtra

Name and Designation	Age	Address
Mr. E.B. Desai Independent Director	77	Sonarica, 81, 33A, Peddar Road Mumbai - 400 026, Maharashtra
Mr. S. S. Kothari Independent Director	86	87-B, Gaurav Nagar, Civil Lines, Jaipur - 302 006, Rajasthan
Mr. M. M. Bhagat Independent Director	74	13, Kabir Road, Kolkata 700026, West Bengal
Mr. K. N. Bhandari Independent Director	66	5, New Power House Road, Sector-7, Jodhpur 342 003, Rajasthan
Mr. N. J. Jhaveri Independent Director	72	C-42, Sampat Residency, opposite Pariwar Society, Near Maharaja Farm, Off Premchand Nagar Road, Bodakdev, Ahmedabad 380015, Gujarat

For further details regarding our Directors please refer to “Management” on page 103 of this Letter of Offer.

Company Secretary and Compliance Officer

Mr. A. Malik

Hindalco Industries Limited,
Century Bhavan
3rd Floor, Dr. Annie Besant Road
Worli, Mumbai 400 030
Tel: +91 22 66626666
Fax: +91 22 24227586/ 24362516
Email: hilinvestors@adityabirla.com

Investors may contact the Compliance Officer for any pre-Issue /post-Issue related matter.

Bankers to the Issue

ABN AMRO Bank N.V.

Brady House, Veer Nariman Road
Fort
Mumbai 400 023
Tel: +91 22 6658 5817
Fax: +91 22 2204 2672
Email: chaitali.nandi@in.abnamro.com
Contact Person: Ms. Chaitali Nandi

Citibank N.A.

Citigroup Centre
6th Floor, Bandra Kurla Complex,
Bandra (East)
Mumbai 400 053
Tel: +91 22 4001 5657/ 4001 5805
Fax: +91 22 4006 4852/ 2653 5824
Email: geetika.vats@citi.com; jatin.merchant@citi.com
Contact person: Ms. Geetika Vats; Mr. Jatin Merchant

HDFC Bank Limited

BTI Ops Department
Maneckji Wadia Building, 3rd Floor

Nanik Motwani Marg, Fort
Mumbai 400 001
Tel: +91 22 66573746 / 22700272
Fax: +91 22 22700024
E-mail: deepak.rane@hdfcbank.com
Contact Person: Deepak Rane

The Hongkong and Shanghai Banking Corporation Limited
Corporate Trust & Loan Agency
Second Floor, Shiv Building, 139-140B, Western Express Highway
Sahar Road Junction, Vileparle (E)
Mumbai 400 057, India
Tel: + 91 22 4035 7458
Fax: + 91 22 4035 7657
Email: swapnilpavale@hsbc.co.in
Contact person: Mr. Swapnil Pavale

State Bank of India
New Issues & Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg
P.B. No. 13, Fort
Mumbai 400 023
Tel: +91 22 2266 2133
Fax: +91 22 2267 0745
E-mail: rajeev.kumar@sbi.co.in
Contact Person: Mr. Rajeev Kumar

Lead Managers to the Issue and Underwriters

ABN AMRO Securities (India) Private Limited
81 Sakhar Bhavan
Nariman Point
Mumbai 400 021
Tel: +91 22 6632 5535
Fax: +91 22 6632 5541
Email: hindalco.rights@in.abnamro.com
Investor Grievance Id: customercare.ecm@in.abnamro.com
Website: www.abnamro.co.in
Contact person: Mr. Vivek Agarwal
SEBI Registration: INM000010551

ABN AMRO Asia Equities (India) Limited (solely an Underwriter)
83/84, Sakhar Bhavan, Behind Oberoi Towers
Nariman Point
Mumbai 400 021
Tel: +91 22 6715 5300
Fax: +91 22 2288 4146
Email: hindalco.rights@in.abnamro.com
Website: www.abnamro.co.in
Contact person: Mr. Anil Rajput
SEBI Registration: NSE - INB230608032; BSE - INB010706931

Citigroup Global Markets India Private Limited

12th Floor, Bakhtawar
Nariman Point
Mumbai 400 021
Tel: +91 22 6631 9999
Fax: +91 22 6646 6670
E-mail: hindalco.rights@citi.com
Investor Grievance ID: investors.cgmb@citi.com
Website: www.citibank.co.in
Contact Person: Mr. Rajiv Juman
SEBI Registration No: INM000010718

Deutsche Equities India Private Limited

DB House, Hazarimal Somani Marg,
Fort, Mumbai 400 001
Tel: +91 22 6658 4600
Fax: +91 22 2200 6765
Email: hindalco.rights@db.com
Investor Grievance ID: db.redressal@db.com
Website: www.db.com/India
Contact person: Mr. Muffazal Arsiwalla
SEBI Registration: INM000010833

DSP Merrill Lynch Limited

Mafatlal Centre, 10th Floor Nariman Point
Mumbai 400 021
Tel: +91 22 6632 8000
Fax: +91 22 2204 8518
Email: hindalco_rights@ml.com
Investor Grievance ID: india_merchantbanking@ml.com
Website: www.dspml.com
Contact Person: Mr. Tanuj More
SEBI Registration No: INM000002236

SBI Capital Markets Limited (solely a Lead Manager)

202, Maker Towers 'E'
Cuffe Parade
Mumbai 400 005
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
Email: hindalco.rightsissue@sbicaps.com
Investor Grievance ID: investor.relation@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Ajay Srivastava
SEBI Registration: INM000003531

State Bank of India (solely an Underwriter)

Corporate Centre, 15th Floor
State Bank Bhavan, Madame Cama Road
Nariman Point, Mumbai – 400 021
Tel: +91 22 2289 1002
Fax: +91 22 2289 1111
E-mail Address: gm.tr@sbi.co.in

Website: www.sbi.co.in
Contact Person: Mr. Ashwani Bhatia
SEBI Registration: INU000000027

Domestic Legal Counsel to the Company

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Tel: +91 22 24964455
Fax: +91 22 24963666

Domestic Legal Counsel to the Lead Managers

AZB & Partners
23rd Floor, Express Towers
Nariman Point
Mumbai 400 021
Tel: +91 22 6639 6880
Fax: +91 22 6639 6888

United States Legal Counsel to the Company

Ziegler, Ziegler and Associates LLP
570 Lexington Avenue, 44th Floor
New York 10022
Tel: +1 212 319 7600
Fax: +1 212 319 7605

International Legal Counsel to the Lead Managers

Jones Day
30 Cecil Street
#29-01 Prudential Tower
Singapore 049712
Tel: +65 6538 3939
Fax: +65 6536 3939

Auditors of the Company

Singhi & Co.
1-B Old Post Office Street
Kolkata - 700001
Tel: +91 33 2248 4577
Fax: +91 33 2220 7146

Registrar to the Issue

Karvy Computershare Private Limited
“Karvy House”, 46, Avenue 4
Street No 1, Banjara Hills
Hyderabad 500 034
Toll free no: 1-800-345-4001

Tel: +91 40 2342 0815
 Fax: +91 40 2342 0814
 Email: mailmanager@karvy.com
 Website: www.karvy.com
 Contact Person: Mr. M. Murali Krishna
 SEBI Registration No.: INR000000221

Note: Investors are advised to contact the Registrar to the Issue/ Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of Letter of Offer/letter of allotment/ share certificate(s)/ refund orders.

Monitoring Agency

Industrial Development Bank of India Limited
 IDBI Tower, WTC Complex,
 Cuffe Parade, Mumbai – 400 005
 Tel: +91 22 2218 9111
 Fax: +91 22 2218 1294
 Website: www.idbi.com

Credit rating

This being an issue of Equity Shares, no credit rating is required. The details of the ratings received and outstanding by the Company for various securities/ instruments in the last three years are as follows:

Borrowing Programs (in Rs. million)	Amount (in Rs. million)	Rating Agency	Rating	Date of Rating Letter
Non Convertible Debentures (Downgraded from AAA on acquisition of Novelis Inc.)	3,500	CRISIL	AA/Stable	June 14, 2007
Cash Credit / Overdraft	5,500	CRISIL	AA/Stable	March 17, 2008
Rupee Term Loans	62,000	CRISIL	AA/Stable	March 17, 2008
Short Term Bank Facilities	60,000	CRISIL	P1+	March 17, 2008
Bank Guarantee / Letter of Credit	8,700	CRISIL	P1+	March 17, 2008

INTER-SE ALLOCATION OF RESPONSIBILITIES

The statement of inter se allocation of responsibilities for this Issue is as follows:

S. No.	Activity	Responsibility*	Coordinator
1	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments	All	DSPML
2	Liaison with stock exchanges and SEBI, including obtaining in-principle listing approval and completion of prescribed formalities with the Stock Exchanges and SEBI	All	DSPML
3	Drafting and Design of the Offer Document and ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements	All	ABN
4	Drafting and Design of Abridged Letter of Offer	All	Citi

5	Drafting and Design of CAF	All	ABN
6	Drafting and Design of statutory and non-statutory advertisement / publicity material including newspaper advertisements and brochure	All	Deutsche
7	Non-institutional marketing strategy which will cover, <i>inter alia</i> , preparation of publicity budget, finalizing list of investors, strategies to access demand etc. Retail marketing strategy which will cover, <i>inter alia</i> , preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centre of holding conferences of brokers, investors etc. (iv) collection centre, (v) distribution of publicity and issue material including, the Letter of Offer, CAF and abridged Letter of Offer.	All	Citi
8	International Institutional marketing strategy which will cover, <i>inter alia</i> : • Finalising the list and division of investors for one to one meetings; and • Finalizing road show schedule and investor meeting schedules. • Preparation of Investor Presentation. • FAQ's.	All	Deutsche
9	Domestic Institutional marketing strategy which will cover, <i>inter alia</i> : • Finalizing the list and division of investors for one to one meetings; • Finalizing road show schedule and investor meeting schedules, and	All	SBICAPS
10	Selection of agencies connected with the issue – finalizing printers, banker to the issue and advertisement agency including proof reading of the offer document before being released for printing.	All	ABN
11	Selection of agencies connected with the issue – finalizing Registrars to the Issue and monitoring agency and review of agreement appointing these agencies.	All	SBICAPS
12	Follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	All	Citi
13	The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	All	SBICAPS

* For the purposes of allocation of responsibilities in this Issue, “All” means each of the Lead Managers

Minimum Subscription

If the Company does not receive minimum subscription of 90% of the Issue including devolvement of Underwriters, the entire subscription shall be refunded to the Applicants within 15 days from the Issue Closing Date. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), the Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

CAPITAL STRUCTURE

The capital structure of our Company and related information is set forth below.

		Aggregate nominal value (In Rs. Million)	Aggregate Value at Issue Price (In Rs. Million)
Authorized share capital			
1,950,000,000	Equity Shares of Re. 1 each	1,950.00	
25,000,000	Redeemable Cumulative Preference Shares of Rs. 2 each ⁽ⁱ⁾	50.00	
Total		2,000.00	
Issued, subscribed and paid up capital			
1,227,418,522	Equity Shares of Re. 1 each fully paid-up ^{(i), (ii), (iii), (iv), (v), (vi)}	1,227.42	
546,249	Less: Face Value of shares forfeited	0.55	
	Add: Forfeited shares account (Amount Paid-up)	0.23	
		1,227.10	
2,032,734	Redeemable Cumulative Preference Shares of Rs. 2 each carrying a rate of dividend of 6% per annum ^(vii)	4.07	
		1,231.17	
Present Issue being offered to the Equity Shareholders through the Letter of Offer			
525,802,403	Equity Shares of Re. 1 each at a premium of Rs. 95 i.e. at a price of Rs. 96 ^(viii)	525.80	50,477.03
Issued, subscribed and paid up capital after the Issue			
1,753,220,925	Equity Shares of Re. 1 each fully paid-up	1753.22	
546,249 ^(ix)	Less: Face Value of shares forfeited	0.55	
	Add: Forfeited shares account (Amount Paid-up)	0.23	
		1,752.90	
2,032,734	Redeemable Cumulative Preference Shares of Rs. 2 each carrying a rate of dividend of 6% per annum.	4.07	
		1,756.97	
Securities premium account			
	Existing securities premium account	42749.81	
	Securities premium account after the Issue	92701.04	

- (i) 491,766,770 Equity shares of Re. 1 each were allotted as fully paid-up bonus shares by Capitalization of General Reserve and Capital Redemption Reserve.
- (ii) 6,000,000 Equity Shares of Re. 1 each fully paid-up issued pursuant to a contract for consideration other than cash.
- (iii) 187,678,350 Equity Shares of Re. 1 each (including 30,990 partly paid up shares) were allotted to the shareholders of erstwhile Indo Gulf Corporation Limited (since amalgamated) pursuant to a scheme of arrangement without payment being received in cash. The 30,990 partly paid up shares were made fully paid on various dates upto July 22, 2005.

- (iv) 2,995,220 Equity Shares of Re. 1 each fully paid up were allotted to the shareholders of Indian Aluminium Company Limited pursuant to a scheme of arrangement without payment being received in cash.
- (v) The Company undertook a rights issue of 231,936,993 Equity Shares at Rs. 96 per Equity Share in January, 2006. In accordance with the terms of the said rights issue, the Company issued Equity Shares on partly paid basis wherein 25% of the issue price was paid with the application whilst 25% of the issue price was payable between 9 to 12 months and the remaining 50% was payable between 18 to 24 months from the date of allotment pursuant to calls made by the Company.

The Company sent notices for the aforesaid call money in accordance with the terms set forth in the letter of offer dated November 25, 2005 and the Articles of Association of the Company. This was followed up with several reminders to such holders of the partly paid Equity Shares to pay the outstanding call money.

Pursuant to issuance of such reminders, the Board of Directors in their Meeting held on June 20, 2008 resolved to forfeit such partly paid Equity Shares where the call money remains unpaid. In accordance with the provisions of Articles of Association of the Company and the said resolution of the Board of Directors, a notice dated June 21, 2008 was sent to such Equity Shareholders, requiring them to pay the outstanding call money by July 8, 2008 failing which the Company would forfeit the partly paid up shares. The Company sent another such notice on July 18, 2008 providing such Equity Shareholders another opportunity to pay the outstanding call money by August 18, 2008.

Consequently, the a committee of the Board of Directors in their meeting held on September 1, 2008 resolved to forfeit such partly paid up Equity Shares:

- In instances where the call money due on the partly paid Equity Shares has not been paid, the Company has undertaken the necessary corporate action and issued instructions to NSDL and CDSL for forfeiting the said shares. Accordingly, 485,749 partly paid Equity Shares were forfeited by the Company.
- In the instances where the call money due on the partly paid Equity Shares has been paid, the Company has undertaken the necessary corporate action and issued instructions to NSDL and CDSL for converting the said partly paid up Equity Shares into fully paid up Equity Shares.

However, the Company has been informed that the aforesaid actions have not been completed in the records of NSDL as certain partly paid-up equity shares continue to lie in brokers' pool accounts whilst in certain other cases, depository accounts have been blocked by the Equity Shareholders themselves. The Company has also sent intimations to such Equity Shareholders in the past requiring them to unblock their accounts.

In cases where the Company has not been able to credit fully paid up Equity Shares to depository accounts of the Equity Shareholders and the entire call money has been received, it has issued such fully paid up Equity Shares in the physical form. All the equity shares still bearing ISIN No. IN9038A01010 (representing by 25% paid-up equity shares) and No. IN9038A01028 (representing by 50% paid-up equity shares) shall not be considered as valid securities and shall be debited from the depository accounts of the Equity Shareholders immediately upon removal of defects in depository accounts of such Equity Shareholders as mentioned above.

Therefore, the Company has completed all corporate actions for forfeiture and/ or allotment of fully paid up Equity Shares and it does not have any partly paid up Equity Shares outstanding as of the date of this Letter of Offer.

The Board of Directors of the Company at its meeting held on June 20, 2008, had also resolved, subject to applicable provisions of the Companies Act, the provisions of the Articles of Association of the Company and the listing agreements with the respective stock exchanges, that the Company may annul the forfeiture as carried out above, in respect of such Equity Shareholders who make a payment of the outstanding call money and the interest accrued there upon within a period of six months from date of listing of Equity Shares pursuant to this Issue. The Company, in consultation with the Stock Exchanges, may consider annulment of forfeiture of 485,749 Equity Shares, upon payment of balance call money along with the interest at the rate of 12% per annum from the due date.

- (vi) 67,500,000 Equity Shares issued to IGH Holdings Private Limited, a promoter group company, on a preferential basis on April 11, 2007 at a price of Rs. 173.87 per Equity Share.
- (vii) Pursuant to a 'scheme of amalgamation' between our Company and Indian Aluminum Company Limited, as approved by the High Court at Bombay, dated January 18, 2008, 376 Equity Shares of Re. 1 each and 20,32,734 6% Cumulative Redeemable Preference Shares of Rs. 2 each, were allotted to the shareholders of Indian Aluminium Company Limited.
- (viii) On August 6, 2005 the Equity Shareholders of the Company approved the subdivision of Equity Shares of the Company from Rs. 10 per share to Re. 1 per share.
- (ix) The total number 546,249 Equity Shares that have been forfeited include 60,500 Equity Shares forfeited by the Company in 1962 and 485,749 Equity Shares forfeited by the Company in September, 2008.

Notes to the Capital Structure

1. Details of Securities Premium Account prior to the Issue

Financial Year	Particulars	No. of Equity Shares	Premium per share	Amount (in Rs. million)	Cumulative Amount (in Rs. million)
1990-1991	Conversion of 12.5% Partly Convertible Debentures	6,381,234	100.00	638.12	638.12
1993-1994	Private Placement to Foreign Investors (GDR)	4,473,000	495.02	2,214.22	2,852.34
	Warrants exercised by above GDR holders.	130,650*	495.02	64.67	2,917.01
	Less: Issue expenses			(108.33)	2,808.68
1994-1995	Private Placement to Foreign Investors (GDR)	4,166,666	717.82	2,990.91	5,799.58
	Warrants exercised by above GDR holders.	467,900*	717.82	335.87	6,135.45
	Less: Issue expenses	-	-	(105.73)	6,029.74

Financial Year	Particulars	No. of Equity Shares	Premium per share	Amount (in Rs. million)	Cumulative Amount (in Rs. million)
1995-1996	Exercise of warrants	1,637,950*	525.49	860.73	6,890.47
2002-2003	Transferred on amalgamation of Indo Gulf Corporation Limited under Scheme of Arrangement of Hindalco / IGFL / IGCL	-	-	4,503.44	11,393.91
2004-2005	Less: Adjusted as per Scheme of Arrangement relating to the de-merger of units of Indal	-	-	(2,102.74)	9,291.17
2005-2006	Share Premium regarding right issue undertaken in January, 2006 (Issued on a partly paid basis)	231,882,222	95 (Out of the issue price, Rs. 24 was payable on allotment and balance in two calls)	5,498.63	14,789.8
	Less: Issue Expenses	-	-	(242.78)	14,547.02
2006-2007	Right Issue (2006) Call Money Received	-	-	5,471.09	20,018.11
2007-2008	Right Issue (2006) Call Money Received	-	-	10,994.21	31,012.32
2007-2008**	Preferential Issue	67,500,000	172.87	11,668.73	42,681.05
2008-2009	Right Issue (2006) Call Money Received	-	-	37.38	42,718.43
2008-2009	Exercise of Employee Stock Options	227,454	97.30	31.38	42,749.81

* Warrants issued by the Company on July 26, 1993 and exercised in the financial years 1994, 1995 and 1996.
 ** 80,000,000 warrants (entitlement of 80,000,000 Equity Shares), issued on a preferential basis to IGH Holdings Private Limited, a promoter group company, on April 11, 2007 at a price of Rs. 173.87 per warrants. These warrants are currently outstanding and can be exercised upto October 10, 2008. In the event IGH Holdings Private Limited exercises the said warrants in full, Equity Shares issued pursuant to such an exercise shall constitute by 4.56% of the post Issue paid up capital.

2. Details of Equity Shares Bought Back

(i) Buy-back on the BSE, of Equity Shares of the Company of face value Rs. 10 each:

Time Period	No. of Shares	Average Price (in Rs.)	Total Amount (in Rs. million)
February 2002	1,652	724.98	1.20
April 2002	608,339	734.76	446.98
May 2002	13,961	747.14	10.43

(ii) Buy-back on the NSE, of Equity Shares of the Company of face value Rs. 10 each:

Time Period	No. of Shares	Average Price (in Rs.)	Total Amount (in Rs. million)
February 2002	4,155	724.97	3.01
April 2002	130,423	733.97	95.73

4. The current shareholding pattern of the Company as on September 1, 2008 is as follows:

Category of Shareholders	No. of Equity Shares held Pre-Issue	Percentage of Pre-Issue capital	No. of Equity Shares Post Issue	Percentage of Post Issue capital assuming allotment of all Equity Shares offered
(A) Promoters				
Mr. Kumar Mangalam Birla	466,140	0.04	665,914	0.04
Birla Group Holdings Private Limited	4,712,027	0.38	6,731,467	0.38
(B) Promoter Group				
Relatives and HUF	825,356	0.7	1,179,080	0.07
Turquoise Investments and Finance Private Limited	82,258,728	6.70	117,512,469	6.70
Trapti Trading and Investments Private Limited	72,144,187	5.88	103,063,124	5.88
Birla Institute of Technology and Science	21,583,090	1.76	30,832,986	1.76
Pilani Investment and Industries Corporation Limited	29,185,398	2.38	41,693,426	2.38
Grasim Industries Limited	29,369,025	2.39	41,955,750	2.39
Aditya Birla Nuvo Limited	20,395,162	1.66	29,135,946	1.66
Trustee on behalf of Hindalco under scheme of arrangement of HIL/IGCL/IGFL	16,316,130	1.33	23,308,757	1.33
Umang Commercial Company Limited	18,509,933	1.51	26,442,761	1.51
Manav Investment and Trading Company Limited	672,571	0.05	960,816	0.05
Heritage Housing Finance Limited	396,591	0.03	566,559	0.03
Mangalam Services Limited	95,608	0.01	136,583	0.01
TGS Investment and Trade Private Limited	365,749	0.03	522,499	0.03
Global Holdings Private Limited	3,936	0.00	5,623	0.00
IGH Holdings Private Limited	88,307,573	7.20	126,153,676	7.20
Total Promoters and			550,867,436	31.43

Category of Shareholders	No. of Equity Shares held Pre-Issue	Percentage of Pre-Issue capital	No. of Equity Shares Post Issue	Percentage of Post Issue capital assuming allotment of all Equity Shares offered
promoter group shareholding (A + B)	385,607,204	31.43		
(C) Public				
(1) Institutions				
Banks and Financial Institutions	11,594,215	0.95	16,563,164	0.95
UTI and Mutual Funds	51,952,647	4.23	74,218,067	4.23
Insurance Companies	128,109,415	10.44	183,013,450	10.44
Central Government/ State Government	287,480	0.02	410,686	0.02
FII	149,896,928	12.22	214,138,469	12.22
Sub Total (1)	341,840,685	27.86	488,343,836	27.86
(2) Non Institutions				
Indian Bodies Corporate	153,325,779	12.50	219,036,827	12.50
Foreign Bodies Corporate	32,726,843	2.67	46,752,633	2.67
Individuals				
Individual shareholders holding nominal share capital up to Rs. 1 lakh	123,976,042	10.11	177,108,631	10.11
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	49,271,778	4.02	70,388,254	4.02
Non Resident Indians	7,879,027	0.64	11,255,753	0.64
Shares in transit	504,394	0.04	720,563	0.04
Sub total (2)	367,683,863	29.77	525,262,661	29.97
(C) Total public shareholding (1)+(2)	709,524,548	57.83	1,013,606,496	57.83
Total (A+B+)	1,095,131,752	89.26	1,564,473,931	89.26
(D) Shares held by Custodians and against which Depository Receipts have been issued				
	131,740,521	10.74	188,200,744	10.74
Total (A+B+C+D)	1,226,872,273	100.00	1,752,674,676	100.00

5. The Promoter and promoter group have confirmed that they intend to subscribe to the full extent of their entitlement, being 31.43% of the Issue size, in the Issue. The Promoter and the promoter group reserve their right to subscribe to their entitlement in this Issue, including by subscribing for renunciation, if any, made by any other shareholder. The Promoter and the promoter group may apply for additional Equity Shares in the Issue, to the extent of any unsubscribed portion of the Issue, such that the total subscription by the Promoter and promoter group (including its rights entitlement) shall not exceed 50% of the Issue size. As a result of this subscription and consequent allotment, the Promoter and the promoter group may acquire shares over and above their

entitlement in the Issue, which may result in an increase of their shareholding being above their current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter and the promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on “Objects of the Issue” on page 39 of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter and the promoter group, in this Issue, the Promoter’s and the promoter group’s shareholding in the Company exceeds their current shareholding. The Promoter and the promoter group shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoter and the promoter group of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Company hereby certifies that, in case the Issue is completed with the Promoter and the promoter group subscribing to equity shares over and above their entitlement, the public shareholding in the Company after the Issue will not fall below the minimum level of public shareholding of 10% as specified in the listing condition or listing agreement.

6. The Company has entered into an Underwriting Agreement with the Underwriters dated September 12, 2008, in relation to the Issue. In the event the Company does not receive minimum subscription of 90% of the Issue, the Underwriters shall be required to purchase or procure purchasers to the extent of such undersubscription in accordance with the terms of the Underwriting Agreement. The obligation to underwrite will be subject to atleast 50% of the Issue being subscribed by the Promoter, the promoter group and by such other persons as identified and communicated by the Company to the Underwriters. Out of the balance 40% of the undersubscription, the Underwriters shall be severally responsible to underwrite up to 8% of the Issue size for each Underwriter (ABN AMRO Securities (India) Private Limited and ABN AMRO Asia Equities (India) Limited shall mutually decide the proportion in which they will share obligations to underwrite upto 8% of the Issue size).

The Promoters and the promoter group have undertaken that in case any part of the Issue remains unsubscribed and the Underwriters are required to underwrite in excess of 1% of the Equity Shares, the entire shareholding of the Promoters / promoter group would be subject to lock up of 180 days from the date of the devolvment notice issued by the Company to the Underwriters pursuant to the terms of the Underwriting Agreement. This restriction shall not apply to any pledge given to secure any loans granted to the Promoters/ promoter group or the Company or its subsidiaries.

The Company has also agreed that it shall not, without the prior written consent of the Underwriters and the Lead Managers, for a period of 180 days from the date of listing of the Equity Shares, issue any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce any intention to do so during the aforesaid period except as disclosed in the section titled “Capital Structure” in this Letter of Offer.

7. If the Company does not receive minimum subscription of 90% of the Issue including devolvment of Underwriters, the entire subscription shall be refunded to the Applicants within 15 days from the Issue Closing Date. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), the Company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Act.

8. **Details of the shareholding of the Promoters and promoter group in the Company as on September 1, 2008 is as follows:**

Name of entities	Percentage of shareholding	No. of Shares
(a) Promoters		
Mr. Kumar Mangalam Birla	0.04	466,140
Birla Group Holdings Private Limited	0.38	4,712,027
Sub-total (a)	0.42	5,178,167
(b) Promoter Group (individuals and HUFs)		
Aditya Vikram Kumar Mangalam Birla HUF	0.03	349,232
Rajashree Birla	0.03	310,170
Vasavadatta Bajaj	0.01	84,919
Neerja Birla	0.01	61,740
Ananyashree Birla (Kumar Mangalam Birla being the father and guardian)	0.00	19,295
Sub-total (b)	0.07	825,356
(c) Companies forming part of the Promoter Group		
Turquoise Investments and Finance Private Limited	6.70	82,258,728
Trapti Trading and Investments Private Limited	5.88	72,144,187
Birla Institute of Technology and Science	1.76	21,583,090
Pilani Investment and Industries Corporation Limited	2.38	29,185,398
Grasim Industries Limited	2.39	29,369,025
Aditya Birla Nuvo Limited	1.66	20,395,162
Trustee on behalf of Hindalco under scheme of arrangement of HIL/IGCL/IGFL	1.33	16,316,130
Umang Commercial Company Limited	1.51	18,509,933
Manav Investment and Trading Company Limited	0.05	672,571
Heritage Housing Finance Limited	0.03	396,591
Mangalam Services Limited	0.01	95,608
TGS Investment and Trade Private Limited	0.03	365,749
Global Holdings Private Limited	0.00	3,936
IGH Holdings Private Limited	7.20	88,307,573
Sub-total (c)	30.93	379,603,681
Total Promoter and Promoter Group shareholding	31.43	385,607,204

9. The Promoters, the Promoter Group and the directors of the Promoters of the Company have not undertaken any transaction in the Equity Shares of the Company during the last six months.

10. Employee Stock Option Scheme (“ESOS”)

The Company has instituted an employee stock option scheme to reward and help retain its employees and to enable them to participate in our future growth and financial success. Pursuant to the resolution of our shareholders dated January 23, 2007, and the resolutions of the ESOS Compensation Committee, the Company has granted options exercisable into not more than 3,475,000 Equity Shares of Re. 1 each, which represent 0.28% of the pre-Issue paid up equity capital of the Company, and 0.20% of the fully diluted post-Issue paid up equity capital of the

Company. The following table sets forth the particulars of options granted under the ESOS as of the date of filing this Letter of Offer.

A.	Options granted	1,940,250 granted on August 23, 2007 and 1,033,140 granted on January 25, 2008
B.	Exercise Price	For options granted on August 23, 2007 - Rs. 98.30 per Equity Share (Re. 1 towards face value and Rs. 97.30 towards share premium) For options granted on January 25, 2008 - Rs. 150.10 per Equity Share (Re. 1 towards face value and Rs. 149.10 towards share premium)
C.	Options vested	415,288
D.	Options exercised	227,454
E.	Total number of Equity Shares arising as a result of exercise of options	227,454
F.	Options forfeited/ lapsed	459,180
G.	Variation of terms of options	Nil
H.	Money realised by exercise of options	Rs. 22,358,728
I.	Total number of options in force	2,286,756
J.	Vesting schedule	25% each year from the date of grant
L.	Method and assumptions for estimation of the fair value of the options	The fair value of options used to compute proforma net profit and earnings per share have been done by an independent valuer on the date of grant using Black and Scholes Model
M.	Diluted EPS as on March 31, 2008	Rs. 24.36
N.	Impact on profit & EPS for the last three financial years on account of difference between intrinsic value & fair value of the options	Profit before impact: Rs. 28,609.11 million Profit after impact: Rs. 28590.38 million EPS before impact: Rs. 24.51 EPS after impact: Rs. 24.38
O.	Weighted average exercise price	For the first tranche – Rs. 98.30 For second tranche – Rs. 150.10
P.	Weighted average fair value per option as on March 31, 2008	For the first tranche – Rs. 65.78 For the second tranche – Rs. 57.11
T.	Person wise details of options granted to	
	i) Directors and key managerial employees	Directors: 1. Mr. D. Bhattacharya Key Managerial Personnel: 1. Mr. S. Talukdar; 2. Mr. Pratik Roy; 3. Mr. R.S Dhulked; 4. Mr. Shashi K Maudgal; 5. Mr. B.M. Sharma; 6. Mr. Shankar Ray; 7. Mr. SM. Bhatia; 8. Mr. Jyotirmay Bhaumik; 9. Mr. S.N. Bontha; 10. Mr. S.N. Jena; 11. Mr. N.M. Patnaik; 12. Mr. J.P. Paliwal; and 13. Mr. Anil Malik
	ii) Any other employee who received a grant in	nil

	any one year of options amounting to 5% or more of the options granted during the year	
	iii) Identified employees who are granted options, 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

Note 1: Details of the options granted under ESOS to the Directors and key managerial personnel of our Company:

Name	Position	Number of options granted under ESOS
Mr. D. Bhattacharya	Managing Director	970,100
Mr. S. Talukdar	Group Executive President	112,540
Mr. Pratik Roy	Chief People Officer	54,020
Mr. R.S Dhulked	President (Operations)	31,510
Mr. Shashi K Maudgal	Chief Marketing Officer (Aluminium)	112,540
Mr. B.M. Sharma	Chief Marketing Officer (Copper)	45,020
Mr. Shankar Ray	President (Chemicals & International Trade)	67,520
Mr. SM. Bhatia	President (Foil & Wheel)	67,520
Mr. Jyotirmay Bhaumik	President (Renuagar Power)	54,020
Mr. S.N. Bontha	CEO – Aditya Aluminium	36,020
Mr. S.N. Jena	Chief Operating Officer – Aditya Aluminium	45,020
Mr. N.M. Patnaik	Joint President (Finance & Commercial)	31,510
Mr. J.P. Paliwal	Joint Executive President (Commercial)	45,020
Mr. Anil Malik	Company Secretary	22,510

The options issued to our employees and our Directors under our ESOS are in compliance with the SEBI Employee Stock Option/ Purchase Guidelines.

11. Total number of members of the Company as of September 1, 2008 was 337,205.
12. The present Issue being a rights Issue, as per extant SEBI guidelines, the requirement of promoters' contribution and lock-in are not applicable.
13. The Company has not availed of "bridge loans" to be repaid from the proceeds of the Issue for incurring expenditure on the Objects of the Issue. However, the acquisition of Novelis was financed through borrowings under a facility agreement originally entered into on May 10, 2007 and amended and restated on June 18, 2007, September 19, 2007 and November 26, 2007 (the "Facility" or "Bridge Loan") for an aggregate principal amount of U.S.\$ 3,030,262,439.70. AV Minerals (Netherlands) B.V., a direct overseas subsidiary of the Company is the borrower under the Facility and AV Metals Inc., an indirect overseas subsidiary of the Company and the Company are guarantors. For further details, please refer to section titled "Objects of the Issue" on page 39 of this Letter of Offer and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness" on page of 171 of this Letter of Offer.
14. The Directors of the Company or Lead Manager to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Letter of Offer.
15. At any given time, there shall be only one denomination of the Equity Shares of the Company.

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16. Except as disclosed in this chapter, the Equity Shareholders of the Company do not hold any warrant, option or convertible loan or debenture, which would entitle them to acquire further shares in the Company.
 17. Except as disclosed, no further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of the Company, shall be made during the period commencing from the filing of this Letter of Offer with the NSE and the date on which the securities issued under the Letter of Offer are listed or application moneys are refunded on account of the failure of the Issue. Further, other than as disclosed in this Letter of Offer, presently the Company does not have any intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities within a period of six months from the date of opening of the Issue.
 18. The securities being offered in this Issue are on a fully-paid up basis.
 19. The Issue will remain open for 19 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

OBJECTS OF THE ISSUE

The net proceeds of the Issue, after deduction of any issue expenses, are estimated to be approximately Rs. 49,260.38 million (“Net Issue Proceeds”).

The Company intends to use the Net Proceeds to fund part of the repayment of bridge loan availed by AV Minerals (Netherlands) B.V., an overseas subsidiary of the Company, for the acquisition of Novelis. Funding to AV Minerals (Netherlands) BV will be through equity (ordinary equity or preference shares) and/or debt instruments or any combination thereof. The details of the loans and the other debt facilities used to finance the acquisition of common shares of Novelis are detailed in the section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Indebtedness” on page 171 of this Letter of Offer.

The main objects clause of the Memorandum of Association enables the Company to undertake its existing activities and the activities for which funds are being raised by the Company in this Issue.

Proceeds of the Issue

The details of proceeds of the Issue are summarized in the following table:

(in Rs. million)

S.No	Description	Amount	Amount
1.	Gross proceeds of the Issue		50,477.03
2.	Issue Expenses		1,216.65
3.	Net proceeds of the Issue		49,260.38

The Acquisition of Novelis

In May 2007, the Company completed its acquisition of Novelis. For more details on Novelis, please see the section on “Our Business” on page 57 of this Letter of Offer.

The financing of the acquisition of common shares of Novelis and payment of the purchase consideration was structured by the Company along with AV Minerals (Netherlands) B.V. and AV Metals Inc., being its overseas subsidiaries. Total consideration, including equity infusion of U.S.\$ 92 million in Novelis to fund acquisition related expenditure incurred by Novelis, was U.S.\$ 3.48 billion. For further details, please refer to section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Indebtedness” on page 171 of this Letter of Offer. The same was financed as under:

Financing of Acquisition of Novelis	Amounts (in U.S.\$ billion)
Internal Accruals	0.45
Debt raised on the guarantee of the Company by AV Minerals (Netherlands) B.V. a wholly owned direct subsidiary of the Company and A V Metals Inc., a wholly owned indirect subsidiary of the Company*	3.03**
Total	3.48

* Debt raised by AV Minerals (Netherlands) B.V. of U.S.\$ 2,130,262,439.70 (Tranche A Loan) and A V Metals Inc U.S.\$ \$900 million (Tranche B Loan) under a facility agreement originally entered into on May 10, 2007 and amended and restated on June 18, 2007 and September 19, 2007 (the “Facility”). By way of an amendment to the facility agreement, dated November 26, 2007, the loan of A V Metals Inc U.S.\$ 900 million (Tranche B Loan) was transferred to AV Minerals (Netherlands) B.V.

** The Facility consisting of a U.S.\$ 2,130,262,439.70 Tranche A Loan and a U.S.\$ 900 million Tranche B Loan is repayable in full on November 10, 2008. The interest rate on each lender’s portion of each loan is a floating

rate calculated for each interest period by adding margin of 30 bps until May 10, 2008 and 80bps thereafter to LIBOR for that interest period.

The Company proposes to repay the remaining part of the Facility through:

- i) a loan of U.S.\$ 1(one) billion proposed to be incurred by A V Minerals (Netherlands) B.V. For further details, please to section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Indebtedness” on page 171 of this Letter of Offer.
- ii) the unutilized proceeds from the previous rights issue undertaken by the Company in January, 2006 amounting to Rs. 17,894 million as on March 31, 2008. The Board of Directors of the Company in its meeting held on June 20, 2008 has sought the approval of the shareholders of the Company for an amendment to objects of the issue for the previous rights issue. The Board has proposed that the unutilized amount from the previous rights issue, be used for repayment of the Facility. For further details about the previous rights issue of the Company, please see section titled “Statutory and Other Information – Previous Issue by the Company” on page 276 of this Letter of Offer; and
- iii) Internal accruals.

Funds deployed on the Objects of the Issue

As on the date of filing of this Letter of Offer, the Company has not deployed any funds towards the Objects of the Issue.

Utilization of Net Proceeds

Subject to receipt of regulatory approvals, the Company intends to repay loans taken by AV Minerals (Netherlands) B.V., its overseas subsidiary for purposes of the acquisition of the common shares of Novelis.

The Promoter and promoter group have confirmed that they intend to subscribe to the full extent of their entitlement, being 31.43% of the Issue size, in the Issue. The Promoter and the promoter group reserve their right to subscribe to their entitlement in this Issue, including by subscribing for renunciation, if any, made by any other shareholder. The Promoter and the promoter group may apply for additional Equity Shares in the Issue, to the extent of any unsubscribed portion of the Issue, such that the total subscription by the Promoter and promoter group (including its rights entitlement) shall not exceed 50% of the Issue size. As a result of this subscription and consequent allotment, the Promoter and the promoter group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above their current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter and the promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in this section of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter and the Promoter Group, in this Issue, the Promoter’s and the promoter group’s shareholding in the Company exceeds their current shareholding. The Promoter and the promoter group shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoter and the promoter group of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Company hereby certifies that, in case the Issue is completed with the Promoter and the promoter group subscribing to equity shares over and above their entitlement, the public shareholding in the Company after the Issue will not fall below the minimum level of public shareholding of 10% as specified in the listing condition or listing agreement

No part of the Net Issue Proceeds will be paid by the Company as consideration to the Promoters, the Directors, Company's key management personnel or companies promoted by the Promoters.

The affiliates of ABN, Citi, Deutsche and SBICAPS are lenders under the loan being availed by AV Minerals for part repayment of the Facility and the proceeds from the Issue is proposed to be utilized for repaying part of the said Facility. For further details, please refer to section titled "Statutory and Other Information – Other Relationships" on page 280 of this Letter of Offer.

Issue related Expenses

The Issue related expenses include, among others, lead manager, selling and underwriting commissions, printing and distribution expenses, advertisement and marketing expenses and registrar, legal and depository fees. The estimated Issue related expenses are as follows:

(in Rs. million)

Activity	Expense
Lead manager and selling commissions	504.77
Underwriting commission	605.72
Advertising and marketing expenses	8.00
Printing and distribution	20.82
Other (Registrar's fees, legal fees, etc.)	77.34
Total estimated Issue expenses	1,216.65

Interim Use of Proceeds

The management of the Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the Net Issue Proceeds. Pending utilization of the Net Issue Proceeds for the purposes described above, the Company intends to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks or temporarily deploy the funds in working capital loan accounts. Such investments will be approved by the Board from time to time, in accordance with its investment policies.

Monitoring of Utilization of Funds

The Company has appointed IDBI Bank as the monitoring agency, to monitor the utilization of the Net Issue Proceeds. The Company will disclose the utilization of the Net Issue Proceeds under a separate head in its balance sheet for such financial periods. As and when AV Minerals (Netherlands) B.V. repay any loans, the Company shall make disclosures as required under the SEBI DIP Guidelines, the listing agreements with the Stock Exchanges and any other applicable law or regulations, clearly specifying the purposes for which the Net Issue Proceeds have been utilized. The Company will also, in its balance sheet for the applicable financial periods, provide details, if any, in relation to all such Net Issue Proceeds that have not been utilized, thereby also indicating investments, if any, of such currently unutilized Net Issue Proceeds.

BASIS FOR ISSUE PRICE

Investors should also refer to the section “Risk Factors” and “Auditors’ Report” to get a more informed view before making the investment decision. The price per Equity Share has been provided for Re. 1. For qualitative factors, please refer to sections titled “Our Business – Our Strengths” and “Our Business – Our Strategy” on pages 58 and 62 respectively, of this Letter of Offer

Quantitative Factors

Information presented in this section is derived from our unconsolidated / consolidated restated financial statements prepared in accordance with Indian GAAP.

1. *Weighted average earnings per share (EPS) * (based on restated accounts)*

Unconsolidated

Financial Period	EPS (Rs)	Weight
Year ended March 31, 2006	15.82	1
Year ended March 31, 2007	25.91	2
Year ended March 31, 2008	19.60	3
Weighted Average	21.07	

Consolidated

Financial Period	EPS (Rs.)	Weight
Year ended March 31, 2006	15.02	1
Year ended March 31, 2007	27.09	2
Year ended March 31, 2008	13.87	3
Weighted Average	18.47	

* As per restated accounts adjusted for share split, Diluted EPS

2. *Price Earnings Ratio (P/E Ratio)*

a. P/E based on the year ended March 31, 2008: 8.4 times (Standalone)

b. Peer group⁽¹⁾ P/E⁽²⁾

- (i) Highest: 38.6 times
- (ii) Lowest: 14.6 times
- (iii) Peer group average: 24.7 times

1) Peer group includes Madras Aluminium Company Limited, National Aluminium Company Limited and Sterlite Industries (India) Limited.

2) P/E ratios for peer group from “Capital Market” Volume XXIII/14 dated September 08-21, 2008.

3. *Weighted average return on net worth # (based on restated accounts)*

Unconsolidated

Financial Period	Return on Networth (%)	Weight
Year ended March 31, 2006	15.41	1
Year ended March 31, 2007	20.07	2
Year ended March 31, 2008	13.19	3
Weighted Average	15.85	

Consolidated

Financial Period	Return on Net Worth (%)	Weight
Year ended March 31, 2006	14.98	1
Year ended March 31, 2007	20.37	2

Financial Period	Return on Net Worth (%)	Weight
Year ended March 31, 2008	9.42	3
Weighted Average	14.00	

As per restated accounts adjusted for share split

4. *Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS.*
The minimum return on increased net worth required to maintain pre-Issue standalone EPS is 15.28%.
The minimum return on increased net worth required to maintain pre-Issue consolidated EPS is 10.89%.
5. *Net Asset Value (NAV) @ (based on restated accounts)*
a. NAV per Equity Share at March 31, 2008 on a standalone basis is Rs. 142.06
NAV per Equity Share at March 31, 2008 on a consolidated basis is Rs. 140.83
b. NAV per Equity Share after the Issue on a standalone basis is Rs. 128.26\$.
NAV per Equity Share after the Issue on a consolidated basis is Rs. 127.40\$.
c. Issue Price per Equity Share is Rs.96.
d. NAV per Equity Share for the year ended March 31, 2006, 2007 and 2008 is as follows:

Unconsolidated

Financial Period	Net Asset Value per Equity Share (Rs.)	Weight
Year ended March 31, 2006	102.66	1
Year ended March 31, 2007	124.32	2
Year ended March 31, 2008	142.06	3
Weighted Average	129.58	

Consolidated

Financial Period	Net Asset Value per Equity Share (Rs.)	Weight
Year ended March 31, 2006	100.31	1
Year ended March 31, 2007	128.08	2
Year ended March 31, 2008	140.83	3
Weighted Average	129.83	

@ As per restated accounts adjusted for share split

\$ Assuming that the Equity Shares offered on a rights basis are fully subscribed

6. *Comparison of Accounting Ratios (Hindalco Industries Limited – Standalone Basis) for the year ended March 31, 2008 with other listed companies*

	EPS (Rs.)	PE (x)	Return on Networth (%)	Net Asset Value per Equity Share (Rs.)	Face Value per share (Rs.)
Hindalco Industries Limited	19.6	8.4	13.19%	142.06	1
Madras Aluminium Company Limited	7.4	20.8	24.8%	32.9	2
National Aluminium Company Limited	25.3	14.6	35.1%	137.7	10
Sterlite Industries (India) Limited	13.4	38.6	10.8%	185.8	2

Group Average	NA	20.6	21.0%	NA	
Industry Average Aluminium & Aluminium Products*	9.5	14.1	21.9%	46.4	

Source: Our EPS, P/E, Return on Net Worth, Net Asset Value per Equity Share and Face value per share is as per our audited restated standalone financial statements adjusted for the stock split, where applicable; Source for Face value per share for companies other than Hindalco Industries Limited is from Bloomberg. Source for all other information is "Capital Market" Volume XXIII/14 dated September 08-21, 2008.

*Excluding Hindalco Industries Limited; Segment as per "Capital Market" Volume XXIII/14 dated September 08-21, 2008.

NA – Not applicable

The Lead Managers believe that the Issue Price of Rs. 96 with a face value of Re. 1 per Equity Share and a premium of Rs. 95 per Equity Share is justified in view of the above parameters. See the section titled "Risk Factors" on page xiii of this Letter of Offer and the financials of the Company including important profitability and return ratios, as set out in the section 'Financial Statements – Auditors Report' on page F-1 of this Letter of Offer to have a more informed view.

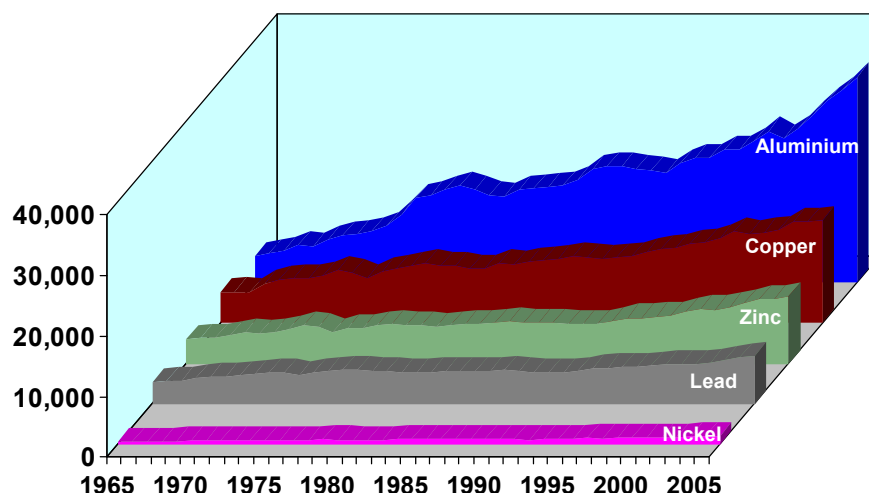
INDUSTRY OVERVIEW

The information presented in this section relating to the global aluminium and copper industries has been extracted from CRU International Limited reports, Brook Hunt & Associates Limited's reports, India Commodity Market Report May 2007, Australian Commodity Statistics and publicly available information. Unless otherwise specified, the information presented in this section relating to the Indian aluminium industry and the Indian copper industry has been procured from publicly available information. This data has not been prepared or independently verified by us or the Lead Managers or any of their respective affiliates or advisors. In this section, all references to a particular year are to the 12-month period ended 31 December of that year and all references to a particular financial year are to the 12-month period ended 31 March of that year.

Global Non-Ferrous Metals Consumption

The chart below depicts the historical annual consumption of various non-ferrous metals across the globe. Aluminium and copper are the two fastest growing non-ferrous metals amongst the non-ferrous metals listed below in terms of world consumption.

World Consumption (kt)



Source: Australian Commodity Statistics – 2007

Global Aluminium Market

Background

Aluminium is a lightweight, durable and corrosion resistant metal that can be extruded, rolled, formed and painted for use in a wide range of applications. Aluminium is produced from alumina, which is refined from bauxite, a mineral found in various parts of the world. Deposits of bauxite contain concentrations of alumina ranging from low-grade 35% alumina-content bauxite to high-grade 60% alumina-content bauxite.

Growing Asian Aluminium Consumption

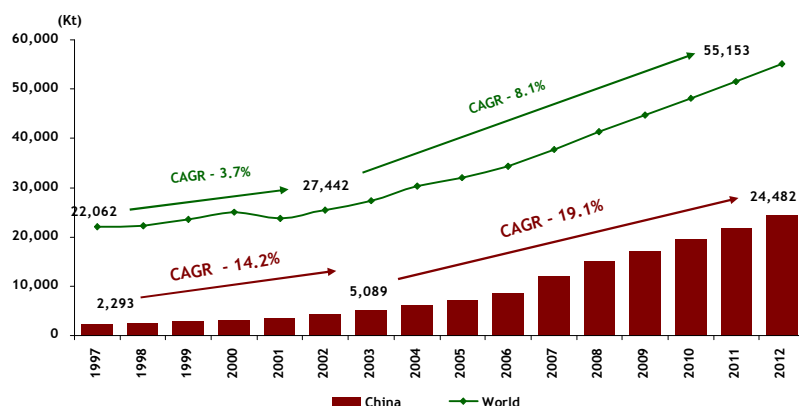
Global demand for primary aluminium has grown consistently at a compounded annual growth rate of 6% between 2000 and 2007. Global primary aluminium consumption increased by 10% from 34.4 million tons in 2006 to 37.8 million tons in 2007. Driven by strong demand in end-use markets and the continued development of emerging economies, global demand is expected to rise to 41.2 million tons by 2008, before

increasing further to 55.2 million tons in 2012. (Source: CRU International Limited's (the "CRU") *Aluminium Quarterly Industry and Market Outlook*, April 2008)

According to CRU's *Aluminium Quarterly Industry and Market Outlook*, April 2008, China and the rest of Asia accounted for more than half of world aluminium consumption in 2007. Despite the slowdown in the US, demand from Asia, driven by continued industrialisation and urbanisation grew by 21% from 2006 to 2007 and is expected to grow by 15% in 2008.

The following chart, based on CRU's data from its *Aluminium Quarterly Industry and Market Outlook*, April 2008 and January 2008, depicts the sharp growth in aluminium consumption driven largely by China.

World Aluminium Consumption



Source: CRU's *Aluminium Quarterly Industry and Market Outlook*, April 2004 and January 2008

Other emerging economies also reported solid growth. CRU's *Aluminium Quarterly Industry and Market Outlook*, April 2008 states that demand from Europe (including the CIS) and Latin America grew by 5% and 6%, respectively, in 2007, and the two regions' aggregate demand is expected to grow by 3% in 2008. However, aluminium consumption in North America contracted by 8% in 2007, mainly due to reduced demand from the housing sector. Demand in North America for end use aluminium is expected to start recovering in the second half of 2008.

The following chart, based on CRU's data from its *Aluminium Quarterly Industry and Market Outlook*, January 2008, depicts the world's aluminium consumption and percentage of consumption growth over the calendar years 2006 to 2009.



Source: CRU's Aluminium Quarterly Industry and Market Outlook, January 2008

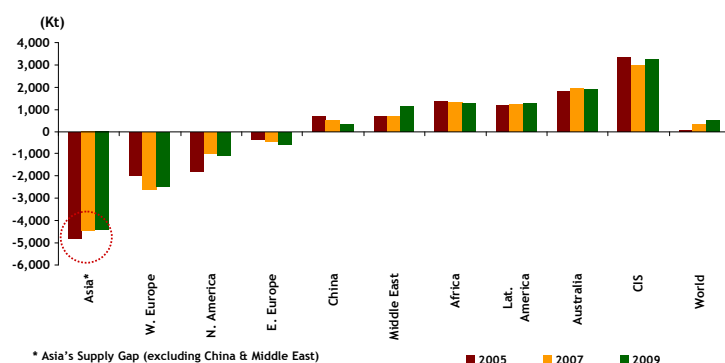
Continued Deficit in the Asian Market

The world aluminium industry began a significant cost escalation starting in 2006. A shortage of bauxite combined with rising fuel and freight costs continues to increase bauxite prices and alumina costs. With power accounting for approximately 27% of liquid metal production costs, energy cost pressures and power shortages causes increased production cuts in various parts of the world. (Source: CRU's Primary Aluminium Smelting Costs, 2007 Edition) These heightened cost pressures are expected to continue constraining supply growth, which, combined with demand growth, is expected to provide support for aluminium prices.

The rising cost of production has also caused a structural shift in global production. Historically, industrialised nations accounted for a large share of global production. However, rising power prices, alumina and freight costs have resulted in a shift in aluminium production to countries with access to greater bauxite supplies and affordable sources of power.

Asia, led by China and India, is emerging as an attractive destination for aluminium smelting. According to CRU's Aluminium Quarterly Industry and Market Outlook, April 2004 and April 2008, the proportion of global primary aluminium production carried out in Asia (excluding the Middle East) increased from 20% to 38%, while the proportion of global primary aluminium production carried out in North America and Western Europe declined from 37% to 27%, from 2002 to 2007. Notwithstanding the rise in aluminium production and capacities in the region, aluminium supplies in Asia have lagged behind demand, resulting in a supply deficit of 3.2 million tons during 2007 as illustrated by the graph below. The supply deficit in Asia is expected to persist, supported by the continued industrialisation and urbanisation in Asian emerging markets. Although China witnessed a surplus of 0.5 million tons last year, its strong consumption demand and domestic production constraints may turn the country into a net importer of primary aluminium. (Source: CRU's Aluminium Quarterly Industry and Market Outlook, April 2008) The graph below illustrates the supply gap in Asia (excluding China and the Middle East).

Supply Gap

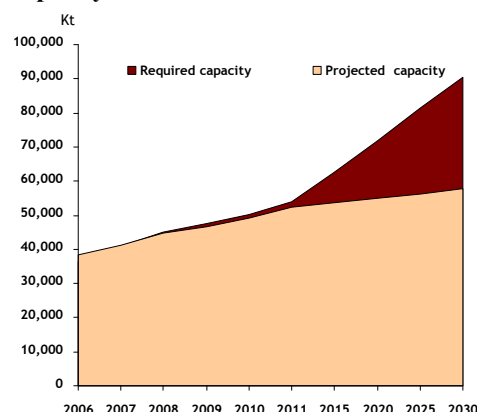


Source: CRU's Aluminium Quarterly Industry and Market Outlook April 2006 and April 2008

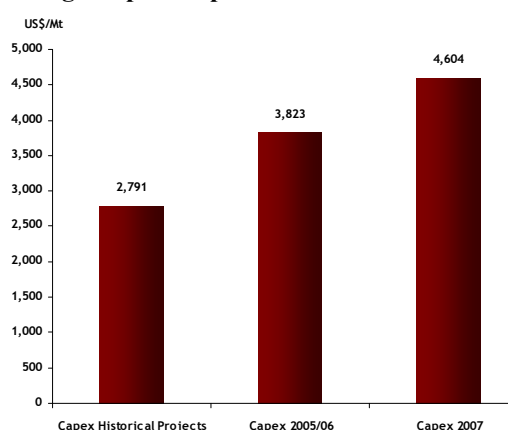
Major investments are required for production to catch up with demand. According to CRU's Long Term Outlook for Aluminium, 2007 Edition, 1.6 million tons of additional smelting capacity will be needed to meet world demand by 2011, the projection rises to 32.7 million additional tons by 2030.

Additional investments in smelter capacity will be required to meet projected demand. The average capital expenditure for new smelter capacity per million tons has risen from historical averages, and this trend is expected to continue. The graph below illustrates the gap between projected and required capacity:

Capacity



Average Capital expenditure



Source: CRU's Long Term Outlook for Aluminium, 2007 Edition

Pricing

Aluminium is traded on the LME. While prices are determined by LME movements, producers also charge a regional premium that generally reflects the cost of obtaining the metal from an alternative source. The following graph illustrates movements in aluminium price from 2000 to 2008 in U.S.\$ per MT.

Aluminium LME Spot Prices



Source: Bloomberg

Alumina is not traded on the LME and it is priced on the basis of negotiations though determined with reference to the LME price for aluminium. Negotiated agreements generally take the form of long-term contracts, but fixed prices can be negotiated for shorter periods. A relatively small spot market for alumina also exists.

Indian Aluminium Market

Background

The aluminium industry in India has grown progressively, tracking the country's economic growth over the years. According to CRU's Aluminium Quarterly Industry and Market Outlook, April 2008, domestic primary aluminium consumption is expected to increase to 1.6 million tons in 2010, compared to 1.27 million tons in 2007.

India is home to the sixth largest bauxite deposit in the world with reserves and resources of 2.2 billion tons (Source: Brook Hunt – *Bauxite and Alumina Costs to 2013, Summary and Analysis*, 2006). Bauxite deposits are spread across the states of Orissa, Andhra Pradesh, Jharkhand, Chhattisgarh, Gujarat and Maharashtra. Indian bauxite is largely located on a single plateau, thus making bulk mining possible and resulting in significant cost advantages. Backed by abundant and good quality bauxite, as well as lower cost labour, Indian companies have emerged as low cost producers of aluminium enjoying relatively higher profitability.

Domestic Demand and Consumption Pattern

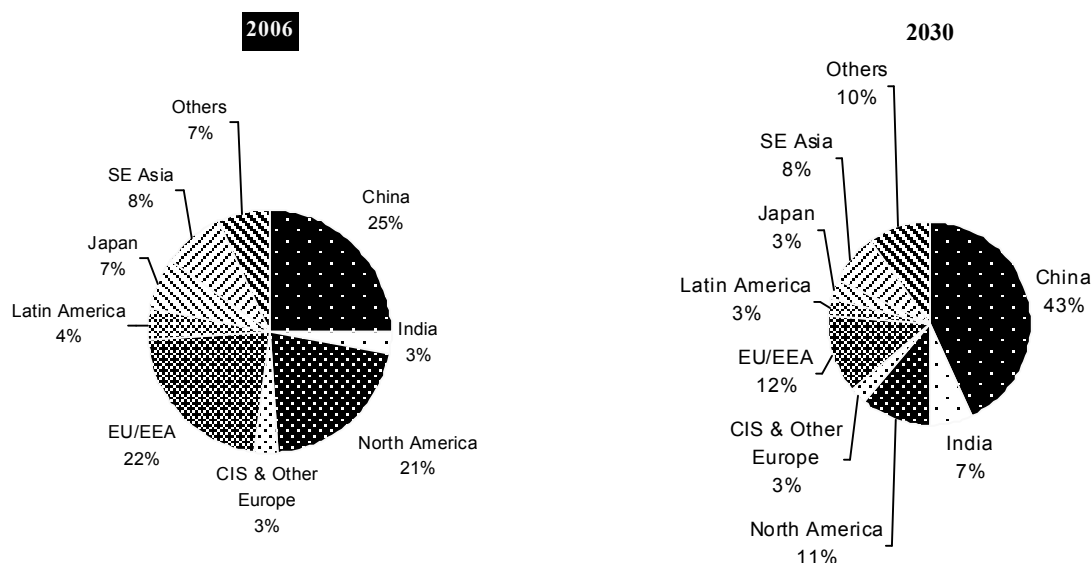
India registered 15% consumption growth in 2007 in line with overall economic growth. Strong industrial growth, infrastructure initiatives and electrification goals resulted in increased demand for aluminium. The automobile and transportation sectors also supported aluminium demand (Source: CRU's *Aluminium Quarterly Industry and Market Outlook*, April 2008).

According to CRU's Aluminium Quarterly Industry and Market Outlook, April 2004 and April 2008, domestic demand for aluminium has grown at a compounded annual growth rate of approximately 13% between 2003 and 2007 to reach a high of 1.27 million tons in 2007. More importantly, the last two years witnessed even stronger growth with annual growth rates of 18% and 15% in the calendar years 2006 and 2007, respectively (Source: CRU's *Aluminium Quarterly Industry and Market Outlook*, April 2006 and 2008).

The power sector is the largest user segment of aluminium, accounting for 41% of domestic consumption in the financial year 2008. (Source: *Aluminium Association of India*) Historically, the power sector has accounted for a significant portion of domestic demand since high voltage current is usually transmitted through aluminium cables in India. However, as a result of the changing growth dynamics and increasing acceptance of new applications, the proportion of aluminium consumed by other user sectors such as transportation, construction and packaging has increased in recent years. According to Aluminium Association of India, the transportation sector accounted for 18% of domestic demand in the financial year 2008, benefiting from higher volumes and increased per vehicle usage of aluminium. The construction and packaging sectors accounted for approximately 15% and 8% of domestic demand in the financial year 2008, respectively. (Source: *Aluminium Association of India*)

Domestic and International Market Outlook

The domestic aluminium industry is expected to grow in the coming years, supported by growth in the Indian economy and increased domestic demand in end-user markets. In India, the demand is expected to increase in line with economic growth rates. CRU's Aluminium Quarterly Industry and Market Outlook, April 2008 estimates that primary aluminium consumption in India will increase to 1.9 million tons by 2012. The chart below illustrates world consumption patterns from the calendar year 2006 and the expected consumption patterns for the calendar year 2030.



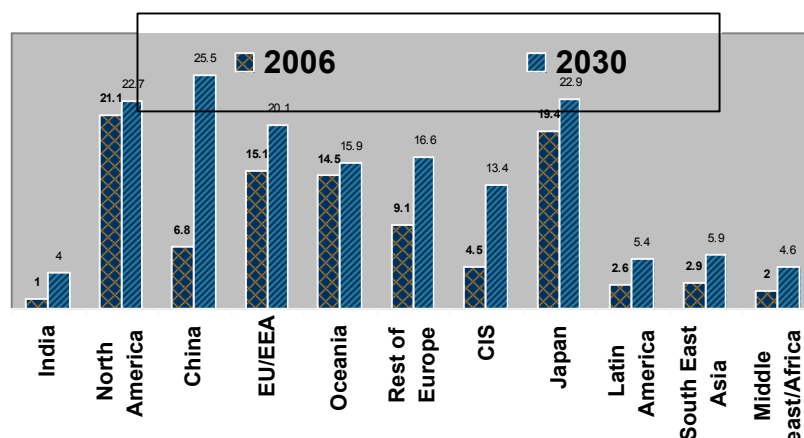
World demand – 34.37 million tones

World demand – 84.3 million tonnes

Source: CRU's Long Term Outlook for Aluminium, 2007 Edition

The government of India is planning to significantly increase power generation capacity to at least 200,000 MW by 2012 (Source: *National Electricity Policy*). The government projects a 68,869 MW increase in generation capacity under India's 11th Five Year Plan spanning the financial years 2007 to 2012, equivalent to an increase of 60% in total installed capacity. The existing inter-regional power transfer capacity is 17,000 MW, which is to be further enhanced to 37,000 MW by 2012 through creation of "Transmission Super Highways". (Source: *Ministry of Power*) Demand resulting from the privatisation of electricity transmission and distribution and a greater emphasis on improving the existing electricity distribution infrastructure in India, especially in rural areas, is expected to further boost domestic aluminium demand. Demand growth is likely to be further bolstered by increased use of aluminium in automobile and two-wheeler manufacturing, as well as, potential growth in automotive component exports as major automotive manufacturers begin to look to India to source their production operations.

Moreover, according to CRU's Long Term Outlook for Aluminium, 2007 Edition, the long term potential for the domestic market is encouraging since Indian per capita consumption was 1.0 kg in 2006, compared to consumption of approximately 6.8 kg per capita in China for 2006 which is expected to rise to 25.5 kg in China by 2030. The chart below illustrates world per capita aluminium consumption patterns in terms of kilograms from the calendar year 2006 and the expected per capita aluminium consumption patterns for the calendar year 2030.



Source: CRU's Long Term Outlook for Aluminium, 2007 Edition

Global Copper Market

Background

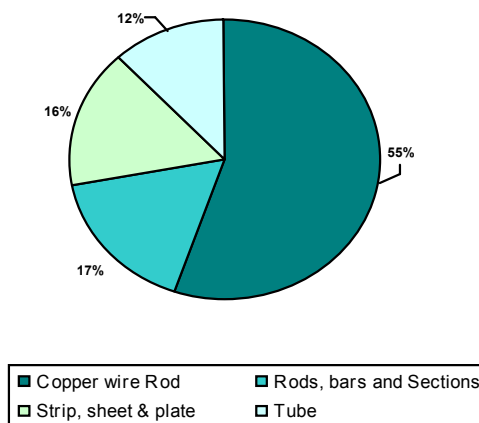
Copper is a non-magnetic metal with high conductivity, tensile strength and resistance to corrosion. Copper consumption can be divided into three main product groups: copper wire rods, copper products and copper alloy products.

The predominant intermediate use of copper is the production of copper wire rods, which accounted for more than half of total global copper production in 2007 (*Source: Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008*). Copper wire rods are used in wire and cable products such as general and industrial cable, utility power cables, telecommunication cable, other insulated wire and winding wire. In addition, copper has several non-electrical applications such as tubes for air conditioners and refrigerators, foils for printed circuit boards and other industrial and consumer applications. Copper is also used in a number of alloys, including brass (copper and zinc), bronze (copper and tin), nickel silver, phosphor bronze and aluminium bronze.

The copper industry can be divided into three broad categories:

- *Copper miners* which mine ore to produce copper concentrates, usually containing 25% to 40% copper;
- *Copper custom smelters* which smelts and refines copper from the concentrates obtained from copper mines; and
- *Integrated copper producers*, who undertake mining, smelting, and refining or leaching to produce copper. Integrated copper producers account for a large part of world copper capacity.

2007 Global Copper Consumption by End Use



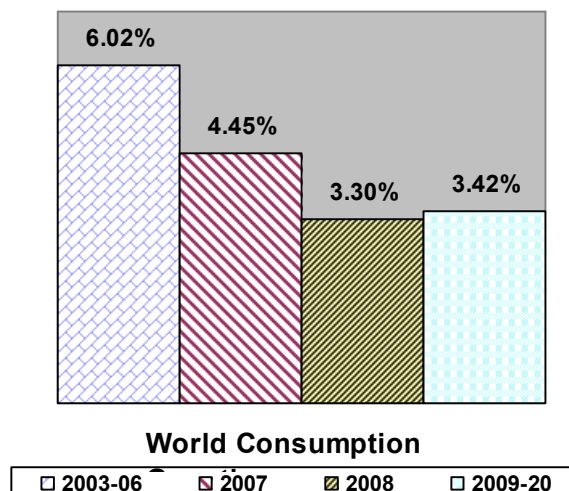
Source: CRU's Copper Quarterly Report, April 2008 for 2007 Global Copper by End Use and

Copper Consumption

According to the CRU's Copper Quarterly Industry and Market Outlook, April 2008, global consumption of refined copper has grown consistently at a compounded annual growth rate of 3% from 15.0 million tons in 2000 to 18.1 million tons in 2007 and is estimated to increase to 22.8 million tons by 2012. Emerging market demand, constrained supply dynamics and sluggish mine capacity combine to create a market environment of low refined supplies and continued robust demand for copper.

Robust growth in Asia, led by China, has resulted in significant changes in global consumption patterns during the last decade. Europe and North America, which used to consume over 50% of the world's refined copper during the 1980s, accounted for only 41% in 2007. Asia, on the other hand, has emerged as the world's most important copper market growing with a compounded annual growth rate of 7% between 2000 and 2007. In 2007, Asia consumed more than half of the world's refined copper, with China alone accounting for 26% of global consumption (Source: CRU's Copper Industry and Market Outlook, April 2008).

The following graph illustrates the world's consumption growth for the periods indicated (estimated):



Source Q4 2007 Brook hunt

Source: Brook Hunt – The Long Term Outlook for Copper – Metal Service, 4th Quarter Data Volume 2007.

Copper Supply

Global mine production is the principal source of copper. Data compiled by CRU's Copper Quarterly Industry and Market Outlook, April 2008 shows Chile accounted for 36% of global copper mine production in 2007, followed by the United States and Peru with 8% each, China and Australia with 6% each, and Indonesia with 5%. Generally, nearly one third of global mine production is sold in the custom smelting market, with the rest being used for integrated production.

Increasing mining capacity to supply the market with copper ore is key to increasing potential refined copper outputs, given the current smelter capacity levels. However, supply disruptions at key mines ranging from power outages, water shortage, labour disputes, grade deterioration, weather, technical and pit problems have become a persistent and significant feature of the copper industry.

Although there is no shortage of copper deposits, they tend to be in regions of high political risk such as the Tenke Fungurume mine located in Congo, Africa, which is considered the world's largest underdeveloped high-grade copper deposit.

According to CRU's Copper Industry and Market Outlook, April 2008, integrated copper production is concentrated in Chile, Peru, Canada and Australia which together accounted for 21% of global smelter copper production and 24% of global refined copper production. China, Japan, South Korea, India and Western Europe are major importers of copper concentrate for regional custom smelting facilities. Together this group of importers accounted for 47% of global custom smelter production in 2007 (Source: CRU's Copper Quarterly Industry and Market Outlook, April 2008).

Traditionally, the Americas and Western Europe accounted for a majority of copper production, though their percentage share of global production has declined in recent years. Asian markets, especially China and India, have witnessed strong growth in production capacities. In 2007, China and the rest of Asia (including Japan and the Middle East) accounted for 19% and 23%, respectively, of global refined copper production while the Americas and Western Europe accounted for 32% and 10% respectively (Source: CRU's Copper Quarterly Industry and Market Outlook, April 2008).

In spite of strong production growth, Asian markets had a supply deficit of 2.0 million tons in 2007. Of this, the supply deficit in China was 1.2 million tons (*Source: CRU's Copper Quarterly Industry and Market Outlook, April 2008*).

The following table sets forth the actual and estimated regional supply-demand balance from 2005 to 2012:

Region	Global Copper Surplus/Deficit Year Ended December 31,			
	2005	2006	2007	2012 ⁽¹⁾
	Volume (In thousands of tons, except percentages)			
Western Europe	(1,791)	(2,110)	(1,856)	(1,624)
China	(1,191)	(914)	(1,220)	(2,387)
Rest of Asia ⁽²⁾	(997)	(917)	(1,101)	(1,516)
Japan	160	219	359	523
North America	(762)	(641)	(550)	(172)
S & C America	3,046	3,040	3,100	3,756
E & C Europe	565	529	417	391
Africa	374	417	463	1,156
Australasia	308	293	306	452

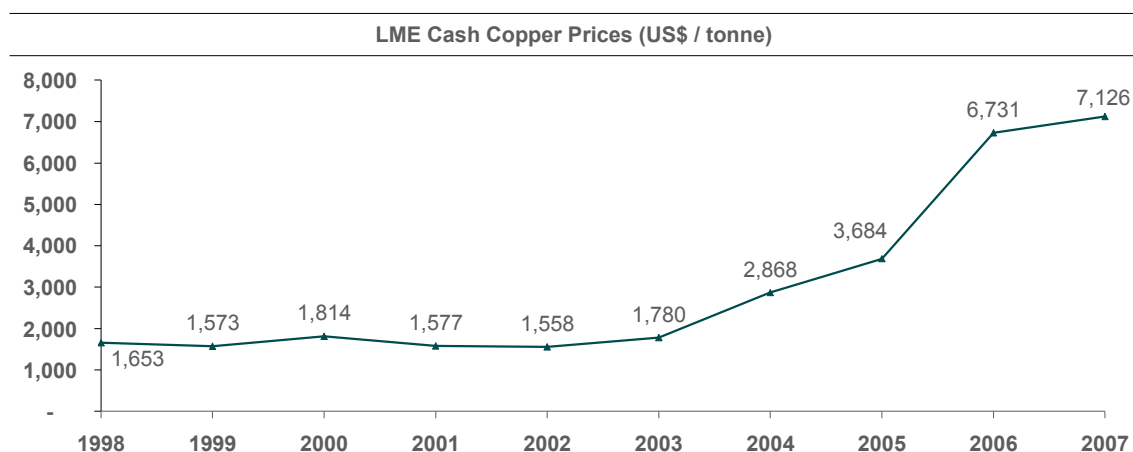
(1) Forecast

(2) Including the Commonwealth of Independent States

Source: CRU's Copper Quarterly Industry and Market Outlook, April 2008

Pricing

Copper is traded on the LME. Although prices are determined by LME price movements, producers normally charge a regional premium that is market driven. The following graph illustrates copper prices from 1998 to 2007.



Source: CRU's Copper Quarterly Industry and Market, April 2008

For custom smelters, treatment charges and refining charges ("TcRc") has a significant impact on profitability as prices for copper concentrate and prices of finished products are LME price net of TcRc or plus a premium, respectively. A significant proportion of concentrates are sold under frame contracts while TcRc is negotiated annually. The TcRc rates are influenced by the supply-demand situation in the concentrate market, prevailing and forecasted LME prices, as well as, mining and freight costs.

Indian Copper Market

Background

India has limited quality-grade copper deposits. Available deposits are owned by the government-owned entity, Hindustan Copper Limited, which was the only producer in India until 1995. The industry has transformed significantly since then with the entry of Birla Copper, now owned by Hindalco Industries Limited, and Sterlite Industries, part of Vedanta Resources Plc. According to Copper Quarterly Report, April 2008 data, Birla Copper and Sterlite Industries accounted for approximately 90% of domestic copper production in 2007. Capacity has grown approximately 3 times from a modest 296,000 tons in 2000 to 1,001,000 tons in 2007 (*Source: Brook Hunt – The Long Term Outlook for Copper – Metal Service, 4th Quarter Data Volume 2006*).

As a result of limited copper ore availability, India's copper industry primarily consists of custom smelters which rely on imported copper concentrates to feed domestic smelters.

Consumption Pattern

According to CRU's Copper Quarterly Industry and Market Outlook, April 2008, domestic refined copper consumption has grown at a compounded annual growth rate of 12% between 2000 and 2007. Supported by strong growth in end user segments such as winding wires, power cables and other user applications, industry demand has rebounded strongly during the last few years. CRU's Copper Quarterly Industry and Market Outlook, April 2008 estimates India's aggregate refined copper consumption was 531,000 tons in 2007, a growth of 31% from 406,000 tons consumed in 2006.

Pricing and Tariff

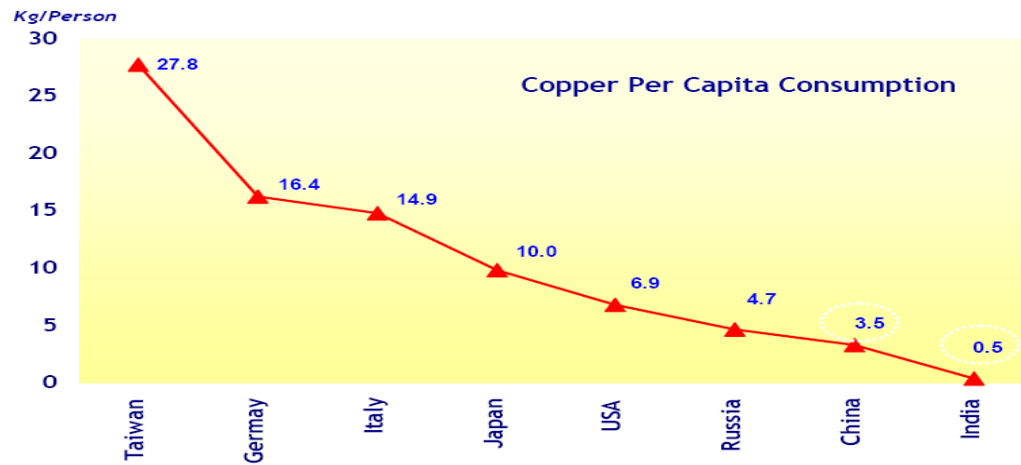
Domestic copper prices track the global prices since the metal is priced on the basis of the landed costs of imported metal. Copper imports are subject to a customs duty of 5% and an additional surcharge of 2% of the customs duty in India. Domestic producers are also able to charge a regional premium, which is market driven.

Market Outlook

India's copper market is expected to remain positive with strong growth in key user segments such as power, construction and engineering. Indian refined copper consumption is expected to continue to grow strongly in-line with the overall growth of the economy. Growth in the industrial, housing, infrastructural and power sectors is expected to drive the demand for copper over medium term.

According to CRU's Copper Quarterly Industry and Market Outlook, April 2008, domestic consumption of refined copper is expected to increase from 531,000 tons in 2007 to an estimated 817,000 tons by 2012, which would equal a compounded annual growth rate of 9% over the period. This growth is lower than the historical averages, largely on account of negative growth in the telecom cable segment which continues to suffer from increasing penetration of the cellular telecommunication and low prices of fibre optic wires in the international markets. Regardless of this telecom cable trend, copper consumption per capita in India is relatively low compared to the United States and China. India's per capita copper consumption was less than 0.46 kg in 2007 compared to 7 kg in the United States and 3.5 kg in China. If India's per capita copper consumption moves towards the per capita copper consumption levels in the United States and China, India's copper market has the potential for significant growth (*Source: CRU's Copper Quarterly Industry and Market Outlook, April 2008 and CIA Fact Book July 2008 Estimate*).

The graph below illustrates the copper per capita consumption across the countries indicated:



Source: Brook Hunt – The Long Term Outlook for Copper – Metal Service, 4th Quarter Data Volume 2007 and CIA Fact Book July 2007 Estimate

OUR BUSINESS

We are one of the leading producers of aluminium and copper in India and the world. Our Indian aluminium production operations are integrated. For the calendar year 2007, we were the sixth largest aluminium producer in Asia and the eleventh largest in the world in terms of volume, according to CRU International Limited's ("CRU") Aluminium Quarterly Industry and Market Outlook, April 2008. On May 15, 2007, we acquired Novelis Inc. ("Novelis"), the world's largest aluminium rolled products producer based on shipping volume for the calendar year 2007. Through the acquisition of Novelis, our aluminium products business has achieved economies of scale, increased our global reach and given us access to advanced technology critical to our future growth. In our copper production operations, we are a custom smelter and according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008, we own and operate one of the largest single location smelters in the world in Dahej, India. We source a portion of our copper requirements from our copper mines in Australia and also purchase copper concentrate at London Metal Exchange ("LME") linked prices for smelting and refining. We then sell the refined copper and continuous cast rod at LME-linked prices in the domestic and export markets. For the calendar year 2007, we were among the top 10 producers of copper in the world by capacity, according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008.

We are a part of the Aditya Birla Group, which is one of the largest business groups in India. The Aditya Birla Group is a multinational conglomerate and has a history of over 50 years, with a presence in 25 countries. We were incorporated in 1958 and have been listed on the Indian stock exchanges since 1968.

Aluminium

Our Indian aluminium operations are integrated and consist of bauxite mining, alumina refining, smelting and converting primary metal into value-added products. We have dedicated sources of critical raw materials for our Indian operations such as bauxite, power and to a limited extent, coal and have committed supply sources for auxiliary chemicals. Our finished products include alumina produced from our plants that we generally use for our own captive needs, the excess of which we sell to third parties, primary aluminium in the form of ingots, billets and wire rods, value-added products such as rolled products, extrusions, foils and alloy wheels and speciality alumina products used in a range of industries including water treatment chemicals, refractories, ceramics, cryolite, glass, fillers and plastics, conveyor belts and cables, among others. In addition, we manufacture intermediate products required for our own production such as power and carbon anode. Our Indian aluminium operations are located in 10 states and one union territory in India, with three refineries, that are capable of producing 1,160 ktpa of alumina and two smelters that are capable of producing 471 ktpa of aluminium.

On May 15, 2007, we acquired Novelis, the world's leading aluminium rolled products producer based on shipment volume for the calendar year 2007. Novelis is also the largest aluminium rolled products producer in Europe, South America and Asia, and the second largest producer in North America for the calendar year 2007. Novelis is also the world leader in recycling used aluminium beverage cans, recycling approximately 36 billion used beverage cans for the financial year 2008. It currently operates in 11 countries and produces aluminium sheet and foil products for customers in high-value markets including automotive, transportation, packaging, construction and printing. Novelis' key customers include Anheuser-Busch Companies, Inc., affiliates of the Ball Corporation, Crown Cork & Seal Company, Inc. and Rexam Plc.

Copper

Our copper operations consist of producing copper (through smelting, refining copper from copper concentrate and converting refined copper cathode into continuous cast rod). We also manufacture precious metals (gold, silver and selenium, which are recovered from the anode slime as by-products), phosphatic fertilizers and sulphuric acid, which are produced from the by-products generated through the copper

manufacturing process. Our custom copper smelting facility comprising of three smelters at Dahej, India, with an installed capacity of 500 ktpa, is one of the largest smelting facilities in the world at a single location according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008. We have suspended the operations of one of such smelters since October 2006, as a result of scarcity of copper concentrate in the international markets and the resulting adverse change in TcRc. Our copper operations are supported by our two copper mines located in Australia, as well as our in-house jetty, power plants and oxygen plants located in the vicinity of our copper smelter in Dahej. We sell refined copper in the form of cathodes and continuous cast rods and also sell precious metals, phosphatic fertilizers, sulphuric acid and other by-products. We believe we enjoy strong brand presence in India and internationally, with two LME listed brands of copper cathodes, namely “Birla Copper” and “Birla Copper II”.

Our Competitive Strengths

We believe that the following are our key competitive strengths:

Low Production Cost and Integrated Operations in India

Given the commoditised nature of our aluminium and copper businesses, cost competitiveness is a key component of profitability. According to business operating cost estimates in CRU’s Primary Aluminium Smelting Costs Report, 2007, our Indian aluminium operations was ranked the second lowest cost producer of aluminium globally, for the calendar year 2006 and our Hirakud and Renukoot facilities are within the 25 percentile of site operating costs for the production of aluminium globally. One of the key components of our low production costs are our integrated aluminium operations in India. Our Indian aluminium operations span the entire value chain and consist of bauxite mining, alumina refining, smelting and converting primary metal into value-added products. We have cost effective access to good quality bauxite from our own mines that are located in close geographic proximity to our refineries, low cost power from our captive power plants, which meet a large part of our power requirements and which are either located in the vicinity of the captive coal mines or for which we have coal linkages, control over supplies of other key raw materials such as caustic soda from subsidiaries and a comprehensive range of value-added products with proximity to end-use markets. Another contributing factor to the low cost of productions is access and use of high quality bauxite, which has high gibbsite and low silica content. This allows us to consume less caustic soda, which is one of the primary cost drivers in the alumina production process. Thus, we enjoy significant cost advantages in the production of aluminium and delivery of quality products. The integrated nature of our Indian aluminium operations also provides us with flexibility to change our product mix to take advantage of market opportunities.

In our copper production operations, we have undertaken a number of innovative initiatives to reduce the cost of production. We have invested in highly advanced technology for our copper smelter at Dahej, which has resulted in reduced energy consumption. We also utilise our own captive power plants to cater to our energy requirements. As a result, we believe our energy costs are low when compared to companies with equal scale of operations. Our copper concentrate requirements are largely sourced through long term contracts and from the copper concentrate from our two mines in Australia which contributes towards raw material availability and cost controls. In order to reduce freight and handling charges, we operate an all season jetty located in the vicinity of our copper smelting facility at Dahej, which has the cargo handling capacity of approximately 4,500 ktpa. We also generate revenue from the production and sale of by-products in our copper production operations. Copper smelting generates sulphuric acid, the disposal of which is generally difficult. We convert this sulphuric acid into phosphatic fertilizers, which has a growing market in India. Copper smelting also generates anode slime, which contains traces of gold, silver and other precious metals, which are processed in our in-house precious metal refinery.

Access to High-End Technology

Novelis is a world leader in aluminium rolling products technology. Novelis has developed patented Novelis Fusion™ technology, where customers can benefit from superior characteristics. This technology allows us to produce a high quality ingot with a core of one aluminium alloy, combined with one or more layers of different aluminium alloys. The ingot can then be rolled into a sheet product with different properties on the inside and the outside, allowing for what we believe to be previously unattainable performance for flat rolled products and creating an opportunity for new applications as well as improved performance. Development of technology similar to Novelis Fusion™ has high entry barriers and we are ideally positioned to capitalise on this technology. We also intend to introduce products based on this technology into the Indian market, allowing us to increase our market share for value-added products. In addition, we have made significant investments in technology to improve our competitive advantage in the businesses we operate in. For example, we have implemented the new Gami technology at our Hirakud aluminium smelter which has made the smelter more efficient and we have used technology from Outokompu, Ausmelt and Mitsubishi Materials Corporation for our copper smelter in Dahej to reduce our power requirements and improve operating efficiencies. As a result of our technology initiatives, we believe our manufacturing process is streamlined in terms of efficiency and in terms of providing our customers with quality products.

Leading Industry Position

We are one of the leading producers of aluminium and copper in India and the world. According to CRU's Industry and Market Outlook – April 2008, we were the leading producer of primary aluminium in India for the calendar year 2007. Our Indian aluminium operations are integrated. For the calendar year 2007, we were the sixth largest aluminium producer in Asia and the eleventh largest in the world in terms of volume, according to CRU's Aluminium Quarterly Industry and Market Outlook, April 2008. Through the acquisition of Novelis, we are now the world's leading aluminium rolled products producer based on shipment volume in the calendar year 2007. Our aluminium rolled products operations are based in four continents, comprising 32 operating plants, one research facility and several market-focused innovation centres in 11 countries, as of June 30, 2008. In our copper business, we are a custom smelter and according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008, we own and operate one of the largest single location smelters in the world in Dahej, India and for the calendar year 2007, we were among the top 10 producers of copper in the world by capacity.

Market Strength in India

We were the leading aluminium producer in India, with a 42% market share, excluding imports for the financial year 2008. Our share of the Indian aluminium market, including imports, is 27% for the financial year 2008. We have a dominant position in flat rolled aluminium products with a market share of 56% for the financial year 2008. In the highly fragmented aluminium extrusions business, with low entry barriers, our market share is approximately 20% for the financial year 2008. (*Source: Aluminium Association of India*)

Our strength in aluminium products differentiates us from our competition. Over 53% of the Company's sales came from value-added products in the financial year 2008. This is in line with our "market grower philosophy". As a result, many new applications have been brought into the Indian market by the Company including branded roofing sheets, branded kitchen foils and wheels, and input material for bicycles and railway wagons. The Company also has an initiative called "The Aluminium Gallery" which provides a platform for its small customers to showcase their products to their consumers. These initiatives position the Company to undertake "first mover advantage" in the market.

Following the acquisition of Novelis, we intend to grow our range of value-added aluminium products in India. The largest application in flat rolled products worldwide is can-stock, which is used to manufacture aluminium beverage cans. We also intend to develop high grade lithographic sheets and automotive sheets in future.

Adequate Supplies of Bauxite and Other Key Raw Materials

Bauxite. India has sizeable deposits of bauxite. According to Brook Hunt – Bauxite and Alumina Costs to 2013, Summary and Analysis, 2006, India is home to the sixth largest bauxite deposit in the world with a reserve base of 2.20 billion tons. Indian bauxite is of superior quality generally and is largely located on a single plateau, thus making bulk mining possible and resulting in significant cost advantages in the production of alumina and aluminium. As of March 31, 2008, our bauxite deposits under existing leases had 112.00 million tons of proven and 192.00 million tons of probable reserves. We have applied for mining leases for 177.00 million tons of bauxite in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh. Based on our current requirements as well as our proposed expansion, we expect our total Reserves including the above mentioned applied leases to last for more than 20, 40 and 30 years, respectively, for our Muri, Renukoot and Belgaum refineries.

Caustic Soda. Caustic soda is a key raw material used to dissolve the bauxite in the alumina refining process. The caustic soda requirement varies significantly depending on the quality of bauxite and technology employed. During the financial year 2008, we sourced approximately half of our caustic soda requirements from our subsidiary, Bihar Caustic and Chemicals Limited.

Coal. Coal is the principal raw material for our captive power plants. We source the majority of our coal requirements for Renusagar from the northern coalfields and central coalfields of Coal India Limited, which are 8 kilometres and 300 kilometres away from Renusagar, respectively. The coal requirements for the Hirakud power plant are met by supplies from the Talabira coalfields which are leased from the Government of Orissa, and are approximately 45 kilometres away from Hirakud. We expect that our coal requirements will increase to a total of 7.20 million tons per year for our Renusagar and Hirakud plants after taking into consideration the recent commissioning of the additional 100 megawatt unit at Hirakud. As of March 31, 2008, based on our management estimates, our total coal Reserves were 232.00 million tons which comprised of proven Reserves of 60.00 million tons and probable and possible Reserves of 172.00 million tons. These reserves are expected to supply coal to our power plants at Hirakud and Renusagar as well as our greenfield projects for the next 20 years.

Copper Concentrate. Aditya Birla Minerals Limited, our 51% held subsidiary, holds mining and prospecting licence area for two copper mines in Australia through its wholly owned subsidiaries, Birla Nifty Pty Limited and Birla Mount Gordon Pty Limited. As of March 31, 2008, based on Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geo Scientists and Minerals Council of Australia, (more commonly referred to as JORC), compliant internal management estimates, we had 32.20 million tons of reserves at an average copper grade of 2.2% which contained proven reserves of 23.70 million tons at an average copper grade of 2.4% and probable reserves of 8.50 million tons at an average copper grade of 1.6% in possible reserves. During the financial year 2008, approximately 26% of our copper concentrate came from these two mines.

As a result, we believe we are strategically placed for our critical raw material requirements over the long term.

Ideally Positioned to Capitalise on Asia's Growth

We are one of the leading producers of aluminium and copper in India and the world. Our custom copper smelting facility at Dahej, India has an installed capacity of 500 ktpa. Our Indian aluminium operations are

capable of producing 1,160 ktpa of alumina and 471 ktpa of aluminium. We are in close proximity to other growing economies of China, South-east Asia and the Middle East where demand for aluminium and copper has continued to be high. The freight cost advantages we enjoy in these markets because of our geographic proximity gives us a significant competitive advantage over a number of our competitors.

We expect to benefit from India's economic growth and proximity to other growing economies. India, with a 9% increase in real gross domestic product from the financial year 2007 to 2008, according to the RBI, is one of the fastest growing major economies in the world, with significant growth in industrial production and investments in infrastructure. We believe demand for aluminium products will continue to increase during the next several years, particularly in Asia, with the high growth markets being India and China. We also believe the Indian government's initiative to significantly increase power generation capacity in the next few years will continue to sustain the demand for aluminium in India, as high voltage electricity is transmitted through aluminium cables. In the domestic copper market, the rising living standards and the strong growth in the electrical and power industry, automobiles and infrastructure projects have sustained the demand for copper.

Therefore, given the leading position we have in the market and the competitive advantages we enjoy, we believe we are ideally placed to capitalise on the growth opportunities in India and the neighbouring economies.

Operations and Customer Base across Various Geographies and the Value Chain

Through the acquisition of Novelis, we have been able to further diversify our product offerings and geographic reach. Our product offerings extended from production of primary aluminium to flat rolled products with end-use application in North America, Europe, Asia and South America. We also have a widespread customer base in 12 countries across Asia, North America, South America and Europe, in industries such as automobiles, construction, packaging, power and consumer products. Some of our customers include Anheuser-Busch Companies, Inc., various bottlers of the Coca-Cola System, Ford Motor Company and affiliates of the Ball Corporation. We believe that the barriers of entry are high for new competitors in the aluminium rolled products business as a result of the long term customer relationships and technology know-how.

Experienced Management Team and Skilled Employee Base

Our management team includes some of the most experienced managers in the aluminium and copper industries. In addition, subsequent to the Novelis acquisition, we have managed to retain almost all of the key executive officers and skilled employees of Novelis and thereby continue to enjoy the benefits of their skills and expertise, contributing significantly to our integration efforts. Most of our senior management team have over two decades experience in their respective industries and have been instrumental in our growth. We believe that our management team is well placed to provide strategic leadership and direction to explore new emerging opportunities in these sectors as well as constantly improve our current operations. We have witnessed low attrition of key management personnel and have also recruited several professionals with domain expertise in critical areas. We believe our management provides us with a significant competitive edge. As of March 31, 2008, we have 19,667 and 13,222 employees in and outside India, respectively.

Our Strategy

We have a vision to be one of the top five aluminium companies in the world. To implement this vision, we follow the following strategies:

Increasing our Capacities in our Aluminium Business through Greenfield and Brownfield Projects

We intend to continue increasing our production capacities in our aluminium business through the construction of new facilities. We believe that increasing our capacities is critical to enable us to continue to capitalise upon the growing demand for metals in India and internationally, particularly in China and Southeast Asia. We seek to implement our expansion projects with speed and with efficient capital costs in order to generate a high internal rate of return on the projects.

We are currently in the process of expanding the production capacities of our refinery in Muri and our smelter in Hirakud and are in the process of constructing two alumina refineries in Orissa with capacities of 1,500 ktpa each and intend to build three aluminium smelters of capacities of 359 ktpa each, in Orissa, Madhya Pradesh and Jharkhand. By the end of 2015, we expect to increase our domestic aluminium capacity from 471 ktpa to 1,597 ktpa and, our alumina refining capacity from 1,160 ktpa to 4,800 ktpa.

Enhance Our Position as the Leading Manufacturer of Aluminium

To enhance our industry leading position, we implement the following key structures: integrated business model, control over key raw materials, locational advantages, economies of scale, implementation of superior technology and optimal mix of products.

In our Indian aluminium business, we intend to improve our efficiency by upgrading our technology as well as by continuing to expand our aluminium operations in an integrated manner. We develop our facilities in regions close to raw material sources, low cost and available labour and demand markets. This helps in reducing costs and improving profit margins. The technology upgrade will increase the utilisation rates at our plants and will improve efficiency in recovering more alumina from the bauxite we procure. We have implemented cost saving measures that have made us competitive in the past, such as operating our own coal and bauxite mines, keeping our refineries and our power plants in close geographic proximity to our mines to save on transportation costs and maintaining control over supplies of other key raw materials. We have also been able to utilise by-products generated from copper smelting to supplement our copper production business. Continuing to reduce our operational costs will also allow us to explore entering into new markets, grow our business and enable us to attain economies of scale.

We believe implementation of superior technology not only reduces costs but also provides superior and customised products, thus, improving our sales. We are currently developing greenfield projects with superior technology.

Through the acquisition of Novelis, we have been successful in diversifying into rolled and other value-added products. This has helped us reduce the volatility in our results of operations. We intend to continue seeking acquisition targets to enhance our mix of products in global markets. We also intend to synergise our integrated Indian aluminium operations and our international aluminium rolled products business by augmenting our Indian production facilities and introducing Novelis' aluminium rolled products in the Asian markets.

Focus on Capitalising on Asia's Growth

We benefit from being in close proximity to the growing economies of China, South-east Asia and the Middle East and having operations in India. These regions are witnessing significant and growing demand

for aluminium and copper. We intend to capitalise on our position in the aluminium market and exploit our geographic proximity to the significant and high growth markets of India and China.

According to the CRU, notwithstanding the rise in aluminium production and capacities in Asia, aluminium supplies have lagged behind demand, resulting in a supply deficit of 3.22 million tons during the calendar year 2007. During this period, apart from China and the Middle East, the rest of Asia witnessed a deficit of 4.46 million tons of primary aluminium. Additionally, given expectations of continued strong growth in China and other Asian markets, the deficit in the Asian region is expected to continue.

India's consumption growth is expected to increase as the infrastructure industry continues to grow in the country. Given that China does not have access to good quality bauxite and the Chinese government's policy of not providing incentives for manufacturing aluminium, we believe that China will become a net importer of primary aluminium in the near future. We believe we are ideally positioned to capitalise on supplying the region's aluminium needs and intend to concentrate our attentions on this market.

Leverage our Acquisition of Novelis

Novelis is the world's leading aluminium rolled products producer based on shipment volume for the calendar year 2007. Through the acquisition, we now produce aluminium sheet and light gauge products where the end-use destination of the products includes construction and industrial uses, beverage and food cans, foil products and automobiles. We have aluminium rolled products operations in 11 countries and several market focussed innovation centres, across North America, South America, Asia, and Europe, through 32 operating plants and one research facility.

The acquisition of Novelis has further strengthened our integrated business model and has transformed our business from being a low cost Indian aluminium producer to one of the leading global integrated metal companies with high end aluminium rolled products capabilities. Novelis has an established and well diversified geographical market base along with long standing relationships with clients that we intend to continue to exploit. We look to enhancing the range of products offered by Novelis in order to maximise on its core competencies in the aluminium rolled products market, particularly in high demand countries. We intend to launch a number of Novelis' value-added products in the Indian market by capitalising on Novelis' operations, leading position, experienced manpower, access to technology and know-how. Further, the addition of Novelis business reduces our exposure to movements in the LME price for aluminium due to pass through aluminium prices for its products.

Continue to Improve on Our Low Cost Operations

One of our key strengths is the low cost of production in India. We recognise that the commoditised nature of our aluminium and copper businesses warrants reduced production costs in order to maximise profitability. We intend to continue to focus on reducing our costs through a variety of measures.

Bauxite. We are focused on achieving adequate and secure supplies of superior bauxite and seek to acquire or lease bauxite mines. We have been allotted mines with Reserves of 197 million tons of bauxite. In addition, to supplement our existing mineral reserves, we have made applications to various state governments to lease 177 million tons (including a mine allocated for one of our greenfield expansion projects, which has Reserves of 91 million tons, for which we have not yet received environmental approval) of bauxite Reserves in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh.

Copper Concentrate. We plan to increase sourcing of copper concentrate through captive mines and long term contracts. We have captive supplies for our copper smelters of about 26% of our current production requirements and we intend to extend the life of mines through further regional exploration, thus, ensuring

long term supplies and reducing exposure to the volatilities of the TcRc charges on spot. We also plan to enter into long term contracts from third party suppliers thus reducing exposure to spot prices.

Coal - Coal is the principal raw material for our captive power plants. We source the majority of our coal requirements for our Renusagar plant from the northern coalfields and central coalfields of Coal India Limited. The coal requirements for the Hirakud power plant is met by supplies from the Talabira coalfields which are leased from the Government of Orissa. We expect that our coal requirements will increase to a total of 7.20 million tons per year for our Renusagar and Hirakud facilities after taking into consideration the recent commissioning of the additional 100 megawatt unit at Hirakud. As of March 31, 2008, based on our management estimates, our total coal Reserves were 232.00 million tons which comprised of proven Reserves of 60.00 million tons and probable and possible coal Reserves of 172.00 million tons. These reserves are expected to supply coal to our power plants at Hirakud and Renusagar for the next 20 years. We will continue to explore innovative means to further reduce our cost of operations in order to improve margins.

Continue to Invest in High-End Technology

One of the key components in maximising profitability is ensuring that we are efficient in our manufacturing processes. Technology plays a crucial role in reducing the amount and consequently, the costs of energy consumption in the manufacturing processes. Reducing energy usage also means that we use lesser raw materials for generating energy. In order to maintain the competitiveness of our business, we need to keep pace with these technological developments and for this purpose we have three research and development centres that are constantly looking at ways and means through which we can improve recovery and reduce consumption of raw material and energy. We incurred Rs. 1,887.78 million during the financial year 2008 for research and development. In addition to the advantages in the manufacturing process, advances in technology in the product development stage are also significant. For example, we use the Novelis FusionTM technology to manufacture superior products. We will continue to invest in technology across the value chain to remain competitive and to maintain our leadership position.

Our Aluminium Business

Our Indian aluminium operations are integrated and consist of bauxite mining, alumina refining, smelting and converting primary metal into value-added products. We have dedicated sources of critical raw materials for our Indian operations such as bauxite, power and, to a limited extent, coal and have committed supply sources for auxiliary chemicals. Our finished products include alumina produced from our plants that we generally use for our own captive needs, the excess of which we sell to third parties, primary aluminium in the form of ingots, billets and wire rods, value-added products such as rolled products, extrusions, foils and alloy wheels and speciality alumina products used in a range of industries including water treatment chemicals, refractories, ceramics, cryolite, glass, fillers and plastics, conveyor belts and cables, among others. In addition, we manufacture intermediate products required for our own production such as power and carbon anode. Our Indian aluminium operations are located in 10 states and one union territory in India, with three refineries, that are capable of producing 1,160 ktpa of alumina and two smelters that are capable of producing 471 ktpa of aluminium.

On May 15, 2007, we acquired Novelis, the world's leading aluminium rolled products producer based on shipment volume for the calendar year 2007. Novelis is also the largest rolled products producer in Europe, South America and Asia, and the second largest producer in North America. Novelis is also the world leader in recycling used aluminium beverage cans, recycling approximately 36 billion used beverage cans for the financial year 2008. In addition, Novelis' South American business includes bauxite mining, alumina refining, primary aluminium smelting and power generation facilities that are integrated with its rolling plants in Brazil. It currently operates in 11 countries and produces aluminium sheet and foil products for customers in high-value markets including automotive, transportation, packaging, construction and printing.

Novelis' key customers include Anheuser-Busch Companies, Inc., affiliates of the Ball Corporation, Crown Cork & Seal Company, Inc. and Rexam Plc.

Products and Application Areas

We produce and sell alumina, primary aluminium and value-added aluminium products. We produce metallurgical grade alumina, alumina as hydrate and value-added specialty alumina, which are custom made to the requirements of specific end users. We currently produce approximately 110 grades of speciality alumina products for more than 300 customers in both the domestic and export markets. Primary aluminium is produced from the smelting of metallurgical grade alumina. We produce primary aluminium in the form of ingots, wire rods and billets. In addition to alumina and primary aluminium, we also produce value-added products such as rolled products, extrusions, foil and packaging and transportation applications.

A summary of the different products relating to our aluminium business and their most frequent end uses are given below:

Products	End Use
Alumina	
Metallurgical grade alumina	Primary aluminium production.
Specialty alumina	Refractories / castables, grinding media, ceramic fibres, glass, polishing compounds, high tension insulators and spark plugs.
Hydrates	Water treatment chemicals, aluminium fluoride, refractory cement, zeolite and as filler in various applications.
Primary Aluminium	
Ingot / Billets	Aluminium castings and fabrication. Various uses in the construction and transportation industries.
Wire rods	Electrical conductors and cables.
Value-added products	
Flat Rolled Products	Used in the printing industry (lithographic sheets), transportation industry (including bus/truck bodies, radiator fins, miscellaneous automotive applications and railway wagon development), the consumer durables industry (including utensils/pressure cookers, ceiling fans, refrigerators and washing machines), building and architecture (including cladding, roofing, air-conditioning/ventilation ducting, insulation, flooring and new applications of aluminium composite panels), the electrical and communication industries (including cable wrap, lamp caps and cable trays), packaging (bottle-cap stocks, can-body stocks, can-end stocks, aerosol caps and vial caps), and general engineering applications.
Foils and Packaging	Used in the packaging of pharmaceuticals, processed foods, beverages, in the cigarette and dentifrice industries, and for kitchen foil, casserole and thin gauge rolled products.
Extrusions	Used in electrical, industrial, transportation and consumer durables industries.
Transportation Applications	Used in the transport manufacturing industry for heat exchanges such as radiators and air conditioners, interior and exterior applications such as body panel applications, including hoods, deck lids, fenders and lift gates and in the construction of ships' hulls and superstructures, alloy wheels and passenger rail cars.

Our Principal Locations

India

The following table sets out details of our principal locations and capacities in India:

Location	Aluminium Business: Details of Locations and Capacities								
	Alumina	Aluminium	Wire Rods	Rolling Mills	Extrusions	Foils	Wheels	Cogen-erated Power	Power Plant
	(ktpa)	(ktpa)	(ktpa)	(ktpa)	(ktpa)	(ktpa)	(Pieces per annum)	(MW)	(MW)
Renukoot, Uttar Pradesh	700	345	40	80	19.7	-	-	78	742 ⁽¹⁾
Belgaum, Karnataka	350	-	-	-	-	-	-	-	-
Muri, Jharkhand	110	-	-	-	-	-	-	-	-
Hirakud, Orissa	-	126	-	-	-	-	-	-	368
Alupuram, Kerala	-	-	10	-	8	-	-	-	-
Belur, West Bengal	-	-	-	45	-	-	-	-	-
Taloja, Maharashtra	-	-	-	45	-	-	-	-	-
Kalwa, Maharashtra	-	-	-	-	-	6	-	-	-
Silvassa, Dadra and Nagar Haveli	-	-	-	-	-	30	300,000	-	-
Kollur, Andhra Pradesh	-	-	-	-	-	4	-	-	-
Mouda Maharashtra	-	-	-	30	-	-	-	-	-
Total	1,160	471	50	200	27.7	40	300,000	78	1,109.2

(1) The power plant is located in Renusagar, which is near Renukoot.

The following table sets forth, for the periods indicated, information relating to the production volumes of our alumina refineries, smelters, power plants, value-added semi-fabrication units as well as our recycling plant in Taloja:

	Financial Year					
	2006		2007		2008	
	(in tons, except where noted)					
	Production	Utilisation	Production	Utilisation	Production	Utilisation
Alumina	1,203,383	104%	1,198,658	103%	1,192,709	103%

	Financial Year					
	2006		2007		2008	
	(in tons, except where noted)					
refineries ..						
Smelters	429,140	94%	442,686	96%	477,723	101%
Rolling mills	190,581	95%	211,088	106%	215,198	108%
Extrusion plants	32,328	117%	38,282	138%	43,315	156%
Foil and packaging plants	28,693	238%	28,722	234%	27,645	69%
Wheel plant	194,079	65%	196,621	66%	174,069	58%
Power plants ⁽¹⁾	7,846		8,269		8,630	

(1) In million of units.

Novelis

The following table sets out details of the segment turnover, income and shipments for Novelis for the periods stated:

		May 16, 2007 to <u>March 31,</u> 2008	April 1, 2007 to <u>May 15,</u> 2007	January 1, 2007 to <u>March 31,</u> 2007	December 31, 2006	December 31, 2005
North America						
Net Sales ⁽¹⁾	U.S.\$ (million)	3,655	446	925	3,691	3,265
Segment Income ⁽¹⁾	U.S.\$ (million)	266	(24)	(17)	20	193
Shipments	kt	1,032	134	286	1229	1194
Europe						
Net Sales ⁽¹⁾	U.S.\$ (million)	3,828	510	1057	3,620	3,093
Segment Income ⁽¹⁾	U.S.\$ (million)	241	32	86	245	195
Shipments	kt	974	132	287	1073	1,081
Asia						
Net Sales ⁽¹⁾	U.S.\$ (million)	1,602	216	413	1692	1391
Segment Income ⁽¹⁾	U.S.\$ (million)	46	6	17	82	106
Shipments	kt	471	59	117	516	524
South America						
Net Sales ⁽¹⁾	U.S.\$ (million)	885	109	235	863	630
Segment Income ⁽¹⁾	U.S.\$ (million)	143	18	56	165	112
Shipments	kt	310	38	82	305	288

⁽¹⁾ Determined on a U.S. GAAP basis

Due in part to the regional nature of the supply and demand of aluminium rolled products and in order to best serve our customers, our Novelis operations are managed on the basis of geographical areas and are organised under four operating segments: North America, Europe, Asia, and South America.

North America

The North American segment manufactures aluminium sheet and light gauge products through nine manufactured aluminium rolled products facilities and two fully dedicated recycling facilities. Important end-use applications for this segment include: beverage cans, containers and packaging, automotive and other transportation applications, building products and other industrial applications. We believe we have a competitive advantage in this market due to our low-cost and technologically advanced manufacturing facilities and technical support capability. Recycling is important in the manufacturing process and this segment has three facilities that re-melt post-consumer aluminium and recycled process material. Most of the recycled material is from used beverage cans and the material is cast into sheet ingot for Novelis' North American segment can sheet production plants (at Logan, Kentucky and Oswego, New York).

Europe

The European segment produces value-added sheet and light gauge products through 13 operating plants and one dedicated recycling facility. The European segment serves a broad range of aluminium rolled product end-use applications including: construction and industrial, beverage and food can, foil and technical products, lithographic, automotive and other related applications. Construction and industrial represents the largest end-use market in terms of shipment volume by the segment. This segment supplies plain and painted sheet for building products such as roofing, siding, panel walls and shutters, and supplies lithographic sheet to a worldwide customer base. The European segment also has packaging facilities at four locations, and in addition to rolled product plants, has distribution centres in Italy and France together with sales offices in several European countries.

Asia

The Asian segment operates three manufacturing facilities and manufactures a broad range of sheet and light gauge products. The Asian segment production is balanced between foil, construction and industrial, and beverage and food can end-use applications.

South America

The South American segment operates two rolling plants, two primary aluminium smelters, bauxite mines, one alumina refinery, and power generation facilities, all of which are located in Brazil. The South American segment manufactures various aluminium rolled products, including can stock, automotive and industrial sheet and light gauge for the beverage and food can, construction and industrial and transportation and packaging end-use markets. The primary aluminium produced by the South American segment's mines, refinery and smelters is used by the Brazilian aluminium rolled products operations, with any excess production being sold on the market in the form of aluminium billets.

Our Key Raw Materials and Manufacturing and Operating Expenses

Indian Operations

Our key cost drivers for our Indian operations are power, fuel, bauxite, carbon and caustic soda.

Power and Fuel. Our power and fuel costs essentially consist of costs associated with the production and procurement of electricity, coal for power and fuel oil, consisting of furnace oil, low sulphur heavy stock,

light diesel oil and high speed diesel. The cost of power and fuel accounted for 37% of our aluminium manufacturing and other expenses for the financial year 2008. Smelting primary aluminium requires a continuous supply of substantial electricity. A reliable and inexpensive supply of electricity, therefore, significantly affects the viability and profitability of our aluminium operations.

Coal. Coal is the principal input for our captive power plants. We source the majority of our coal requirements for Renuagar from the northern coalfields and central coalfields of Coal India Limited, which are 8 kilometres and 300 kilometres away from Renuagar, respectively. The coal is transported by dedicated aerial ropeways from the northern coalfields and by rail and road from the central coalfields. The coal requirements for the Hirakud power plant is met by supplies from the Talabira coalfields which we lease from the government of Orissa, which are approximately 45 kilometres away from Hirakud. The coal from the Talabira coalfields is transported by road to Hirakud. During the financial years 2006, 2007 and 2008, our Renuagar power plant consumed 5.43 million tons, 5.79 million tons and 5.52 million tons of coal, respectively. During the financial years 2006, 2007 and 2008, the Hirakud power plant consumed 0.94 million tons, 1.23 million tons and 1.52 million tons of coal, respectively. We expect that our coal requirements will increase to a total of 7.20 million tons per year for our Renuagar and Hirakud facilities after taking into consideration the recent commissioning of the additional 100 megawatt unit at Hirakud. As of March 31, 2008, based on our management estimates, our total coal Reserves were 232.00 million tons which comprised of proven Reserves of 60.00 million tons and probable and possible coal Reserves of 172.00 million tons.

Bauxite. Bauxite, the primary raw material used for the production of alumina, is a naturally occurring heterogeneous material composed primarily of aluminium hydroxide minerals together with iron oxide, titanium oxide and silica. We source most of the bauxite from the mines we lease while a portion is purchased from private mines. The bauxite is transported by rail and road from our mines to our facilities. As of March 31, 2008, based on management estimates, our bauxite deposits have a total potential Reserve of 438.00 million tons, which comprised of proven Reserves of 112.00 million tons, probable Reserves of 192.00 million tons and the remaining 134.00 million tons of possible Reserves. Our total probable bauxite Reserves, stated above, include 177.00 million tons of Reserves for which we have applied for mining leases in the states of Orissa, Maharashtra, Karnataka, Jharkhand and Chhattisgarh. Based on our current requirements as well as our proposed expansion, we expect our total Reserves including the above mentioned applied leases to last for more than 20, 40 and 30 years, respectively, for our Muri, Renukoot and Belgaum refineries. Our bauxite related costs represented 8% of our aluminium manufacturing and other expenses for the financial year 2008.

We characterise our Indian mineral Reserves in accordance with the United Nations Framework Classification (the “UNFC”) norm. Mineral Reserves are classified as “proved”, “probable” and “possible” in the order of reducing level of confidence in a matrix of three axes, namely, geological axis, feasibility axis and economic axis. Proved Reserves indicate that the estimated ore tonnage and grade are at the highest level of confidence and are economically and commercially recoverable. Possible Reserves, having the lowest degree of confidence, are inferred and assumed ore tonnage and grade that warrants more detailed exploration. Probable reserve is between Proved and Possible categories of Reserves in the scale of confidence levels. Our estimate of reported mineral Reserves include all the above three categories depending on our level of confidence in the calculation following the UNFC system.

Our Third Party Purchases. As part of our long-term strategy, we also source part of our bauxite requirements from third parties through annual supply contracts. We also provide geological and technical assistance to these third parties to ensure that their bauxite supplies meet our quality requirements. The contracts include penalty and bonus clauses covering both the quantity and quality of the bauxite supplied. For the financial years 2008, 2007 and 2006, we purchased 1,183.66 kt, 1,060.30 kt, 1,018.33 kt, respectively, of bauxite which accounted for 35%, 30% and 28% of our requirements for such periods, respectively.

Carbon. We use carbon in the process of electrolysis which is a part of the smelting process in the form of cathodes and anodes. Anodes are the biggest component of our carbon costs and are made up of carbonaceous material of high purity. We have in-house facilities for the manufacture of carbon anodes to meet our carbon anode requirements at Renukoot whereas Hirakud's anode requirements are met through imports. The calcined petroleum coke and coal tar pitch, which are the key ingredients for the manufacture of carbon anodes, are sourced primarily from the domestic markets. Though the supply of these raw materials is from domestic markets, their prices are generally determined by the movement in global prices. Our coke and coal tar pitch consumption corresponded to approximately 8% of our overall aluminium manufacturing and other expenses for the financial year 2008.

Caustic Soda. Caustic soda is a key raw material used to dissolve the bauxite in the alumina refining process. The caustic soda requirement varies significantly depending on the bauxite quality and technology employed. During the financial year 2008, we sourced approximately half of our caustic soda requirements from our subsidiary, Bihar Caustic and Chemicals Limited on an arms length basis, with the balance sourced from other domestic producers. At our refineries, caustic soda consumption represented approximately 6% of our aluminium manufacturing and other expenses for the financial year 2008.

Other Raw Materials. We use other raw materials, such as fluorides and other chemicals, which we source from domestic suppliers. Other raw material costs represented approximately 6% of our aluminium manufacturing and other expenses for the financial year 2008.

Other Manufacturing and Operating Expenses. Our other manufacturing and operating expenses primarily consist of water, our use of stores and our consumption of spare parts and tools. We source the water requirements of our Renuagar power plant and smelters from the nearby Rihand dam. We source the water requirements of our Hirakud power plant and smelter from the Hirakud dam. We supply water to our facilities through pipelines that are connected to the dams. Other expenses include stores and spare parts consumption, repairs to building and machinery, rates and taxes and rent. For the financial year 2008, these expenses constituted 7% of our aluminium manufacturing and other expenses.

Novelis' Operations

Our key cost drivers for our Novelis operations are primary aluminium, recycled aluminium, sheet ingot, alloying elements and grain refiners and energy costs.

Primary Aluminium Purchases. We purchased or tolled approximately 2,100 kt of primary aluminium during the financial year 2008 in the form of sheet ingot, standard ingot and molten metal, as quoted on the LME, approximately 46% of which we purchased from Alcan. Following Novelis' spin-off from Alcan, we have continued to purchase aluminium from Alcan pursuant to a metal supply agreement with Alcan.

Primary Aluminium Production. We produced approximately 102 kt of our own primary aluminium requirements during the financial year 2008 through our smelter and related facilities in Brazil.

Recycled Aluminium Products. We operate facilities in several plants to recycle post-consumer aluminium, such as used beverage cans, collected through recycling programs. In addition, we have agreements with some of our customers where we take recycled processed material from their fabricating activity and re-melt, cast and roll it to re-supply them with aluminium sheet. Other sources of recycled material include lithographic plates, where over 90% of aluminium used is recycled, and products with longer lifespans, like cars and buildings, which are just starting to become high volume sources of recycled material. We purchased or tolled approximately 1,000 kt of recycled material during the financial year 2008. The majority of recycled material we re-melt is directed back through can-stock plants. The net effect of these

activities is that 34% of our aluminium rolled products production for the financial year 2008 was made with recycled material.

Energy. We use several sources of energy in the manufacture and delivery of our aluminium rolled products. During the financial year 2008, natural gas and electricity represented approximately 72% of our energy consumption for the Novelis' operations by cost. We also use fuel oil and transport fuel. We purchase natural gas on the open market, which subjects us to market price fluctuations. Recent higher natural gas prices in the United States have increased our energy costs. We have in the past and may continue to seek to stabilise our future exposure to natural gas prices through the purchase of derivative instruments. Natural gas prices in Europe, Asia and South America have historically been more stable than in the United States. A portion of our electricity requirements are purchased pursuant to long-term contracts in the regions in which we operate. A number of our facilities are located in regions with regulated prices, which affords relatively stable costs. The South American segment has its own hydroelectric facilities that meet approximately 25% of its total electricity requirements for smelting operations.

Our Power Plants

We have two captive power plants, at Renusagar and Hirakud, with an aggregate generation capacity of approximately 1,109.2 MW. With support from our co-generation facilities at Renukoot, these two power plants met all of our Indian aluminium smelter power requirements during the financial year 2008. With a generation capacity of 741.7 MW, our plant at Renusagar is our largest source of power and provides electricity at competitive costs due to its proximity to its sourcing coal mine, high plant load factor of 97% (for the financial year 2008) and low fixed costs. The average per unit cash cost of power at Renusagar was Rs. 1.39, Rs. 1.39 and Rs. 1.40 per kilowatt hour for the financial years 2006, 2007 and 2008, respectively.

Our Hirakud power plant has been augmented to 367.5 MW with the commissioning of a 100 MW power plant. For the financial year 2008, the power plant operated at a 73.97% average plant load factor, which was sufficient for our smelting operations for that period. The plant benefits from access to a dedicated coal mine that provides significant cost advantages. The average per unit cash cost of power at Hirakud was Rs. 0.72, Rs. 0.69 and Rs. 0.64 per kilowatt hour for the financial years 2006, 2007 and 2008, respectively.

We have made arrangements with the Uttar Pradesh and Orissa State Electricity Boards to purchase 42.2 MVA and 40 MVA electricity to our operating plants at Renukoot and Hirakud, respectively, in case our captive power plants at Renusagar and Hirakud are unable to supply power due to unforeseen shut downs of the plants. Further, to protect our power plants from the occurrence of severe frequency or voltage fluctuations, we have installed systems to isolate them from their respective state power grids.

Sales and Marketing

Indian Operations

We sell alumina, aluminium and value-added products in both the domestic and export markets. The following table sets forth our actual sales in tonnage terms during the financial years 2006, 2007 and 2008:

Aluminium Business: Product-wise Sales (in tons)			
Financial Year			
	2006	2007	2008
Alumina			
Metallurgical grade alumina	184,016	78,279	31,937
Specialty alumina	115,575	115,608	111,633
Hydrates	89,055	105,875	116,056

	Aluminium Business: Product-wise Sales (in tons)		
	Financial Year		
	2006	2007	2008
Primary Aluminium			
Ingot / Billets	146,785	137,975	150,649
Wire rods	67,895	69,067	71,769
Value-added products			
Rolled products	154,470	170,467	179,842
Extrusions	32,181	38,480	43,070
Foils and Packaging	26,003	25,366	27,788
Wheels ⁽¹⁾	199,403	188,772	173,537

(1) Data for wheels is provided for number of pieces rather than in tons.

We sell both the metallurgical and non metallurgical grade alumina that is in excess of our own aluminium production requirements in both the domestic and export markets. The export price of metallurgical alumina is generally determined with reference to prevailing and predicted international alumina prices. The majority of our contracts are short term, however we also supply under long-term contracts. Domestic sales are normally conducted on the basis of a fixed price, determined from time to time. All payments by our domestic customers are in Rupees and by overseas customers in foreign currencies. For domestic sales, the sales are generally ex-works.

We sell primary aluminium in the form of ingots, billets and wire rods in both the domestic and export markets. The domestic markets, accounted for more than 94% of our primary aluminium sales for the financial year 2008. We do not enter into any long-term contracts for the domestic sale of primary aluminium. Our domestic pricing is based on various factors, including the average LME prices, exchange rates, domestic demand-supply outlook, inventory levels and prices offered by competitors. The terms of our domestic sales are governed by an approved credit policy that may allow credit, secured credit or cash payment terms based on our credit appraisal of customer accounts from time to time. All payments by our domestic customers are in Rupees and exports are priced in foreign currencies, generally backed by an irrevocable letter of credit issued prior to shipment. Some export shipments are, however, made against export credit guaranteed by an insurance company.

We sell value-added aluminium products in the form of rolled products, extrusions, foils and packaging materials and wheels in both the domestic and export markets. In the domestic markets, we sell value-added products to manufacturers of consumer durables, bus and truck body builders, industrial machinery manufacturers and auto ancillary products manufacturers, and the building and construction and packaging industries. In addition, we sell products directly to consumers and have established brands such as Everlast roofing sheets, Aura alloy wheels, and house foils such as Freshwrapp, Supewrap and Freshpakk. For the financial year 2008, our revenues from the export of value-added aluminium products constituted 29.70% of our total value-added aluminium product revenues. We review domestic pricing on a monthly basis based on various factors, including the average LME prices, production costs, exchange rates, domestic demand-supply outlook, inventory levels and prices offered by competitors. In the export markets, prices are negotiated on the basis of a mark-up over LME prices. An important part of our domestic distribution system is our network of distributors, dealers, retailers and agents that are spread across the country.

Sales Organisation. Our sales and marketing activities are overseen from our head office in Mumbai and regional sales activities are conducted in our offices in Mumbai, Delhi, Bangalore and Kolkata. We have separate sales and marketing teams focusing on the domestic and export sales operations for each of our different products.

Novelis Operations

Novelis' major customers include Anheuser-Busch Companies, Inc., affiliates of the Ball Corporation, Crown Cork & Seal Company, Inc. and Rexam Plc.

For the financial year 2008, approximately 45% of Novelis' total net sales were to its 10 largest customers, most of whom Novelis has been supplying for more than 20 years. Purchases by Rexam Plc and its affiliates represented 15.3%, 13.5%, 15.5%, 14.1% and 12.5%, of Novelis' total net sales for the period from May 16, 2007 to March 31, 2008, the period from April 1, 2007 to May 15, 2007, the three months ended March 31, 2007, and the years ended December 31, 2006 and 2005, respectively (each percentage is determined on a U.S. GAAP basis). To address consolidation trends, Novelis focuses significant efforts at developing and maintaining close working relationships with its customers and end-users.

In the beverage can sheet market, we sell directly to beverage makers and bottlers as well as to can fabricators that sell the cans they produce to bottlers. In certain cases, we operate under umbrella agreements with beverage makers and bottlers under which they direct their can fabricators to source their requirements for beverage can body, end and tab stock from us. Among these umbrella agreements, is an agreement referred to as the "CC agreement", with several North American bottlers of Coca-Cola branded products, including Coca-Cola Bottlers' Sales and Services. Under the CC agreement, we shipped approximately 356 kt of beverage can sheet (including tolled metal) during the financial year 2008. These shipments were made to, and we received payment from, our direct customers, being the beverage cans fabricators that sell beverage cans to the Coca-Cola associated bottlers. Under the CC agreement, bottlers in the Coca-Cola system may join the CC agreement by committing a specified percentage of the can sheet required by their can fabricators to Novelis.

Distribution. We have two principal distribution channels for the end-use markets in which Novelis operates: direct sales and distributors. For the financial year 2008, 90% of Novelis' total net sales were derived from direct sales to its customers and 10% of Novelis' total net sales were derived from distributors.

Direct Sales. Novelis supplies various end-use markets all over the world through a direct sales force that operates from individual plants or sales offices, as well as from regional sales offices in 22 countries. The direct sales channel typically involves very large, sophisticated fabricators and original equipment manufacturers. Longstanding relationships are maintained with leading companies in industries that use aluminium rolled products. Supply contracts for large global customers generally range from one to five years. Given the customised nature of products and in some cases, large order sizes, switching costs are significant, thus adding to the overall consistency of the customer base. We also use third party agents or traders in some regions to complement our own sales force. They provide service to our customers in countries where we do not have local expertise. We tend to use third party agents in Asia and South America more frequently than in other regions.

Distributors. We also sell our products through aluminium distributors, particularly in North America and Europe. Customers of distributors are widely dispersed, and sales through this channel are highly fragmented. Distributors sell mostly commodity or less specialised products into many end-use markets.

Our Expansion Projects

We believe that our ongoing and planned capacity expansions for our Indian operations will allow us to enhance our competitiveness by reducing our production costs and improving our revenues and profitability. In order to realise our vision of attaining a global presence and further improve our cost

competitiveness in the global aluminium industry, we have pursued and intend to pursue expansions at our existing facilities and greenfield projects, both in alumina and aluminium.

Our expansion plans include:

- **Muri:** We are undertaking a capacity expansion of our Muri alumina plant. We intend to increase the capacity of the refinery to 450 ktpa by March 31, 2009. The project includes the construction of a new co-generation power plant and railway system to transport raw materials and our finished products.
- **Hirakud:** We expect to complete the expansion of our aluminium smelter at Hirakud in September 2008. Upon the completion of commissioning, the capacity of the smelter will increase to 143 ktpa. The project includes the implementation of new Gami technology which we expect will make the smelter more efficient. In addition, the project includes the construction of three new 100 MW power plants, which have been completed, increasing the total captive power generation capacity to 367.5 MW.
- **Aditya Aluminium:** The Aditya Aluminium project in Orissa includes construction of a 1,500 ktpa alumina refinery, which (after debottlenecking) is intended to have a capacity of 2,000 ktpa within three years of the refinery commencing operations. The refinery will be supplied with bauxite by a 4,200 ktpa bauxite mine located at Kodingamali, three kilometres from the refinery. In addition, the project includes construction of a 359 ktpa aluminium smelter and a 900 MW captive power plant in Lapanga. The coal for the power plant is intended to be supplied by a 20,000 ktpa coal mine with respect to which we intend to have rights to 3,000 ktpa of coal per year. We have entered into a technology agreement with Alcan for the project and we have finalised the engineering consultant. We have received all material regulatory and environmental clearances for this project. The first production from the smelter is expected by October 2011 and the refinery is expected to be mechanically completed by January 2013.
- **Utkal:** We are building a 1,500 ktpa alumina refinery in Rayagada District, Orissa, which (after debottlenecking) is intended to have a capacity of 2,000 ktpa within three years of the refinery commencing operations. The refinery will be supplied by a 4,200 ktpa bauxite mine located nearby. We are in the process of acquiring land for this project. The technology contracts for alumina have been finalised with Alcan. We expect the refinery to be commissioned by January 2011.
- **Mahan Project:** We intend to build an aluminium smelter of 359 ktpa capacity near Bargawan, Sidhi District of Madhya Pradesh. We have access to 3,500 ktpa of coal reserve through a joint venture with Essar Power to supply coal for a captive thermal power plant which is expected to have a capacity of 900 MW. Preliminary environmental clearances have been obtained, power connectivity for commencing construction has been approved and the water resource department has provided the necessary facilities. The technology contract for the smelter has been finalised with Aluminium Pechiney and basic engineering activities for the smelter have commenced. First production from the smelter is expected by July 2011.

In addition to the above, we intend to pursue the following projects depending on market conditions. We do not have a fixed timetable to pursue these projects. We intend to finance these projects through a combination of project finance loans and equity.

- We intend to build an aluminium smelter of 359 ktpa capacity at Jharkhand. We have access to 4,600 ktpa coal reserve through a joint venture with Tata Power (including 600 ktpa requirement for Muri) to supply coal for a captive thermal power plant which is expected to have a capacity of 900 MW.

- We intend to expand the alumina refining capacity at Belgaum from 350 ktpa to 650 ktpa. This expansion project will include improvements to our alumina refinery, a co-generation power plant, a railway system and a port facility for evacuation.

Our Copper Business

Our copper operations consist of producing copper (through smelting, refining copper from copper concentrate and converting refined copper cathode into continuous cast rod). We also manufacture precious metals (gold, silver and selenium, which are recovered from the anode slime as by-products), phosphatic fertilizers and sulphuric acid, which are produced from the by-products generated through the copper manufacturing process. Our custom copper smelting facility comprising of three smelters at Dahej, India, with an installed capacity of 500 ktpa, is one of the largest smelting facilities in the world at a single location according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008. We have suspended the operations of one of such smelters since October 2006, as a result of scarcity of copper concentrate and the resulting adverse change in TcRc. Our copper operations are supported by our two copper mines located in Australia, as well as our in-house jetty, power plants and oxygen plant located in the vicinity of our copper smelter in Dahej. We sell refined copper in the form of cathodes and continuous cast rods and also sell precious metals, phosphatic fertilizers, sulphuric acid and other by-products. We believe we enjoy strong brand presence in India and internationally, with two LME listed brands of copper cathodes, namely “Birla Copper” and “Birla Copper II”.

Our copper business accounted for 21% of our total sales revenue for the financial year 2008. Our income from copper operations are largely affected by TcRc. TcRc is influenced by global copper concentrate demand and supply, LME trends, commodity futures markets, freight charges, the quality of the concentrates and the realisation from by-products such as sulphuric acid.

Products and Application Areas

Our principal products are copper cathodes and continuous cast rods. We also produce phosphatic fertilizers and precious metals such as gold and silver which are by-products of the copper smelting process.

Copper cathodes. Our copper cathodes are square shaped with purity levels of 99.99%. These cathodes meet international quality standards and are registered as LME Grade “A” copper under the brands “Birla Copper” and “Birla Copper II”. The major uses of copper cathodes are in the manufacture of copper rods for the wire and cable industry and copper tubes for consumer durable goods. Copper cathodes are also used for making alloys such as brass, bronze and alloy steel, with application in defence, minting and construction industries.

Continuous cast copper wire rods. Our copper continuous cast wire rods meet the requirements of international quality standards “— ASTM B 49/98”. The rods are available in 8.0 mm, 11.0 mm, 12.5 mm, 16.0 mm and 19.6 mm diameters. Our continuous cast rods have a homogenous structure and very fine grain size and can be drawn into ultra fine wires. Our continuous cast rods are used for power and communication cables, strips for power and distribution transformers, and magnet wires as well as other products. Our large diameter continuous rods (11.0 mm, 12.5 mm and 16.0 mm) are utilised for production of profiles and busbars. We are the only manufacturer of 19.6 mm diameter copper rods in India, which are largely used for groove conductors and profiles. The continuous cast rods can be used as the basic raw material for the manufacture of wire and cable including winding wire, telephone cables, power cables, wiring harnesses, house wiring cable, instrumentation and control cable. Larger diameter rods are mainly used in strip making whereas 8.0 mm rods are used for wire and cable making as well as in the manufacture of flats and sections for electrical and electronic applications.

Precious metals. We extract precious metals at our precious metal refinery, also located at Dahej. Precious metals, such as gold and silver, are found in certain quantities in copper concentrate supplies. Gold and silver rates are based on the prevailing international bullion market price of the metals. These metals are extracted after copper refining to produce 99.9% pure gold and silver, as well as selenium. The residue after extraction of gold and silver contains traces of platinum and palladium and is sold as platinum group metal mix, commonly known as PGM.

Phosphatic fertilizers. We produce di-ammonium phosphate and Nitrogen, Phosphorous and Potassium complexes for use as fertilizer as part of our value-added products. Phosphoric acid is produced at our phosphoric acid plant by producing a chemical reaction of sulphuric acid from our smelting complex and rock phosphate. Phosphoric acid and ammonia are reacted to form di-ammonium phosphate. The addition of potash produces Nitrogen, Phosphorous and Potassium complexes.

By-products. We sell sulphuric acid in domestic and export market, copper slag, phosphogypsum and hydrofluosilic acid, which are additional by-products of our copper production processes.

Our Principal Facilities

The following table sets out the details of our facilities, principal activities and operating capacities:

Location	Owned/ Leased	Area (in Sq. Kms.)	Facility	Principal Activities	Operating Capacity
Dahej, Gujarat, India	Owned and leased	3.7	Copper smelters	Smelting of copper	430 kpta (installed – 500 kpta)
			Copper refinery	Producing electro refined cooper cathodes	500 kpta
			South wire rod mill	Producing CC Rods	97.2 kpta
			Precious metal refinery	Recovery of gold	15 tpa
				Recovery of silver	150 tpa
				Recovery of selenium	100 tpa
			Acid plants	Sulphuric acid	1,670 kpta
				Phosphoric acid	180 kpta
			All weather jetty		4,500 kpta
			DAP	Producing phosphatic fertilizers	400 kpta
			Power plants	Power generation for Dahej operations	135 MW
Western Australia, Australia	Mining and prospecting licence area	1,500	Copper Mines (Nifty)	Underground mining of Copper	Ore mining - 2.2 million tons per annum
					Ore processing - 2.5 million tons per annum
				Copper cathodes	25,000 tpa

Location	Owned/ Leased	Area (in Sq. Kms.)	Facility	Principal Activities	Operating Capacity
Queensland, Australia	Mining and prospecting licence area	1,200	Copper Mine (Mount Gordon)	Underground mining of Copper	Ore mining - 1.2 million tons per annum Ore processing - 1.6 million tons per annum

Our Production Capacity and Production Volumes

The following table sets forth the production and utilisation figures of our smelter, refinery, phosphatic fertilizer plant and power plants in India for the financial years 2006, 2007 and 2008:

	Copper Business: Production Volumes, Capacity and Capacity Utilisation								
	Financial Year								
	2006			2007			2008		
	(in tons, except where noted)								
	Production	Installed Capacity	Utilisation	Production	Installed Capacity	Utilisation	Production	Installed Capacity	Utilisation
Continuous Cast, Copper Rods	88,687	97,200	91%	109,029	97,200	112%	139,682	97,200	144%
Copper cathodes	210,228	500,000	42%	293,537	500,000	59%	327,667	500,000	66%
Sulphuric Acid	639,414	1,670,000	38%	892,597	1,670,000	53%	1,023,422	1,670,000	61%
DAP and complexes	218,199	400,000	55%	219,333	400,000	55%	149,589	400,000	37%
Gold	6.7	7.5	89%	10.3	15	69%	9.14	15	61%
Silver	35.1	75	47%	48.5	150	32%	52.94	150	35%
Power plants ⁽¹⁾	640 MU	134.8 MW	-	718 MU	134.8 MW	-	790 MU	134.8 MW	-

- (1) Capacity is based on normal generation at full steam availability including from waste heat boilers which could vary. Measured in megawatt hours.

We produced 18,340 tons, 15,312 tons and 5,112 tons of cathodes from our Australian operations during the financial years 2006, 2007 and 2008, respectively.

Our Key Raw Materials and Cost of Production

The principal inputs for our copper business are copper concentrate, rock phosphate, ammonia and utilities (electricity, compressed air and water). We used the following amount of each of these inputs during the periods indicated:

Financial Year			
	2006	2007	2008
	(in tons, except where noted)		
Copper Concentrate	808,211	1,013,200	1,129,849
Copper in concentrate	250,337	304,797	328,733
Coal	452,447	443,616	420,443

	Financial Year		
	2006	2007	2008
	(in tons, except where noted)		
Ammonia	46,742	46,256	34,033
Rock phosphate	379,415	366,489	276,310

Historically, we have been able to secure an adequate supply of the principal inputs for our copper production. As a precautionary measure, we maintain a stockpile of each of the principal inputs for our copper production and coal for power generation, which we keep in storage at our plant. Depending on the amount used by our copper smelter and refineries and the lead-time required to receive the input, we maintain a stockpile of principal inputs covering approximately 30 to 40 production days.

Our Copper Mines, Deposits and Mining Methods. Aditya Birla Minerals Limited (“ABML”), our 51% held subsidiary, which is listed on the Australian stock exchange, under which we currently have mining and prospecting licence area for our two copper mines in Australia through its wholly owned subsidiaries Birla Nifty Pty Limited (“Nifty”) and Birla Mount Gordon Pty Limited (“Mount Gordon”). The Nifty mine, located in the Great Sandy Desert region of East Pilbara in Western Australia, was acquired in March 2003 and the Mount Gordon mine, located in Queensland, Australia, was acquired in November 2003. These two mines produce copper concentrate. Copper concentrate is the principal raw material for our copper smelter. As of March 31, 2008, based on Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geo Scientists and Minerals Council of Australia, (more commonly referred to as JORC), compliant internal management estimates, we had 32.20 million tons of reserves at an average copper grade of 2.2% which contained proven reserves of 23.70 million tons at an average copper grade of 2.4% and probable reserves of 8.50 million tons at an average copper grade of 1.6% in possible reserves. During the financial year 2008, approximately 26% of our copper concentrate came from these two mines.

Nifty Mines

Our Nifty copper mine is located in Western Australia, approximately 350 kilometres by road east of Port Hedland. Nifty’s oxide operations consist of open pit oxide ore mining, heap-leaching, and a solvent extraction and electro winning (“SX-EW”) plant to produce copper cathodes. Open pit mining has ceased since the middle of the calendar year 2007, while the leaching and SX-EW operations are still in progress from the old heaps. During the financial year 2008, Nifty’s oxide operations produced 5,112 tons of copper cathodes. The content of the Nifty underground operation is primarily sulphide ore (mainly chalcopyrite). Capital development to access the ore body has been completed and mining from stopes has commenced since early 2006. ABML has commissioned a concentrator plant in March 2006 with a name plate capacity of 2,500 ktpa to process copper ore from this deposit. During the financial year 2008, our Nifty Concentrator plant produced about 53,400 tons of copper in concentrate form. As of March 31, 2008, based on JORC compliant internal management estimates, we had 29.30 million tons of reserves at an average copper grade of 2.2% which contained proven reserves of 23.30 million tons at an average copper grade of 2.4% and probable reserves of 6.00 million tons at an average copper grade of 1.3%.

Mount Gordon

Mount Gordon is located 120 kilometres north of Mount Isa in northwest Queensland. There are two main deposits in the mine leases Mammoth and Esperanza. Current mining operations at Mount Gordon are focused around the Mammoth underground mine. The sulphide copper ore from the Mammoth underground mine is processed through the Mount Gordon concentrator plant. During the financial year 2008, the Mount Gordon operations produced 23,886 tons of copper. The Esperanza open pit has been exhausted while the development of Esperanza South underground deposit is presently in progress. As of March 31, 2008, based on JORC compliant internal management estimates, we had 2.90 million tons of reserves at an average

copper grade of 2.3% which contained proven reserves of 0.40 million tons at an average copper grade of 2.3% and probable reserves of 2.50 million tons at an average copper grade of 2.3%.

Water Supply. We source all of the water requirements for our copper mining operations at Nifty and Mount Gordon from artesian bores and Lake Waggaboonya, respectively. These water supply systems are owned and operated by us.

Other Sources of Copper Concentrate. We typically obtain 70% to 80% of our other copper concentrate requirement from suppliers under long term and spot agreements. During the financial year 2008, we obtained 58% and 17% of our copper concentrate from long-term suppliers and spot markets, respectively. We purchase copper concentrate on a spot basis depending on our requirements. These arrangements are made on what we believe to be the best possible TcRc during the period and are specific for the short-term supply. Generally, our long-term agreements run for a period of three to eight years, and are renewable at the end of the period. Quantity of supply for each contract year is fixed at the beginning and terms involving TcRc and freight differentials are negotiated each year.

Power and Coal. The electricity requirements of our copper smelter and refinery are primarily met from our own power generation plants. Our power plant is connected to the Gujarat state power grid for only short-term, emergency start-up electricity and to meet fluctuations in peak demand, pursuant to an agreement with the state power grid which provides for the payment of a minimum demand charge. The copper plant at Dahej has its own captive power plants of 135 MW capacity, comprising of 5 MW diesel generator sets which is sufficient to run our main production units. We also have an agreement with the Gujarat Electricity Board to purchase 46.75 MW of power. Our coal requirements for our power plants are sourced from South Africa and domestically through a bidding process. We import approximately 0.48 million tons of coal per year. Our demand for indigenous coal is approximately 0.02 million tons per year.

Ammonia. Ammonia is sourced from the Middle Eastern countries, including Qatar and Saudi Arabia, pursuant to contracts renewed on an annual basis and on a spot basis, as and when required. The pricing is based on a formula linked to the two weeks average FOB price published in Fertilizer Metal Bulletin International price guide and Fertecon price services. Our contracts provide for minimum supply quantities with an option to increase the quantity if required.

Rock Phosphate. Rock phosphate is currently sourced from Jordan and Togo pursuant to contracts renewed on an annual basis with the price fixed for the year. The contracts provide for minimum supply quantities with an option to increase the quantity if required.

Sales and Marketing

Sales of Our Copper Products

The following table sets forth our actual sales in India, in both tonnage and value terms, during the financial years 2006, 2007 and 2008:

	Copper Business: Product Sales		
	Financial Year		
	2006	2007	2008
	(in tons)	(in tons)	(in tons)
Copper			
Copper cathodes	127,061	181,093	180,668
Continuous cast rods	88,331	109,700	138,543
Precious metals			

	Copper Business: Product Sales		
	Financial Year		
	2006	2007	2008
	(in tons)	(in tons)	(in tons)
Gold	6.74	10.484	9,176
Silver	35.97	48.716	53,473
Phosphatic fertilizers	217,176	220,935	148,250
Sulphuric acid	294,740	559,033	765,167

The following table sets forth our copper sales for the financial years 2006, 2007 and 2008:

	Copper Business: Product-wise Sales					
	Financial Year					
	2006		2007		2008	
	(in tons)	(in Rs. million)	(in tons)	(in Rs. million)	(in tons)	(in Rs. million)
Sales in India	96,601	31,227.2	121,555	56,559.9	165,559	71,003
Sales outside India	118,791	22,314.8	169,238	53,216.1	153,652	49,652

- (1) Includes trade sales and miscellaneous items, but excludes net export incentives and miscellaneous receipts and claims.

The following table sets forth the amount of copper that we sold during the financial years 2006, 2007 and 2008:

	Financial Year		
	2006	2007	2008
	(in tons)		
Continuous cast rod sales in India	71,676	86,057	120,614
Continuous cast rod sales outside India	16,655	23,453	17,930
Copper cathode sales in India	24,178	32,300	41,163
Copper cathode sales outside India	102,136	145,596	135,723
Other copper products	747	3,197	3,782

We have developed a strong customer base in the domestic market as well as the export markets to support our current business needs. Globally, we have about 600 customers in the copper market, of which approximately 35 are our export customers.

Sales in India. During the financial year 2008, we sold 165,559 tons of copper in India. The profit from the copper we sell in India is normally higher than the profit we get from exports, due to the customs duty differential and the relatively higher premium from medium and small customers. The major domestic markets for copper are located in western and northern India. Our plant is located in western India and nearer to the consumption centres of Gujarat, Dadra and Maharashtra. Our sales to customers are on FOB basis. We charge freight for delivery from our plant to the customers and therefore the overall freight

charges recovered by us offsets the actual outward freight costs incurred by us. We divide India into four regions and the freight charges are determined based on which region our customers are located in.

Sales outside India. Our copper cathodes are registered on LME as Grade “A” with brand names “Birla Copper” and “Birla Copper II”. Exports contributed to 48% of our total copper sales during the financial year 2008. Of the total 158,652 tons copper exports in the financial year 2008, the amount of cathodes exports was 135,723 tons and the amount of CC Rods exports was 17,930 tons. Our focus market for exports, traditionally, have been the Middle East and Asia. Our exports consignment are shipped on a CIF basis and in compliance with standard international trade terms.

Long-term sales arrangements. Over the last three years, more than 80% of our copper export sales have been made on the basis of long-term sales agreements. We expect to continue this practice for the foreseeable future. The balance of our copper sales is normally made on a spot basis (monthly or quarterly). The sales price of our copper exports includes the LME price plus the agreed premium, which is based on prevailing market. Our long-term sales agreements normally have a term of one to five years and are based on the calendar year. We do not enter into fixed price long-term copper sales agreements with our customers. For exports, during the months of October to December, we negotiate with our long-term customers, a schedule for shipments with the quantity for each period, the premium and the quotational period.

Spot sales. Spot sales generally contribute to approximately 20% of our sales in the export market in a given year. While finalising the long term contracts for forthcoming calendar years, we allow for spot sales, which allow us to fulfil delivery obligation under our long term contracts in the event of production shortfalls, as well as to take advantage of favourable market conditions, if any.

Customers of Our Copper Products

Sales of copper to our top five customers accounted for 46%, 40% and 42% of our copper business income during the financial years 2006, 2007 and 2008, respectively. Our domestic customers, totalling 565, are mainly based in the western and northern part of India, whereas in the export market, our customers are mainly based in the Middle East and Asia, including Saudi Arabia, Japan, United Arab Emirates, Oman, Thailand, Indonesia, Singapore, Malaysia, China, Vietnam and Taiwan. During the last three years we exported approximately 0.4 million tons of copper through 35 customers. One of our customers, who has a world wide presence in commodities trading, accounted for approximately 19% of our total copper business income for the financial year 2008. In order to de-risk our export sales from any adverse change in regulation or tariffs and in order to maintain a strategic presence in each of our target markets, we maintain an even spread of sales to our three major regional focus markets, i.e., the Middle-East, the Far-East and South-East Asia, which contributed to 35%, 31% and 34%, respectively, of our sales during the financial year 2008.

Precious Metals and Other Products

Gold and Silver. We sold 9,176 kg of gold and 53,473 kg of silver for the financial year 2008. We make sales from our Mumbai office to various jewellers and precious metal private traders. Sales are made on the basis of international bullion market prices prevailing on the day of the sale plus premiums or discounts as agreed. Payments for gold and silver sales are collected in advance of the dispatch of the gold and silver from Dahej.

Phosphatic Fertilizers. Our phosphatic fertilizer products are sold through private trade, cooperative societies and government institutions. Our primary marketing zones are the states of Gujarat, Maharashtra and Madhya Pradesh, Rajasthan, Punjab and Haryana. We sold 148,250 tons of phosphatic fertilizers for the financial year 2008.

Sulphuric Acid. The sulphuric acid that we produce is partially used in our phosphoric plant with the balance being sold to various companies and traders either through one year contracts or spot sales. The price for spot sales is determined with reference to prevailing market conditions. During the financial year 2008, we sold 765,167 tons of sulphuric acid.

Competition

While there is only one major competitor in the alumina market in India, there is substantial competition in the primary aluminium and value-added aluminium markets, both in India and internationally. In the domestic market, we compete primarily with National Aluminium Company Limited, Bharat Aluminium Company Limited and Madras Aluminium Company Limited. In the export market, we compete with major international primary aluminium producers. In the highly fragmented domestic value-added products market, we compete primarily with the leading domestic primary metal producers as well as several smaller producers in the respective product categories. In addition, the end-user markets for certain value-added products, for example, extrusions, are highly competitive.

The aluminium rolled products market is highly competitive. Our Novelis operations face competition from a number of companies in all of the geographic regions and end-use markets in which we operate. Our primary competitors in North America are Alcoa, Inc., Aleris International, Inc., Wise Metal Group LLC, Norandal Aluminium, Arco Aluminium, which is a subsidiary of BP plc, and Alcan. Novelis' primary competitors in Europe are Hydro A.S.A., Alcan, Alcoa and Aleris. Novelis' primary competitors in Asia-Pacific are Furukawa-Sky Aluminium Corp., Sumitomo Light Metal Company, Limited, Kobe Steel Limited and Alcoa. Novelis' primary competitors in South America are Companhia Brasileira de Alumínio and Alcoa.

In addition to competition from others within the aluminium rolled products industry, we face competition from non-aluminium material producers, as fabricators and end-users have, in the past, demonstrated a willingness to substitute other materials for aluminium. In the beverage and food cans end-use market, aluminium rolled products' primary competitors are glass, PET plastic and steel. In the transportation end-use market, aluminium rolled products compete mainly with steel. Aluminium competes with wood, plastic and steel in building products applications. Factors affecting competition with substitute materials include price, ease of manufacture, consumer preference and performance characteristics.

For our primary refined copper sold in India, our competitors are Sterlite Industries Limited and Hindustan Copper Limited. In the export market, we compete with global copper suppliers, some of whom are larger than we are and have been in operation for longer than us. We compete in the exports market with Sterlite Industries Limited. For gold and silver, we compete primarily with importers of these metals. For phosphatic fertilizers, we compete with numerous domestic producers, certain of which have larger capacities to service our marketing focus areas. For sulphuric acid, we compete with domestic sulphur burning acid producers and a large domestic metal-based acid producer.

The factors influencing competition vary by region and end-use market, but generally we compete on the basis of our value proposition, including price, product quality, the ability to meet customers' specifications, range of products offered, lead times, technical support and customer service. In some regions and end-use markets, competition is also affected by fabricators' requirements that suppliers complete a qualification process to supply their plants. This process can be rigorous and may take many months to complete. As a result, obtaining business from these customers can be a lengthy and expensive process. However, the ability to obtain and maintain these qualifications can represent a competitive advantage.

Research and Development

Our total revenue expenditure for research and development were Rs. 26.14 million, Rs. 38.48 million and Rs. 1,887.78 million for the financial years 2006, 2007 and 2008, respectively.

The Belgaum Research and Development Centre (the “BRDC”) was started in 1979 with the assistance of Alcan, Canada. The centre now has a team of 19 personnel consisting of doctorates, post-graduates and graduates in engineering, ceramics, material science and chemistry. The BRDC has undertaken studies with various types of bauxite for establishing process parameters in our operating refineries as well as those using the Bayer process. Product development of alumina and hydrates for applications in refractories, ceramics, polishing, abrasives, fillers and fire retardants has also been a focus. The BRDC works towards advanced application research to strengthen our leading position in specialty alumina and hydrate applications.

Taloja Research and Development Centre (the “TRDC”) started as an oil and lubricant laboratory for improving the surface quality of aluminium rolled products through tribology. It has now become a stand-alone analytical laboratory for aluminium processing oils, engineering oils/lubricants and it engages in metallurgical projects related to product and process development, application research, quality improvement and process cost reduction for the semi fabricating aluminium plants. The TRDC has been accredited in accordance with standard ISO / IEC 17025:2005 by the National Accreditation Board for Testing and Calibration Laboratories (“NABL”), New Delhi, in the field of chemical and electrical testing of oils and lubricants. Major achievements of the TRDC include the development of heavy normal paraffin based sheet / foil cold rolling oil and import substitution of non-staining hydraulic oils for sheet / foil rolling mills.

Other achievements include defect characterisation in semi-fabricated products through SEM/EDX analysis and the establishment of the Technology Information Centre for semi-fabricating operations. The TRDC played a significant role in developing new heat treatment processes for better corrosion resistance of aluminium alloys in connection with their use as material for the construction of railway freight wagons. We have also worked jointly with our plants for the development of clad material for automotive heat exchangers. The TRDC’s future plans include expanding its scope to include environmental analysis for semi-fabricating plants and pre-treatment of aluminium rolled products.

In the financial year 2008, we expensed U.S.\$52 million (determined on a U.S. GAAP basis) on research and development activities in Novelis’ plants and research facilities, which included mini-scale production lines equipped with hot mills, can lines and continuous casters. We have created several market focussed innovation centres in Europe. For beverage and food can and lithographic and painted sheet, the centre of excellence is planned for Goettingen, Germany; for automotive and other specialties, Sierre, Switzerland; and for foil and packaging, Dudelange, Luxembourg. We conduct research and development activities at Novelis’ mills in order to satisfy current and future customer requirements, improve products and reduce conversion costs. Novelis’ customers work closely with Novelis’ research and development professionals to improve their production processes and market options.

We also conduct research through the Aditya Birla Science & Technology Company Limited, the Aditya Birla Group’s corporate research and development centre at Taloja.

Intellectual Property

We hold six patents related to the processes and production of lubricant composition, device for feeding controlled powdery material, preparing cryolite by extracting fluorine from pot filters, reactive type alumina, high reflectance alumina hydrate, and application of lubricant composition to cutting blade used in

precision cutting machines. In addition, we have also obtained trademark registrations for “Hindalco”, “Birla Balwan”, “Aura”, “Freshwrap”, “Supewrap” and “Maxloader”. We have also applied for trademark registrations for “Balwan”, “Chakra”, “Dum”, “Kiran” and “Vishwas”.

Alcan has assigned or licensed to Novelis a number of patents, trademarks and other intellectual property rights owned or previously owned by Alcan and required for Novelis’ operations. Intellectual property that is used by both Novelis and Alcan but is owned by one of the two parties, is licensed to the other. Certain specific intellectual property rights, which have been determined to be exclusively useful to Novelis or which were required to be transferred to Novelis for regulatory reasons, have been assigned to Novelis with no license back to Alcan. We actively review intellectual property arising from the Novelis operations and research and development activities and, when appropriate, we apply for patents in the appropriate jurisdictions, including the United States and Canada. We currently hold patents on approximately 185 different items of intellectual property utilised by our Novelis operations. Novelis has applied for or received registrations for the “Novelis” word trademark and the Novelis logo trademark in approximately 50 countries where Novelis has significant sales or operations. Novelis has also registered the word “Novelis” and several derivations thereof as domain names in numerous top level domains around the world to protect Novelis’ presence on the world wide web.

Employees

Our registered and corporate office is located in Mumbai. Approximately 70% of our employees in our aluminium business are unionised. We have entered into long-term agreements with terms of between three and five years with recognised unions at various locations. These agreements provide for standard terms and conditions of workers, including compensation, benefits and working hours. Our copper business employees are not members of any unions. We consider our relationship with our employees to be satisfactory. As part of our strategy to improve operational efficiency, we regularly organise in-house and external training programs for our employees.

As of March 31, 2008, we had 32,889 permanent employees. Our permanent employees include personnel engaged in our management, administration, engineering, auditing, finance, sales and marketing and legal functions. The break-down of our employees, not including employees of ABML and its consolidated subsidiaries, is as set forth below:

Function	No. of Employees
Managers / Management Cadre	4,102
Staff / Supervisory Cadre	4,666
Workmen	23,599
Total	32,367

ABML and its consolidated subsidiaries employ an additional 522 employees.

Environmental Matters

We are committed to the protection of the environment in the places where we operate and we have therefore subscribed to the principles of sustainable development in all of our business activities. Our global operations are subject to environmental laws and regulations of various jurisdictions, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, natural resource damages, and employee health and safety. We practise pollution prevention principles in all of our manufacturing activities and development of new products.

We have established procedures for regularly evaluating the applicability of environmental legislations and our compliance with these legislations. We ensure that adequate resources are available to ensure compliance. We believe our practices are comparable to the best in the industry we operate in. We achieve reduction in energy consumption through the adoption of new technologies and process controls during modernisation and expansion. In addition, most of our units practice rain water harvesting, the treatment and recycling of process and domestic effluents and are progressively moving towards a zero discharge operation.

Voluminous solid wastes like fly ash from captive power plants, chemical wastes like red mud from the alumina refinery, and phosphogypsum and slag from copper smelting are a major concern to our business. We have made significant progress in maximising the utilisation of fly ash, benching and stacking of red mud and eventually rehabilitating our sites with green vegetation. As for phosphogypsum, we sell it to customers for use in the cement industry, the fertiliser industry and the Plaster of Paris industry. We also sell slag for use in the construction industry thereby reducing the stress on land. We have reused the waste landfill sites for industrial purposes while some have undertaken bio-remediation and converted the chemical waste to green vegetation so as to quickly merge with the surrounding environment. As for hazardous wastes such as spent pot lining, spent oils and sludge, we strive to recycle and reuse as much as we can prior to disposing them to the authorised reprocessors.

In order to maintain good quality of air around the units we operate, we use advanced technology to control the level of air pollution at our facilities. Systems have been introduced for the control of point source and fugitive emissions. Special attention is given to ambient air quality management in our mining operations. We practice simultaneous backfilling of exhausted mine pits with overburden and continuously rehabilitate the matured mine pits with green vegetation.

For environmental management, each unit has an environmental cell that manages the day-to-day environmental activities in order to comply with domestic and international environmental standards such as the International Standards for Environment (ISO 14001) and the Occupational Health and Safety (OHSAS 18001). Each unit undergoes periodic surveillance audits that are conducted by accredited certification bodies. To ensure that these programs are implemented, maintained and improved, we have a Central Environmental Cell comprised of trained professionals in various disciplines who oversee our environmental activities and also liaise with external environmental and government agencies. We aim to comply with the applicable environmental standards.

In recognition of the above, we have received several awards and accolades at national and international levels for outstanding performance and contribution to environmental conservation and safety. The Indian Bureau of Mines awarded our Lohardaga mines the first prize for our overall performance, afforestation and waste dump management for year 2005 - 2006 and the second prize for our management of sub grade minerals for year 2006 - 2007. In 2006, our Renukoot unit was given the CII National Award for energy excellence while in 2007, our Muri unit and our Belur Unit were each awarded with the Greentech Silver award for environmental excellence. In addition, many of our units have regularly participated in national and state level competitions in the fields of environment and occupational health and safety and won awards for outstanding performance.

Aluminium scrap recycling facility. We have an aluminium scrap recycling facility in Taloja. This plant converts turn-around scrap that we receive from both our own foil plants and our customer's foil plants into alloy ingots or hot metal. The alloy ingots are sold while we use the hot metal to make rolling ingots.

Disposal of red mud in aluminium operations. Red mud is filtered to form cake and transported by truck or tippers to designated sites called "red mud stacks". During the operating cycle of the red mud stack, water is sprinkled in order to reduce dust being a nuisance to the otherwise surrounding environment. The entire effluent from red mud stack areas is collected in holding ponds and reused for sprinkling or otherwise

processed or force evaporated. Progressively, once the red mud stack attains the maximum height, the top layer is levelled and dressed for better stability and then rehabilitated with green vegetation through a specially developed bio-remediation process. This bio-remediation process includes inoculation of specific bacteria to reduce mud alkalinity, addition of soil amenders (which are fungi, such as michorizza, that convert atmospheric nitrogen and supply to plants) and plant nutrients such as organic composted manure and the planting of native fast growing species of plants that can grow in these conditions. The rehabilitated sites can easily merge with the surrounding environment.

Disposal of acid in copper mining operation. Waste containing sulphur comprises a small fraction of our waste as compared to the inert waste generated in the copper mines. As approved by the Department of Mines and Department of Environment of Australia, the sulphur bearing waste is capped with inert waste at designated mine waste dump sites. The top layer is then covered with good soil and afforested. This process ensures the minimum interaction of waste containing sulphur with water that would generate sulphuric acid.

Carbon emission trading. India, being a Non-Annex I country of the Kyoto Protocol, carbon emission trading has brought us with significant opportunities. Many of our modernisation and expansion plans have created the potential for carbon emission trading under the Clean Development Mechanism ("CDM"). Presently one CDM project at our aluminium smelter in Hirakud is in the advanced stage of registration. There are other CDM project opportunities identified in our alumina refineries. CDM opportunities are also being evaluated in the copper smelter expansion in Dahej.

For our Novelis operations, we have established procedures for regularly evaluating environmental loss contingencies, including those arising from environmental reviews and investigations and any other environmental remediation or compliance matters. We believe we have a reasonable basis for evaluating these environmental loss contingencies, and we also believe we have made reasonable estimates for the costs that are likely to be ultimately borne by us for these environmental loss contingencies. Accordingly, we have established reserves based on our reasonable estimates for the currently anticipated costs associated with these environmental matters. Novelis' management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impair our operations or materially adversely affect our financial condition. We expect that our total expenditures for capital improvements regarding environmental control facilities for our Novelis facilities for the years ending March 31, 2009 and 2010 will be approximately U.S.\$16 million and U.S.\$14 million, respectively.

Insurance

We currently maintain insurance coverage on our property and plants, our fixed assets, our transportation vehicles and certain other assets that we consider to be subject to significant operating risks. We paid Rs. 1,042.98 million in the financial year 2008 in insurance premiums. The employees at all our locations are covered against the risks of accident in the work place as required by local law. Further, we maintain hospitals at some locations to extend medical facilities to our employees and in other locations, the employees are covered by suitable health insurance schemes. In addition, our Novelis operations are covered by insurance policies for anticipated loss of profit due to accident, fire, flood, riot, strike and malicious damage, for liability to our customers and third parties.

REGULATIONS AND POLICIES

Our Company is engaged in the production of aluminium and copper in various states. For the purpose of executing the work undertaken by our Company, we may be required to obtain licenses and approvals depending upon the prevailing laws and regulations applicable in the relevant state. For details of such approvals please refer to the section titled “Government Approvals” on page 264 of this Letter of Offer.

Indian Regulations

Mining Laws

We are governed by the Mines and Minerals (Development and Regulations) Act, 1957 (“MMDR Act”), the Mineral Concession Rules, 1960 (“MCR Rules”) and the Mineral Conservation and Development Rules, 1988 (“MCDR Rules”) in respect of mining rights and the operations of mines in India.

Mining leases are granted under the MMDR Act, which was expressly enacted to provide for the development and regulation of mines and minerals under the control of the Union of India. A mining lease must be executed with the relevant state government. The mining lease agreement governs the terms on which the lessee can use the land for the purposes of mining operations. If the land on which the mines are located belongs to private parties, the lessee would have to acquire the surface rights from such private party. If such private party refuses to grant such surface rights, the lessee is to inform the same to the State Government and deposit the compensation for the acquisition of the surface rights with the State Government, and if the State Government deems that such amount is fair and reasonable, then the State Government will order the private occupier to permit the lessee to enter the land and carry out such operation as may be necessary for the purpose of the mining lease. For determining compensation to be paid to such private party, the State Government is guided by the principles of the Land Acquisition Act, 1894. In case of Government land, the surface right to operate in the lease area is granted by the Government upon application and as per the norms of that State Government. Surface rights of private land can also be directly negotiated with the owner and the rights obtained.

If the mining operation in respect of any mining lease leads to a displacement of people, the mining project can become functional only after obtaining the consent of such affected persons and the resettlement and rehabilitation of such persons and payment of other benefits. This is required to be carried out in accordance with the guidelines of the relevant state governments, including payment for the acquired land, owned by those displaced persons.

Applications for a mining lease and a prospecting license have to be made to the concerned state government, containing certain mandatory details in accordance with the MCR Rules. In respect of bauxite, coal and other minerals listed in the First Schedule of the MMDR Act, prior approval of the government of India is required to be obtained by the State Government for entering into the mining lease. The approval of the government of India is granted on the basis of the recommendations of the state governments, though the government of India has the discretion to overlook the recommendation of the state governments. On receiving the clearance of the government of India, the state government grants the final mining lease and prospecting license. The lease can be executed only after obtaining the mine plan approval and mine closure plan approval from the Indian Bureau of Mines. In case of coal this plan is approved by Ministry of Coal, Government of India. In case if forest lands are involved, the mining lease can be executed only after obtaining the forest clearances as per Forest (Conservation) Act, 1980. The mine can be operational only when the project (with area more than five Hectares) receives the environment clearance from the Ministry of Environment and Forest, Government of India.

The maximum term for which a mining lease may be granted is 30 years. A mining lease may be renewed for further periods of 20 years or for a lesser period as per the request of the lessee. In respect of coal, prior approval of the government of India is required for any renewal. The renewals are subject to the lessee not

being in default of any applicable laws (including environmental laws). The MMDR Act provides that if the holders of a mining lease are using the mineral for their “own industry”, then such holder would be entitled to a renewal of his mining lease for a period of 20 years unless he applies for a lesser period. The lessee has to apply to the relevant state government for renewal of the mining lease at least one year prior to the expiry of the lease. However, the State Government can condone the delay in submitting an application for renewal of a lease provided that the application is made before the expiry of the lease. In the event that the State Government does not pass any orders in relation to an application for renewal prior to the expiry of the lease, the lease will be deemed to be extended till the State Government passes its orders on such application for renewal.

A prospecting license for any mineral or prescribed group of associated minerals is granted for a maximum period of three years and for a maximum area of 25 square kilometers. A prospecting license can be renewed in such a manner that the total period for which a prospecting license is granted does not exceed five years. In a state, a person can be granted a maximum area of 25 square kilometers in one or more prospecting license, but if the government of India is of the opinion that in the interest of development of any mineral it is necessary to do so, the maximum area limit can be relaxed. A person may obtain a prospecting license in various states simultaneously up to the state-wide area limits. However, a person acquiring a prospecting license in the name of another person that is intended for himself shall be deemed to be acquiring the prospecting license for himself and the limits would apply accordingly. The person who undertakes prospecting under a prospecting license enjoys preferential right for the grant of the mining lease.

The MMDR Act also deals with the measures required to be taken by the lessee for the protection of environment from any adverse effect of mining. The rules framed under the MMDR Act provide that every holder of a mining lease shall take all possible precautions for the protection of the environment and control of pollution while conducting mining operations in the area. The environmental protection measures that are required to be taken in any mining operation includes, among others, prevention of water pollution, measures in respect of surface water, total suspended solids, ground water pH, chemicals and suspended particulate matter in respect of air pollution, noise levels, slope stability and impact on flora and fauna, local habitation, etc.

Royalty Payable

Royalty on the mineral-mine and a dead rent component are payable to the state government by the lessee in accordance with the MMDR Act. The mineral- royalty is payable in respect of an operating mine that has started dispatching and is computed in accordance with a formula stipulated in this regard. The government of India has broad powers to change the royalty scheme but cannot do so more than once every three years.

In September 2000, the central government changed the nationwide bauxite royalty scheme from a fixed fee to a variable fee formula, which was further revised upwards in October 2004 under the same formula. This formula takes into account LME aluminum price and percentage of aluminum in bauxite.

In addition, the lessee will be liable to pay the occupier of the surface of the land over which he holds the mining lease an annual compensation determined by the State Government, which varies depending on whether the land is agricultural or non-agricultural.

National Mineral Policy, 2008

The government of India has approved the National Mineral Policy, 2008, (“NMP”) on March 13, 2008 revisiting the previous National Mineral Policy, 1993, and has given its approval for setting up an independent dispute resolution mechanism, i.e., Mining Administrative Appellate Tribunal.

NMP was approved by the central government on March 13, 2008. NMP highlights the importance of ensuring that regional and detailed exploration is carried out systematically in the entire geologically

conductive mineral bearing area of the country using state-of-the-art techniques in a time bound manner. NMP calls for the maximization of extraction of mineral resources, located through exploration and prospecting, through scientific methods of mining, beneficiation and economic utilization. It promotes zero waste mining and calls for upgrade in mining technology. It proposes to freely allow the import of mining machinery and equipments and also strengthen indigenous industry for their manufacturing.

NMP proposes to facilitate financing and funding of mining activities and development of mining infrastructure based on the principle of user charges and public private partnerships. It aims at development of manpower through education and specialized training. The regulatory environment is to be made conducive to investment and technology flow. Efforts will be made to attune indigenous industry to the international economic situation in order to derive maximum advantage from foreign trade by anticipating technology and demand changes in international markets. Cooperation with countries with complementary resource base will be developed. Efforts will be made to export minerals in a value added form. A long term export policy would provide stability and prove to be an incentive for investing in large scale mining activities. It may also provide for assurances on exports which is a key factor for investment decisions particularly for foreign direct investment in the sector.

NMP aims at providing a framework of sustainable development designed to take care of bio diversity issues, restoration of ecological balance, protection of environment and proper relief and rehabilitation of the displaced and affected people.

A bill is proposed to be introduced in the parliament to bring suitable amendments in the MMDR Act, the MCR Rules and the MCDR Rules harmonizing them with the basic features of NMP. In future, the core function of state in mining will be facilitation and regulation of exploration and mining activities of investors and entrepreneurs, provision of infrastructure and tax collection. NMP also proposes an arm length distance between the state agencies that mine and those that regulate.

Power Generation through a Captive Power Plant

Currently, under Indian law, any generating company can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with grid. Approvals from the Central Government, State Government and the techno-economic clearance from the CEA are no longer required, except for hydroelectric projects. Electricity Rules, 2005 lays down the conditions for a power plant to be categorized as a captive power plant, as defined under the Electricity Act, 2003.

A Captive Power Plant (“CPP”) has been defined under the Electricity Act, 2003 as “a power plant set up by any person to generate electricity primarily for his own use.” Under Section 9 of the Electricity Act, 2003, “a person may construct, maintain or operate a captive generating plant and dedicated transmission lines.”

The Electricity Rules, 2005 in Section 3(a) have further clarified that no power plant would qualify as a CPP unless:

- (i) not less than 26 % (twenty six percent) of the ownership is held by the captive user(s); and
- (ii) not less than 51 % (fifty one percent) of the aggregate electricity generated in such plant, determined on an annual basis, is consumed for the captive use. This 51% consumption is calculated on a yearly basis.

Therefore, the Electricity Rules, 2005 envisage that if in a power plant, two or more companies together own 26% or more of the power plant and consume in aggregate, more than 51% of the electricity generated by the power plant, such power plant shall also be considered a captive power plant.

No restriction is placed on setting up of captive power plant by any consumer or group of consumers for their own consumption. Under the Electricity Act, 2003 and Electricity Rules, 2005, no surcharge is required to be paid on wheeling of power from the captive plant to the destination of the use by the consumer. This provides financial incentive to large consumers of power to set up their own captive plants.

The Electricity Act, 2003 provides that transmission, distribution and trade of electricity are regulated activities which require licenses from the appropriate electricity regulatory commission, unless exempted by the appropriate government in accordance with the provisions of the Electricity Act, 2003. Electricity Act, 2003 was amended in 2007 to exempt captive power plants from licensing requirements for supply to any licensee or consumer.

Environment Laws

We are also required to obtain clearances under the Environment (Protection) Act, 1986, the Forest (Conservation) Act, 1980, if any forest land is involved, and other environmental laws such as the Water (Prevention and Control of Pollution) Act, 1974, Water (Prevention and Control of Pollution) Cess Act, 1977 and Air (Prevention and Control of Pollution) Act, 1981, before commencing the operations of the mines. To obtain an environmental clearance, a no-objection certificate from the concerned state pollution control board must first be obtained, which is granted after a notified public hearing, submission and approval of an environment impact assessment (“EIA”) report and an environment management plan (“EMP”). The EIA report spells out all the operating parameters, including, for example, the pollution load as well as their mitigative measures for that particular mine. Mining activity within a forest area is not permitted in contravention of the provisions of the Forest (Conservation) Act, 1980. The final clearance in respect of both forest and environment is given by the government of India, through the Minister of Environment and Forest. However, all applications have to be made through the respective state governments who then recommend the application to the government of India. The penalties for non-compliance range from closure or prohibition of mining activity in respect of the mines as well as the power to stop supply of energy, water or other service and monetary penalties on and imprisonment of the persons in charge of the conduct of the business of the company in accordance with the terms of the Environment (Protection) Act, 1986 and Forest (Conservation) Act, 1980.

Water (Prevention and Control of Pollution) Act, 1974

A lessee is also required to comply with the provisions of the Water (Prevention and Control of Pollution) Act, 1974, which aims at the prevention and control of water pollution as well as restoration of water quality, through the establishment of state pollution control boards. Under the provisions of this act, any individual, industry or institution discharging industrial or domestic wastewater is required to obtain consent of the state pollution control board. The consent to operate is granted for a specific period after which the conditions stipulated at the time of granting consent are reviewed by the state pollution control board. Even before the expiry of the consent period, the state pollution control board is authorized to carry out random checks on any industry to verify if the standards prescribed are being complied with by the industry. If the standards are not being complied with, the state pollution control board is authorized to serve a notice to the concerned person. In the event of non-compliance, the concerned state pollution control board may close the mine or withdraw its water supply to the mine or cause magistrates to pass injunctions to restrain such polluters.

Water (Prevention and Control of Pollution) Cess Act, 1977

Mining is a specified industry under the Water (Prevention and Control of Pollution) Cess Act, 1977 and a lessee is required to pay the surcharge as stipulated under the terms of the Water (Prevention and Control of Pollution) Cess Act, 1977. The assessing authority on the state level levies and collects the surcharge based on the amount of water consumed by such industries. The rate is also determined by the purpose for which the water is used. Based on the surcharge returns to be furnished by the industry every month, the amount of cess is assessed by the relevant authorities. A rebate of up to 25% on the surcharge payable is available

to those industries who consume water within the quantity prescribed for that category of industries and who also comply with the effluents standards prescribed under the Water Act or the Environment (Protection) Act.

A lessee can draw water from bore wells or from water harvested in open pits within the lease area. However, a surcharge under the Water (Prevention and Control of Pollution) Cess Act, 1977 is to be paid by the lessee to the state governments of the states in which the mines are located.

Air (Prevention and Control of Pollution) Act, 1981

A lessee is also required to comply with the provisions of the Air (Prevention and Control of Pollution) Act, 1981, under which any individual, industry or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board prior to commencing any mining activity. The board is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

For ensuring the continuation of the mining operations, a yearly consent certification from the state pollution control board is required both under the Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974, as discussed above.

Other Laws and Regulations

Certain other laws and regulations that may be applicable to the Company which include the following:

- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996;
- Coal Mines Regulations, 1957;
- Contract Labour (Regulation and Abolition) Act, 1970;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Employees' State Insurance Act, 1948;
- Equal Remuneration Act, 1976;
- Explosives Act, 1884;
- Factories Act, 1948;
- Hazardous Chemicals Rules, 1989;
- Hazardous Waste (Management and Handling) Rules, 1989;
- Indian Arms Act, 1948;
- Indian Boilers Act, 1923;
- Indian Explosives Act, 1884; and
- Industrial Disputes Act, 1947;
- Inter State Migrant Workers Act, 1979;
- Land Acquisition and Land Reform Acts, where applicable;
- Metalliferous Mines Regulations, 1961;
- Mines and Quarries Act, 1954;
- Minimum Wages Act 1948;
- Payment of Bonus Act, 1965;
- Payment of Gratuity Act, 1972;
- Payment of Wages Act, 1936;
- Petroleum Act, 1934;
- Shops and Commercial Establishments Acts, where applicable;
- Workmen's Compensation Act, 1923.

HISTORY OF OUR COMPANY AND OTHER CORPORATE MATTERS

Our Company is a part of the Aditya Birla Group and was incorporated on December 15, 1958 as Hindustan Aluminium Corporation Limited under the provisions of the Act. The Company changed its name from Hindustan Aluminium Corporation Limited to Hindalco Industries Limited on October 9, 1989. The Equity Shares of our Company with face value of Rs. 10 each were first listed on BSE. The listing agreement was signed with BSE on January 28, 1960. Thereafter, the Equity Shares with face value of Rs. 10 each were listed on the NSE. The global depository receipts of the Company are listed on the Luxembourg Stock Exchange ("LSE") and trade on the EuroMTF market of the LSE.

In 1962, the Company set up collaboration with Kaiser Aluminium & Chemicals Corporation, USA when our integrated complex at Renukoot came on stream with a smelter capacity of 20,000 MTPA. Further, our equity shareholders and the equity shareholders of Renuagar Power Company Limited ("RPCL") approved a scheme of amalgamation of RPCL into our Company, wherein all the assets of RPCL were merged into our Company. Our Company has undergone in-house expansions and modernization and set up a foil and wheel plant at Silvassa, near Mumbai, in 1997-98.

In the financial year 2001, our Company acquired a 74.6% stake in the Indian Aluminium Company Limited. Established in 1938, Indal started with India's first aluminium sheet rolling mill at Belur, near Kolkata, West Bengal. After increasing our stake in Indal from 95.9% to 96.5% at an additional cost of Rs. 49.9 million, through an open offer made in accordance with regulatory requirements, on August 23, 2004, our Board and the board of directors of Indal approved a scheme of arrangement wherein all the assets of Indal other than the foil unit at Kollur in Andhra Pradesh were to be demerged from Indal and merged into our Company.

On July 31, 2007, the Board of Directors of our Company approved the scheme of amalgamation which was approved by the High Court at Bombay on January 18, 2008, for the amalgamation of Indal with our Company. Such scheme is in furtherance to the above mentioned scheme of arrangement and completing the consolidation of all the businesses of Indal into our Company. The amalgamation pursuant to the said scheme is expected to complement each other's strengths and product portfolios. The amalgamation further enhanced Company's operating efficiencies.

Our equity shareholders and the equity shareholders of Indo Gulf Corporation Limited ("IGCL") and Indo Gulf Fertilisers Limited ("IGFL") had approved a scheme of arrangement between IGCL, IGFL and our Company in the financial year 2003, wherein the fertilizer business of IGCL was demerged from and merged into IGFL and the remaining business of IGCL (including its copper business) was merged with our Company.

With a strategic intent to achieve vertical integration, we acquired two captive copper mines in Australia – the Nifty mine located in the Great Sandy Desert region of East Pilbara in Western Australia, and the Mount Gordon mine, in Queensland. The Company entered into a sale agreement dated January 24, 2003 with Straits Resources Limited, which was amended and supplemented by the adherence deed, dated March 6, 2003, between Straits Resources Limited, the Company and Birla Mineral Resources Pty Ltd. The agreements were entered into for purchase of all the shares held by Straits Resources Limited in Straits (Nifty) Pty Ltd by Birla Mineral Resources Pty Ltd. Straits Resources Limited and Birla Mineral Resources Pty Ltd have also entered into a Settlement and Release deed to settle any disputes that the parties had or may have in the future in respect of the aforesaid purchase of shares.

On January 11, 2000, Indal, Hydro Aluminium and Utkal Alumina entered into a shareholders agreement for the purpose of regulating the relationship between the shareholders of Utkal Alumina. On July 3, 2003 Hydro Aluminium sold its entire shareholding interest in Utkal Alumina to Alcan Inc. and Indal. Further, Alcan Inc. sold a part of its shareholding in Utkal Alumina to Indal pursuant to agreements among Alcan Inc., Indal and Hydro Aluminium dated December 5, 2002 and among Alcan Inc., Indal and Utkal Alumina of the same date. Pursuant to the scheme of amalgamation between Indal and the Company, which became

effective from March 7, 2005, all businesses of Indal (except the aluminium foils business in Andhra Pradesh) were transferred to the Company, including all of Indal's shareholding in Utkal Alumina. The Company, Alcan Inc. and Utkal Alumina have since entered into an amended and restated shareholder agreement dated April 18, 2005 to amend the previous shareholders agreements in respect of Utkal Alumina and to regulate the relationship among the shareholders and the manner in which Utkal Alumina is to be managed. The Company has acquired the shareholding of Alcan Inc. consisting of 78,564,384 shares of Rs. 10 each in Utkal Alumina in October, 2007. Consequently, Utkal Alumina is now a wholly owned subsidiary of the Company. Pursuant to the said acquisition, Alcan Inc. will have no surviving rights or obligations, as the Company becomes the sole owner of Utkal Alumina.

In May 2007, we acquired Novelis with its production facilities located in North America, Europe, Asia and South America.

I. Key Agreements

1) Joint Venture Agreement between the Company and Almex USA Inc. dated October 31, 2006 ("HAAL JV Agreement")

Our Company entered into a joint venture agreement with Almex USA Inc. ("Almex"), a company involved in the manufacture of aluminum and cast house equipment and in the supply of aluminum cast house solutions for various industries including aerospace, to incorporate a company named Hindalco-Almex Aerospace Limited ("HAAL"), wherein 70% of the shareholding of HAAL shall be held by our Company and remaining 30% of the shareholding of HAAL shall be held by Almex. The main objects of HAAL contemplate *inter alia* the following activities:

- i) manufacture of high strength aluminium alloys for aerospace, automotive, sporting goods and other industries;
- ii) import, market, sales and distribution of the products manufactured in India and overseas markets; and
- iii) to undertake research and development activities relating to all aluminium applications including high strength aluminium alloys.

Under the terms of the HAAL JV Agreement, HAAL shall commence business with a capacity to manufacture 12,000 tons of high strength aluminium alloy products which is intended to be increased to 46,000 tons by the end of fourth year from the date of issue of the certificate of commencement of business or such extended period as may be decided.

Under the conflict of interest provisions of the HAAL JV Agreement, our Company shall not raise any objection to investment by Almex or any member of the Almex group in any company in India or the entry by Almex or any member of the Almex group into an agreement to transfer technology, patent(s) / trademark(s) or intellectual property right licenses or other commercial agreements for the manufacture of any items other than high strength aluminium alloy products or any billets in any alloy having diameter greater than 400 millimetres. However, our Company has a the right of first refusal with respect to such a business opportunity insofar as the business opportunity relates to an activity in the aluminium sector to be carried on in India. Further, our Company shall not raise any objections to Almex selling cast house equipment to any entity in the countries as specified in the schedule to the said agreement, for any activity related to aluminium, other than high strength aluminium alloy products.

The HAAL JV Agreement provides that neither party shall, without prior consent of the other party, be entitled to transfer shares in HAAL until the capacity to manufacture has reached 46,000 tons of high strength aluminium alloys or until the end of the fourth year from date of the issuance of the certificate of commencement of business, whichever may be earlier (the "Lock in period"). This Lock in period shall not apply to sale/transfer of shares by Almex to its employees, subject to certain conditions. Further, after expiry of the Lock in, if either party to the HAAL JV Agreement proposes to sell or dispose of all or a part of its shares, such a party must provide written notice of a right of first refusal to purchase the shares to the

other party at a price representing the fair value of the shares as determined by an internationally reputed firm of auditors or investment bankers appointed by the parties, subject to the applicable pricing guidelines issued by the RBI.

Pursuant to the terms of the HAAL JV Agreement, HAAL has entered into transfer of technology agreement with Almex dated February 16, 2007, an equipment supply agreement dated February 16, 2007, an engineering services agreement dated February 16, 2007, a marketing support agreement dated February 16, 2007 and new technology supply and research and development support agreement dated February 16, 2007.

Further, the HAAL JV Agreement sets forth that the board of directors of HAAL shall initially comprise of six directors, out of which four directors shall be nominated by our Company and two shall be the nominees of Almex. The Chairman of the board of directors of HAAL shall be nominated by our Company.

Additionally, with respect to certain matters as listed out in the HAAL JV Agreement, the board of directors of HAAL shall not pass a resolution without the affirmative vote of atleast one nominee of Almex at the said meeting of its board of directors. However, such a right is subject to the parties maintaining a minimum shareholding in HAAL of 18% of the issued, subscribed and paid up capital of HAAL.

The HAAL JV Agreement shall automatically terminate upon the winding up of or liquidation or dissolution of HAAL or when the entire shareholding of HAAL is held by either of the parties to the HAAL JV Agreement. Further, the HAAL JV Agreement may be terminated after a sixty days notice being given by either party, *including*, in case of breach of material obligations set forth in the said agreement by the other party.

2) Joint Venture Agreement between our Company and Orissa Mining Corporation Limited dated October 25, 2005 (“OMC JV Agreement”)

Our Company entered into a joint venture agreement dated October 25, 2005 with Orissa Mining Corporation Limited (“OMC”), a company that had applied to the Government of Orissa for mining lease in respect of Kodingamali mines and may apply for mining leases of such other mines as to make a cumulative reserve of bauxite of at least 150 million tones, to set up a company for setting up an integrated aluminium complex in Orissa and operating the Kodingamali mines (“Hindalco-OMC JV Company”).

Under the terms of the OMC JV Agreement, 74% of the shareholding of Hindalco-OMC JV Company shall be held by our Company and the remaining 26% of the shareholding shall be held by OMC, which is the minimum shareholding that OMC shall hold in the said company. The board of directors of Hindalco-OMC JV Company are to comprise of six directors, out of which, four being nominees of our Company and two being nominees of OMC, who shall not be involved in the day-to-day operations of the said company. The chairman and managing director shall be chosen from amongst our Company’s nominee directors. Further, the management of the Hindalco-OMC JV Company shall be controlled by our Company.

Under the terms of the OMC JV Agreement, both party has a right of first refusal in the event the other party offers the shares of Hindalco-OMC JV Company to any third party. Further, in the event that OMC no longer remains under the control of the Government of Orissa, our Company shall automatically be granted a call option to acquire the entire or any part of the shareholding of Hindalco-OMC JV Company held by OMC at the fair market value and our Company may apply to the Government of Orissa/ Government of India for transferring the mining leases under the Hindalco-OMC JV Company to our Company.

Hindalco-OMC JV Company shall carry on excavation and development activities of bauxite deposits of mines on behalf of the OMC exclusively for supplying bauxite ore to the refinery in Orissa and for no other purpose. It is also the intention of the parties that the bauxite mined from the Kodingamali mines be sold by OMC to our Company. Under the terms of the OMC JV Agreement, a long term purchase agreement has to

be entered into by the Company with the Hindalco-OMC JV Company for the purchase of bauxite raised by the Hindalco-OMC JV Company upon a payment of an amount that shall be sum of the following:

- i) costs associated with mining of bauxite from the mines;
- ii) royalty charges depending upon the whether the our Company's smelter in Orissa is operational;
- iii) royalty payable to Government of Orissa; and
- iv) any other statutory dues including taxes and duties payable.

The bauxite purchased by our Company from Hindalco-OMC JV Company shall be used only for the purposes of its captive consumption within Orissa.

Hindalco-OMC JV Company was incorporated on October 31, 2007 as East Coast Bauxite Mining Company Private Limited. For more information please refer to the section titled "Our Subsidiaries" beginning on page 119 of this Letter of Offer.

3) Joint Venture Agreement entered into between our Company and Essar Power M.P. Limited dated February 1, 2006 ("Mahan Coal JV Agreement") and Deed of Adherence between Essar Power Limited, Essar Power M.P. Limited and the Company dated February 18, 2008.

Our Company has entered into a joint venture agreement with ESSAR Power M.P. Limited ("EPMPL") dated February 1, 2006 for setting up Mahan Coal Company Limited ("Mahan") which shall be involved in the mining of coal, exclusively for the use of our Company and EPMPL, from Mahan Coal Mines in Madhya Pradesh, which have been jointly allotted to our Company and EPMPL. The shareholding of our Company and EPMPL in Mahan shall be 50% each. However, pursuant to the advice of Ministry of Coal vide letter no. 13016/30/2005-CA-I dated January 23, 2008, Essar Power Limited ("Essar") became a partner to the Mahan Coal JV Agreement replacing EPMPL by entering into a deed of adherence on February 18, 2008 with EPMPL and the Company. EPMPL will transfer all shares in Mahan to Essar and pursuant to such transfer and under this deed of adherence, EPMPL has undertaken to transfer and assign all rights and obligation to Essar and Essar has undertaken to observe, perform, discharge and be bound by all the duties and obligations of EPMPL under the Mahan Coal JV Agreement, as if Essar was an original party to Mahan Coal JV Agreement.

Under the terms of the Mahan Coal JV Agreement, the parties shall not sell, transfer, mortgage or otherwise dispose off any shares of or any interest in Mahan, except with the prior approval of GOI, and with the option to the other party to acquire such shares or interest, under the terms of the said agreement. However, neither of the party, unless otherwise agreed upon by both the parties, shall sell, transfer, mortgage, assign the whole or any part of its shareholding in Mahan for a period of four years from the allotment of shares of Mahan to the parties in the first instance.

Further, under the terms of the Mahan Coal JV Agreement, the board of directors of Mahan is to comprise of four directors, with our Company and Essar having equal representation on the said board. In the event the shareholding of the parties change, then the proportion of representation of the said parties on the board of directors of Mahan shall also change proportionately, subject to right of affirmative vote being granted to the party with lower shareholding, where such shareholding shall not be less than 25% of the shareholding of Mahan. If the shareholding of party falls between 25% and 15%, then the said party shall not be granted the right of affirmative vote. However, in the event the shareholding of a party falls below 15%, then Mahan Coal JV Agreement shall stand terminated.

4) Joint Venture Agreement entered amongst our Company, Mahanadi Coal Fields Limited and Neyveli Lignite Corporation Limited dated June 30, 2007 (“MNH Shakti JV Agreement”)

Our Company has entered into a joint venture agreement with Mahanadi Coal Fields Limited (“MCL”) and Neyveli Lignite Corporation Limited (“NLC”) dated June 30, 2007 for setting up MNH Shakti Limited (“MNH”) which shall be involved in mining activities to be carried out jointly amongst the parties to the MNH Shakti JV Agreement, at Talabira-II coal block and Talabira-III coal block (together referred to as “Talabira Mines”) in the Jharsuguda and Sambalpur districts of Orissa.. Our Company shall hold 15% of the shareholding of MNH, with MCL holding 70% and NLC holding 15% of the shareholding of MNH. Further, the parties to the MNH Shakti JV Agreement had entered into a memorandum of understanding on November 23, 2006, the provisions of which have not been superseded by the MNH Shakti JV Agreement shall remain valid.

Under the terms of the MNH Shakti JV Agreement, the distribution of the coal produced at the Talabira Mines shall be as per the Ministry of Coal’s directive i.e. 70% of the coal produced shall be provided to MCL, 15% to NCL and 15% to our Company, subject to 3 million metric tones of coal being available to the Company. The coal purchased by our Company shall be used for captive consumption. The board of directors of MNH is to comprise of six directors, of which four shall be nominees of MCL and one nominee each from NCL and our Company.

As per the terms of the MNH Shakti JV Agreement, none of the parties shall sell or otherwise transfer any part of their shareholding of MNH, directly or indirectly, without the prior written consent of the other parties. Further, any proposed transfer of shares of MNH by any of the parties shall involve an offer of the said shares, in the first instance, to the other parties, as per the terms of the MNH Shakti JV Agreement. Such offer shall be in the ratio of the equity shares then held by each of the purchasing parties..

5) Memorandum of Understanding between Government of Madhya Pradesh and our Company for Aluminum and Allied Projects in the state of Madhya Pradesh dated May 23, 2006 (“MP MoU”)

Our Company has entered into the MP MoU to set up an aluminium smelter of 325,000 kilo tonnes per annum capacity and, along with the said smelter, a captive power plant of 750 MW of power in the Sidhi district of Madhya Pradesh. The estimated capital cost for setting up the said smelter and the captive power plant (the “First Phase”) has been estimated under the MP MoU to be around Rs. 77,000 million. Further, under the terms of the MP MoU, upon the First Phase operations reaching a sustainable basis, the capacity of the aluminium smelter shall be increased to 465,000 kilo tonne per annum and the power generation at the captive power plant to be increases to 920 mw, at a cost of Rs. 94,000 million (the “Expansion”).

Under MP MoU, the Government of Madhya Pradesh shall provide incentives and facilitate clearances necessary for the First Phase and Expansion in terms of assistance for acquiring of 5000 acres of land, assistance for acquisition of land for ancillary activities, residential complexes etc, issuance of ‘right of way’ clearances, permission for 96 million cubic metre per annum of water supply, facilitating development of infrastructure, assistance in obtaining necessary clearance in coal mining from captive coal block allocated to the Company and assistance in securing additional coal blocks, expediting decision on the Company’s application for prospecting license and mining lease and assistance in obtaining various environmental and other clearances.

6) Memorandum of Understanding between Government of Jharkhand and the Company for Aluminum and Allied Projects in the state of Jharkhand dated March 30, 2005 (“Jharkhand MoU”)

Our Company has entered into the Jharkhand MoU to set up an aluminium smelter of 325,000 tonnes per annum capacity, a captive power plant of 750 MW of power and captive coal mines in Rajbar Block - I.

The estimated capital cost for setting up the said smelter, the captive power plant and captive coal mines has been estimated under the Jharkhand MoU to be around Rs. 78,000 million.

Under the terms of the Jharkhand MoU, the Government of Jharkhand shall provide incentives and facilitate clearances necessary for the projects under the Jharkhand MoU, including assistance for acquisition of land, permission for optimal drawl of water from Auranga River and environmental clearances. Government of Jharkhand shall facilitate the development of infrastructure, bridge and supply of electricity, grant of in-principle permission for grid connectivity and shall consider to extend applicable incentives as envisaged in various investment schemes from time to time.

7) Heads of Agreement entered into between the Company and TATA Power Company Limited dated June 27, 2007 (“Tubed Agreement”)

Pursuant to the Tubed Agreement, the Company set up Tubed Coal Mines Private Limited (“Tubed”), a joint venture with the TATA Power Company Limited (“TATA Power”) for operating the non-coking coal block jointly allocated to the Company and TATA Power by the Government of India, vide its letter dated May 29, 2007.

Under the terms of the Tubed Agreement, the Company holds 60% of the equity share capital of Tubed and TATA Power holds 40% of the equity share capital of Tubed. Further, the coal offtake entitlement ratio under the Tubed Agreement, between the Company and TATA Power is 60:40.

The Tubed Agreement stipulates the Company and TATA Power to enter into an offtake agreement with Tubed no later than three months from the execution of a joint venture agreement between the Company and TATA Power. Further, if Tubed is unable to mine the required quantity and quality of coal in accordance with the offtake agreement, the parties shall be allowed to terminate this joint venture and dispose or transfer Tubed along with all assets and liabilities including the mining lease.

Further, in the event of any transfer of shares, the transferring party shall give the right of first refusal to the other party along with all other entitlements including the off-take entitlement.

II. Our Joint Venture Companies

The joint venture companies of the Company are as follows:

Unless otherwise stated neither of the companies mentioned below have made any public or rights issue in the last three years and there has been no change in the capital structure in the last six months. It has not become a sick company under the meaning of SICA and is not under winding up.

I. Idea Cellular Limited

Idea was incorporated as Birla Communications Limited on March 14, 1995 and granted a certificate of commencement of business on August 11, 1995. The name of the company was changed to Birla AT&T Communications Limited on May 30, 1996 following the execution of a joint venture agreement dated December 5, 1995 between AT&T Corporation and Grasim Industries Limited pursuant to which the Aditya Birla group held 51% of Idea’s Equity Share capital and the AT&T Wireless Services Inc. (“AWS Group”) held the balance 49%. With effect from January 1, 2001, following Idea’s merger with Tata Cellular Limited the aforesaid joint venture agreement between AT&T Corporation and Grasim Industries Limited was replaced by a shareholders agreement dated December 15, 2000 entered into between Grasim Industries Limited, Tata Industries Limited (on behalf of the TATA Group) and AT&T Wireless Services Inc. following which the name of the company was changed to Birla Tata AT&T Limited on November 6, 2001. Consequent to the introduction of the “Idea” brand, on May 1, 2002 the name of the company was changed to Idea Cellular Limited. The AWS Group exited from Idea on September

28, 2005 by selling 371,780,740 equity shares of Idea, which constituted 50% of the holding of AT&T Cellular Private Limited in Idea's equity share capital to ABNL and by transferring the remaining 371,780,750 equity shares to Tata Industries Limited. The TATA Group ceased to be a shareholder of Idea on June 20, 2006 when Tata Industries Limited and Apex Investments (Mauritius) Holding Private Limited (formerly known as AT&T Cellular Private Limited) sold all their shares in Idea to the Aditya Birla group.

Idea has acquired 40.8% stake in Spice Communications Limited ("Spice") at the rate of Rs. 77.30 per share amounting to Rs. 21,759 million and paying a non compete fee of Rs. 5,440 million. As of June 30, 2008, these amounts were lying in the respective escrow accounts. The approval of the Department of Telecommunication is awaited for the said merger.

Idea is involved in providing cellular mobile telephone services in eleven service areas of India covering Delhi, Himachal Pradesh, Rajasthan, Haryana, Uttar Pradesh (East), Uttar Pradesh (West) (including Uttaranchal), Madhya Pradesh (including Chhattisgarh), Gujarat, Maharashtra (including Goa), Andhra Pradesh and Kerala. In addition, it holds licenses for 10 service areas directly and of one service area (i.e. Bihar and Jharkhand) through its wholly owned subsidiary, Aditya Birla Telecom Limited.

As on June 30, 2008, the Company holds 8.66% of the shareholding of Idea.

Registered Office

The registered office of Idea is located at:

Idea Cellular Limited
Suman Tower
Plot No. 18, Sector-11
Gandhinagar - 382 011
Gujarat

Board of Directors

The board of directors of Idea comprise of the following:

1. Mr. Kumar Mangalam Birla;
2. Mrs. Rajashree Birla;
3. Mr. Sanjeev Aga;
4. Mr. M.R. Prasanna;
5. Mr. Saurabh Misra;
6. Mr. Arun Thiagarajan;
7. Ms. Tarjani Vakil;
8. Mr. Gian Prakash Gupta;
9. Mr. Mohan Gyani; and
10. Mr. Biswajit Anna Subramanian.

Shareholding Pattern of Idea as of June 30, 2008

S. No.	Category of shareholder	Total number of shares	Percentage of shares
(A)	Shareholding of Promoter and Promoter Group:		

S. No.	Category of shareholder	Total number of shares	Percentage of shares
	Indian	1,520,445,714	57.69%
	Foreign	-	-
	Total Shareholding of Promoter and Promoter Group	1,520,445,714	57.69%
(B)	Public shareholding:		
	Institutions*	439,039,060	16.66%
	Non-institutions	675,875,765	25.65%
	Total Public Shareholding	1,114,914,825	42.31%
(C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-
	GRAND TOTAL (A)+(B)+(C)	2,635,360,539	100.00%

* On August 13, 2008, Idea allotted its 464,734,670 equity shares to TMI Mauritius Limited on a preferential basis.

Financial Performance

The summary audited financials of Idea for the financial years 2006, 2007 and 2008 are as follows:
(in Rs. million except per share data)

	As at and for the year ended March 31, 2006	As at and for the year ended March 31, 2007	As at and for the year ended March 31, 2008
Total Income	29,869.24	43,873.29	67,374.46
Profit After Tax	2,117.65	5,022.18	10,423.10
Equity capital (par value Rs. 10 per share)	22,595.27	25,928.60	26,353.61
Reserves	(16,089.33)	(4,130.80)	9,092.40
Basic Earnings per share	0.74	2.19	3.96
Book value per Share (of Rs. 10 each)	2.88	8.41	13.45

Share Quotation

The equity shares of Idea are listed on the BSE and the NSE.

The monthly high and low of the market price of the equity shares of Idea having a face value of Rs. 10 each on BSE for the last six months is as follows:

Month	High (Rs.)	Low (Rs.)
March, 2008	108.00	89.00
April, 2008	112.50	96.60
May, 2008	113.90	100.00
June, 2008	112.00	92.40
July, 2008	95.00	74.20
August, 2008	83.40	81.00

Source: www.bseindia.com

The monthly high and low of the market price of the equity shares of Idea having a face value of Rs.10 each on NSE for the last six months is as follows:

Month	High (Rs.)	Low (Rs.)
March, 2008	108.00	88.00
April, 2008	112.50	96.55
May, 2008	114.00	100.00
June, 2008	112.00	92.65
July, 2008	97.60	74.00
August, 2008	83.50	81.00

Source: www.nse-india.com

The market capitalisation of Idea based on the closing price of Rs. 82.50 per equity share on the BSE as on August 29, 2008 was Rs. 255,757.85 million.

The market capitalisation of Idea based on the closing price of Rs. 82.40 per equity share on the NSE as on August 29, 2008 was Rs. 255,447.85 million.

Details of public/ rights issues in the past three years

Idea undertook a public issue of 283,333,333 equity shares of Rs. 10 each at a price of Rs. 75 per Equity Share. The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus dated February 21, 2007.

The objects of issue as provided in the prospectus of Idea dated February 21, 2007 included:

1. Building, strengthening and expanding Idea's network and related services in the new circles;
2. Entry fee and capital expenditure for national long distance operations;
3. Roll-out of services in Mumbai circle; and
4. Redemption of preference shares.

The details of promise versus performance for Idea are as follows:

(in Rs. million)

S. No	Project	Issue Proceed allocation	Proceeds utilized
1.	Building, strengthening and expanding the network and related services in the new circles	9,708.0	9,101.6
2.	Entry Fee and capital expenditure for national long distance operations	808.0	7.6
3.	Roll-out of services in Mumbai Circle	6,470.0	2,243.2
4.	Redemption of Preference Shares	7,563.3	7,563.3

Mechanism for redressal of investor grievance

Idea has a 'Shareholder /Investors Grievance Committee' which meets as and when required, to deal and monitor redressal of complaints from share holders relating *inter alia* to transfers, non-receipt of dividend and non-receipt of balance sheet etc.

Investor grievances are usually resolved within an average period of seven days from the date of its receipt.

During the quarter ended June 30, 2008, Idea had five outstanding complaints from the shareholders regarding non receipt of refund, change of address, non-receipts of balance sheet, etc.

There has been no change in the capital structure of Idea in the last six months. Idea Cellular Limited has not become a sick company under the meaning of SICA and is not under winding up.

II. Mahan Coal Limited

Mahan Coal Limited is a joint venture between the Company and Essar Power Limited incorporated on April 25, 2006.

Mahan Coal Limited is involved in the business of extracting coal from mines for captive consumption.

Registered Office

107, Gold Arcade,
New Palasia,
Opposite Curewell Hospital,
Indore 452 001

Board of Directors

1. Mr. D. Bhattacharya;
2. Mr. Anshuman Ruia;
3. Mr. R. K. Kasliwal; and
4. Mr. A. K. Srivastava.

Shareholding pattern as of June 30, 2008

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Hindalco Industries Limited	3,374,970	50 %
2.	Essar Power Limited	3,374,970	50 %
3.	Others	60	-
	Total	67,50,000	100%

Financial Performance

The summary audited financials of Mahan Coal Limited for the financial years 2007 and 2008 are as follows:

(in Rs. million except per share data)

	As at and for the year ended March 31, 2007	As at and for the year ended March 31, 2008
Total Income	-	-
Profit After Tax	-	-
Equity capital (par value Rs. 10 per share)	47.5	47.5
Reserves	-	-
Basic Earnings per share	-	-
Book value per Share (of Rs. 10 each)	9.89	9.89

DIVIDENDS

The Company has paid dividends on its Equity Shares in each of the last five years. The following are the Equity Shares dividend payouts in last five years by our Company:

Financial Year/ Periods	Dividend per Equity Share (Amount in Rs.)	Amount (In Rs. million) ⁽¹⁾
2003-2004*	16.50	1,525.84
2004-2005*	20.00	1,855.61
2005-2006**	2.20	2,168.38
2006-2007**	1.70	1,773.44
2007-2008**	1.85	2,268.93

* per Equity Share of Rs. 10 each

** per Equity Share of Re. 1 each

(1) Excluding dividend tax where applicable

The Board has declared a dividend of Re. 0.12 per Preference Share of Rs. 2 each and Rs. 1.85 per Equity Share of Re.1 each for the financial year 2008, which is subject to Company's shareholders' approval. This entails a dividend payout ratio of 9.44%.

MANAGEMENT

Board of Directors

The following table sets forth details regarding the members of our Board of Directors:

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
1.	Mr. Kumar Mangalam Birla <i>Non-Executive Chairman</i> Mangal Adityayan 20, Carmichael Road Mumbai 400 026 Maharashtra Industrialist DIN: 00012813 Term: Retires by rotation	Indian	41	• Aditya Birla Management Corporation Private Limited • Aditya Birla Nuvo Limited • Birla Group Holdings Private Limited • Birla Sun Life Insurance Company Limited • Birla Sun Life AMC Limited • Century Textiles and Industries Limited • Essel Mining and Industries Limited • Global Holdings Private Limited • Grasim Industries Limited • Gwalior Properties & Estates Private Limited • Idea Cellular Limited • PSI Data Systems Limited • Rajratna Holdings Private Limited • Seshasayee Properties Private Limited • TGS Inv & Trade Private Limited • Transworks Information Services Limited • Trapti Trading & Inv Private Limited • Turquoise Inv & Finance Private Limited • Ultra Tech Cement Limited • Vaibhav Holdings Private Limited • Vikram Holdings Private Limited • Kanistha Finance & Inv Private Limited
2.	Mrs. Rajashree Birla <i>Non-Executive Director</i> Mangal Adityayan 20, Carmichael Road Mumbai 400 026 Maharashtra	Indian	62	• Aditya Birla Health Services Limited • Aditya Birla Nuvo Limited • Birla Group Holdings Private Limited • Essel Mining & Industries Limited

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
	Industrialist DIN: 00022995 Term: Retires by rotation			• Global Holdings Private Limited • Grasim Industries Limited • Gwalior Properties & Estates Private Limited • Idea Cellular Limited • IGH Holdings Private Limited • Kanistha Finance & Inv Private Limited • Rajratna Holdings Private Limited • Seshasayee Properties Private Limited • TGS Investment & Trade Private Limited • Global Holdings Private Limited • Trapti Trading & Investments Private Limited • Turquoise Investments & Finance Private Limited • Ultra Tech Cement Limited • Vaibhav Holdings Private Limited • Vikram Holdings Private Limited
3.	Mr. D. Bhattacharya <i>Managing Director</i> 14/A, Woodlands Peddar Road Mumbai 400 026 Occupation: Service DIN: 00033553 Term: The present term expires on October 2, 2008	Indian	59	• Aditya Birla Management Corporation Private Limited • Aditya Birla Power Company Limited • Birla Management Centre Services Limited • Dahej Harbour and Infrastructure Limited • Hindalco-Almex Aerospace Limited • Mahan Coal Limited • Minerals & Minerals Limited • Utkal Alumina International Limited
4.	Mr. A. K. Agarwala <i>Non-Executive Director</i> “Haveli”, Flat no.3 L.D. Ruparel Marg Mumbai 400 006 Retired Professional DIN: 00023684 Term: Retires by rotation	Indian	75	• Aditya Birla Power Company Limited • Bihar Caustic & Chemicals Limited • Bina Power Supply Company Limited • Birla Insurance Advisory Services Limited • HGC Foundation Private Limited • Tanfac Industries Limited

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
				• Udyog Services Limited
5.	Mr. C. M. Maniar <i>Independent Director</i> Garden House 1st Floor, Dadyseth 2nd Cross Lane, Chowpatty Band Stand Mumbai 400 007 Solicitor DIN: 00034121 Term: Retires by rotation	Indian	72	• Akso Nobel Coatings India Pvt. Limited • Amsar Pvt. Limited HGC Foundation Pvt. Limited • Chemtex Engineering of India Limited • Food & Inns Limited • Godfrey Phillips India Limited • Gujarat Ambuja Exports Limited • Indian Card Clothing Co. Limited • Indo Euro Investment Co. Limited • Multi Commodity Exchange of India Limited • Northpoint Centre of Learning Private Limited • Pioneer Invest Corp Limited • Sudal Industries Limited • Twenty First Century Printers Limited • Vadilal Industries Limited • Varun Shipping Company Limited
6.	Mr. E. B. Desai <i>Independent Director</i> 81, Sonarica 33A Peddar Road Mumbai 400 026 Solicitor DIN: 00023290 Term: Retires by rotation	Indian	77	• Century Textiles & Industries Limited • Hercules Hoists Limited • Panasonic Battery India Company Limited • ICICI Prudential Trust Limited • Kennametal India Limited • Supreme Industries Limited • Uni Abex Alloy Products Limited • Reliance Infratel Limited • Sandhur Manganese & Iron Ores Limited • Bekaert Industries Private Limited • Dolphin Fisheries & Trading Private Limited
7.	Mr. S. S. Kothari <i>Independent Director</i> 87-B, Gaurav Nagar Civil Lines	Indian	86	• Arihant Agencies Private Limited

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
	Jaipur 302 006 Retired Professional DIN: 00824094 Term: Retires by rotation			
8.	Mr. M. M. Bhagat <i>Independent Director</i> 13, Kabir Road Kolkata 700026 Retired Professional DIN: 00008245 Term: Retires by rotation	Indian	74	• Birla Insurance Advisory Services Limited • VCK Capital Market Services Limited • VCK Share & Stock Broking Services Limited • Zenith Exports Limited
9.	Mr. K. N. Bhandari <i>Independent Director</i> 5, New Power House Road Sector-7 Jodhpur 342 003 Retired Professional DIN: 00026078 Term: Retires by rotation	Indian	66	• Agriculture Insurance Company of India Limited • Andhra Cements Limited • Shristi Infrastructure Development Corporation Limited • Suraj Diamonds & Jewellery Limited • Saurashtra Cement Limited • The Bank of Rajasthan Limited • Credence Logistics Limited. • Shrishti Infrastructure Limited
10.	Mr. N. J. Jhaveri <i>Independent Director</i> C-42, Sampat Residency Opp. Pariwar Society Near Maharaja Farm Off Premchand Nagar Road Bodakdev Ahmedabad 380015 Economist DIN: 00198912 Term: Retires by rotation	Indian	72	• Afcons Infrastructure Limited • Edelweiss Capital Limited • Edelweiss Securities Limited • Gujarat State Petronet Limited • Gujarat Venture Finance Limited • Juniper Hotels Private Limited • Phoenix ARC Private Limited • Pidilite Industries Limited • SFK India Limited • Siemens Information Systems Limited • Siemens Limited • Siemens Medical Diagnostics Limited • Ultra Tech Cement Limited • Usha Martin Limited • Voltas Limited

Brief Biography of Our Directors

Mr. Kumar Mangalam Birla holds a degree in Bachelor of Commerce from Mumbai University and is a Fellow Member of the Institute of Chartered Accountants of India. He also holds a Masters in Business Administration from the London Business School. Mr. Birla has served on our Board of Directors since 1992 and became our Chairman in 1995. Mr. Birla has held and continues to hold several key positions on various regulatory and professional boards, including The Prime Minister of India's Advisory Council on Trade and Industry, the National Council of the Confederation of Indian Industry and the Advisory Council for the Centre for Corporate Governance. Mr. Birla is an "Honorary Fellow" of the London Business School, a title conferred upon him by the governing board of the London Business School. The Banaras Hindu University awarded him the D. Litt (Honor's Causa) Degree, in 2004, in recognition of his contribution to Indian business.

Mrs. Rajashree Birla wife of (Late) Mr. A.V. Birla, former Chairman of the Aditya Birla Group, holds a degree in Bachelor of Arts from Calcutta University. Mrs. Birla was appointed to our Board of Directors in 1996. As Chairperson of the Aditya Birla Centre for Community Initiatives and Rural Development, the apex body responsible for development projects, Mrs. Birla oversees the Aditya Birla Group's social and welfare-driven work across 30 companies.

Mr. D. Bhattacharya holds a degree in chemical engineering from the Indian Institute of Technology. Prior to joining the Aditya Birla Group, Mr. Bhattacharya spent approximately 30 years working for Unilever during which time he held several key responsibilities and worked in several roles, for its Indian and overseas operations. He led the chemical business of Unilever in India before moving to the Aditya Birla Group. Mr. Bhattacharya joined the Aditya Birla Group in 1998 and held several key positions within the Aditya Birla Group before he became the Managing Director of the Company.

Mr. A. K. Agarwala holds a degree in Commerce and Law from Calcutta University and is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Agarwala joined us in 1960 and was appointed to our Board of Directors in 1998, as a Non-Executive Director. He is a Trustee of G.D. Birla Medical Research and Education Foundation, Vaibhav Medical and Education Foundation and Aditya Vikram Birla Memorial Trust and is also Chairman of Business Review Council of the Aditya Birla Group. Mr. Agarwala has held the post of President of Aluminum Association of India in the past and is a member of the International Primary Aluminum Institute.

Mr. C. M. Maniar holds degrees in Commerce and Law and a Master of Arts degree from Mumbai University. He is a solicitor by profession and is a partner of the Mumbai based firm of solicitors, M/s. Crawford Bayley & Co.

Mr. E. B. Desai holds a Bachelor of Arts and a Bachelor of Law degree from Mumbai University. He is a solicitor and a partner of the Mumbai based firm of Solicitors, Mulla & Mulla & Craigie Blunt & Caroe. He was appointed to our Board of Directors in 1984, as a Non-Executive Director.

Mr. S. S. Kothari holds a Bachelor of Science degree from Agra University. He was appointed to our Board of Directors as a Non-Executive Director in 1988 and was formerly the President of our Company.

Mr. M. M. Bhagat holds a Bachelor of Commerce degree from Calcutta University and has also attained ACII London and AIII Group Adviser-Insurance qualifications. Mr. Bhagat has also been the Chairman and Managing Director of United India Insurance Company Limited, Birla Insurance Advisory Services Limited, Zenith Exports Limited and VCK Share & Stock Broking Services (P) Limited

Mr. K. N. Bhandari holds a Bachelor of Arts and a Bachelor of Law degree from Jodhpur University. He was appointed to our Board of Directors in 2001. He is also a Nominee Director of the General Insurance

Corporation of India. He also held the post of Chairman and Managing Director of the New India Assurance Co. Limited

Mr. N. J. Jhaveri holds a Masters in Economics from Gujarat University and Masters in Science (Economics) from the London School of Economics. He has worked as an economist with the National Council of Applied Economic Research, Delhi. He has also worked as a Deputy Director of the Reserve Bank of India. Subsequently, he joined the ICICI Group where he initially worked as the head of Economic Research Group and went on to become a joint Managing Director of ICICI Bank and was the Founder Chairman of ICICI Securities and Finance Company Limited.

Compensation of Our Directors

The following tables set forth all compensation paid by us to our directors for the financial year ended March 31, 2008.

A. Non-Executive Directors

The Non-Executive Directors are paid remuneration by way of commission and sitting fees. The commission is paid at a rate not exceeding 1 % per annum of the net profits of the Company computed in accordance with section 309 of the Companies Act. The commission payable to the Non-Executive Directors is decided by the Board based on a number of factors, including number of Board and Committee meetings attended.

The Company also pays sitting fees of Rs. 5,000 per meeting to the Non-Executive Directors for attending the meetings of the Board, the Audit Committee, Investor Grievances Committee, Rights Issue Committee, ESOS Compensation Committee and Finance Committee.

The following table sets forth all compensation paid by the Company to the Non-Executive Directors for the financial year ended March 31, 2008.

Name of Director	Commission	Sitting Fees		Total
	Amount(Rs. in million)	Meetings Attended	Amount (Rs. in million)	Amount (Rs. in million)
Mr. Kumar Mangalam Birla	88.89	5	0.03	88.92
Mrs. Rajashree Birla	3.8	4	0.02	3.82
Mr. A.K. Agarwala	0.49	10	0.05	0.54
Mr. C. M. Maniar	1.19	16	0.08	1.27
Mr. E. B. Desai	1.17	15	0.08	1.25
Mr. S. S. Kothari	0.07	1	0.01	0.08
Mr. M. M. Bhagat	1.28	11	0.06	1.34
Mr. K. N. Bhandari	0.3	3	0.02	0.32
Mr. N. J. Jhaveri	1.25	9	0.05	1.30

B. Executive Directors

Mr. D. Bhattacharya, Managing Director (the “Managing Director”)

Terms of Appointment:

Mr. D. Bhattacharya was appointed as the Managing Director of the Company by a resolution of the shareholders dated July 31, 2004, with effect from October 2, 2003 for a period of five years. Subject to the approval of the shareholders, the Board of Directors may consider his reappointment upon such term and conditions, as it may deem fit.

Remuneration:

Mr. D. Bhattacharya receives a salary of Rs. 14.4 million per annum and supplementary salary of Rs. 7.2 million per annum, from July 1, 2007.

Perquisites:

Mr. D. Bhattacharya is entitled to certain perquisites including residential accommodation, car, leave travel allowance, medical allowance, contribution to provident fund, superannuation fund, gratuity, retiral linked allowance and special allowance.

Commission:

Mr. D. Bhattacharya is entitled to performance linked incentive in addition to salary, perquisites and allowances payable. For the financial year 2007-2008, Mr. D. Bhattacharya was paid a sum of Rs. 25,700,000 towards performance bonus linked to achievements of targets.

Shareholding of the Directors in the Company

Our Articles of Association require our Directors to hold Equity Shares and/or preference shares, in the capital of our Company of aggregate nominal value of Rs 2,500, which must be acquired within two months after his appointment or election to the post of directors. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Letter of Offer.

Name of Directors	Number of Equity Shares (As on August 30, 2008)*
Mr. Kumar Mangalam Birla	466,140
Mrs. Rajashree Birla	310,170
Mr. D. Bhattacharya	70,740
Mr. A.K. Agarwala	86,205
Mr. C. M. Maniar	39,565
Mr. E. B. Desai	223,128
Mr. S. S. Kothari	47,179
Mr. M. M. Bhagat	3,472
Mr. K. N. Bhandari	2,500
Mr. N. J. Jhaveri	2,500

* These numbers may change pursuant to the Issue.

Details of the transactions in Equity Shares by our Directors and their relatives during the last six months

None of our Directors or their relatives have undertaken any transactions in the Equity Shares of our Company during the last six months, except for the exercise of vested options under their respective ESOS entitlement.

Changes in our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Mr. N. J. Jhaveri	January 30, 2006	-	Appointment
Mr. K. N. Bhandari	January 30, 2006	-	Appointment

Borrowing Powers of our Board

Under the Articles of Association of the Company, subject to the provisions of sections 292 and 293 of the Act, the Board may, from time to time, at its discretion by a resolution passed at its meeting, borrow for and on behalf of the Company from time to time as they may consider fit any sum or sums of money in any manner, and without prejudice to the generality thereof, by way of loans, advances, credits, acceptance of deposits or otherwise in Indian Rupees or any other foreign currency from any bank or banks or any financial institutions, other person or persons, and whether by way of mortgage, charge, hypothecation, pledge or otherwise in any way whatsoever, on, over or in respect of all or any of the Company's assets and effects and properties including uncalled capital, stock in trade (including raw materials, stores, spares, and components in stock or in transit) notwithstanding that the monies so borrowed by the Company (apart from temporary loans and credits obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, i.e. reserves not set apart for any specific purpose, provided that, the total amount so borrowed by the Directors and outstanding at any time shall not exceed Rs. 100,000 million over and above the aggregate of the paid up capital of the Company and its free reserves.

Corporate Governance

There are five Board Level Committees in our Company, which have been constituted and function in accordance with the relevant provisions of the Act and the Listing Agreement. These are the (i) Audit Committee; (ii) Shareholders Grievances Committee; (iii) ESOS Compensation Committee; (iv) Rights Issue Committee; and (v) Finance Committee. We are in compliance with the corporate governance requirements under the listing agreement entered into by the Company with the Stock Exchanges.

Details of each Committee, its scope, composition and meetings for the current year is given below:

(i) *Audit Committee*

Members

- Mr. M.M. Bhagat (Chairman), Independent Director
- Mr. C.M. Maniar, Independent Director
- Mr. E.B. Desai, Independent Director
- Mr. N.J. Jhaveri, Independent Director

Mr. Anil Malik, Company Secretary, acted as Secretary of the Audit Committee in terms of Clause 49 of the Listing Agreement.

The Audit Committee was reconstituted by a meeting of the Board of Directors held on January 30, 2006 and has the power to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal and other professional advice and to secure attendance of outsiders with relevant expertise, if it considers necessary. The scope and function of the Audit Committee is in accordance with Section 292A of the Act and Clause 49 of the Listing Agreement and its terms of reference include the following:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and fixation of audit fees.
3. Approval of payments to statutory auditors 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, with particular reference to:
 - 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 Act;
 - 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 finding;
 - e) Compliance with listing and other legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions;
 - g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control system.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, reporting structure coverage and frequency of internal audits.
8. Discussion with internal auditors 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 if internal control systems of a material nature and reporting the matter to the board.
10. Discussion with the 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. To look into the reasons for the substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any further function as is mentioned in the terms of reference of the Audit Committee.

As per the revised clause 49 of the listing agreement, the Audit Committee shall review the following:

1. Management discussion and analysis of the financial conditions and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the chief internal auditor.

The Audit Committee met five times during the course of the last financial year, on May 4, 2007, July 31, 2007, September 13, 2007, October 31, 2007 and January 30, 2008.

(ii) Shareholders Grievances Committee

Members

- Mr. E.B. Desai (Chairman), Independent Director
- Mr. C.M. Maniar, Independent Director

The Shareholders Grievances Committee was constituted on January 23, 2001 looks into the redressal of grievances of investors such as non-receipt of share certificates, non-receipt of balance sheet, non-receipt of dividend warrants etc. During the financial year 2008, our Company received 76 complaints from shareholders. None of the complaints are pending. The Investors Grievances Committee met once during the course of the last financial year on October 30, 2007.

(iii) ESOS Compensation Committee

Members

- Mr. Kumar Mangalam Birla, Non-executive Chairman
- Mr. C. M. Maniar, Independent Director
- Mr. N. J. Jhaveri, Independent Director
- Mr. S. S. Kothari, Independent Director

The ESOS Compensation Committee of the Board was constituted on December 7, 2006 and is responsible for formulating the scheme, implementing, administering and supervising the Employees Stock Option Scheme - 2006 and to decide quantum of option, conditions, exercise period and procedure related to the options granted to the employees. The ESOS Compensation Committee met once during the course of the last financial year on August 23, 2007 and passed one circular resolution on January 25, 2008.

(iv) Rights Issue Committee

Members

- Mr. D. Bhattacharya, Managing Director
- Mr. A.K. Agarwala, Non-Executive Director
- Mr. E.B. Desai, Independent Director
- Mr. C.M. Maniar, Independent Director

The Rights Issue Committee of the Board was constituted on June 20, 2008 by the resolution of the Board of Directors on June 20, 2008. Under its terms of reference, the Rights Issue Committee is responsible:

1. to finalise the Letter of Offer, Composite Application Form, abridged Letter of Offer (if approved) and other documents and to file the same with the stock exchanges and other concerned authorities and issue the same to the equity shareholders of the Company;
2. to approve all notices, including any advertisement(s) required to be issued, as allowed by SEBI and such other applicable authorities and to decide on other terms and conditions of the Rights Issue;
3. to decide the price and premium of the Rights Issue.
4. to decide the date of the Record Date in consultation with the Stock Exchange;
5. to take necessary actions and steps for obtaining relevant approvals, consents from SEBI, Stock Exchanges, RBI and such other authorities as may be necessary in relation to the Rights Issue;
6. to obtain necessary approvals and listing for renounce forms and Equity Shares issued in Rights Issue from BSE and NSE;
7. to appoint the Collecting Bankers for the purpose of collection of application money for the proposed Rights Issue at the mandatory collection centers at the various locations in India;
8. to open two separate Bank Accounts with any nationalized Bank / Private Bank / Foreign Bank for the purpose of the Right Issue;
9. to decide on the marketing strategy of the Rights Issue and the costs involved;
10. to decide date of opening and closing of the Rights Issue and to extend, vary or alter the same as it may deem fit at its absolute discretion or as may be suggested or stipulated by SEBI, stock exchanges or other authorities from time to time;
11. to do all such necessary acts, things, execution of documents, undertaking for listing of shares on BSE, NSE and GDRs on Luxembourg Stock Exchange issued in Rights Issue;
12. to do all such necessary acts, things, execution of agreements, amendment in Depository Agreement etc. for acceptance of GDRs issued in Rights Issue by Custodian and Depository;
13. to issue and allot Equity Shares (including new certificates where required) in consultation with the Lead Managers, Registrar, and the designated stock exchange and other stock exchanges where

- existing shares are listed, if necessary, representing the Equity Shares issued as part of the Rights Issue with new distinctive numbers as laid down in the Companies (Issue of Share Certificates) Rules, 1960 and to do all necessary acts, things, execution of documents, undertaking etc. with NSDL/CDSL in connection with admitting of shares issued in Rights issue;
14. to incur necessary expenses such as fees of various agencies, filing fees, stamp duty etc;
 15. to enter the names of the allottees in the Register of Members of the Company;
 16. to decide the mode and manner of allotment of Equity Shares if any not subscribed and left/remaining after allotment of Equity Shares and additional Equity Shares applied by the shareholders and renounees;
 17. to apply to regulatory authorities seeking their approval for allotment of any unsubscribed portion of the Rights Issue (in favour of the parties willing to subscribe to the same);
 18. to settle any question, difficulty or doubt that may arise in connection with the Rights Issue including the issue and allotment of the Equity Shares as aforesaid and to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for settling such question, difficulty or doubt and making the said Rights Issue and allotment of Equity Shares;
 19. to file necessary returns, make declarations / announcements, furnish information etc, to the concerned authorities in connection with the Rights Issue;
 20. to sign and execute any other document, agreement, undertaking in connection with the Rights Issue;
 21. to take all such other steps as may be necessary in connection with this Rights Issue;
 22. to discuss, decide and finalize the terms of underwriting of the rights issue; and
 23. authorised to increase issue price upto 10%, considering market conditions and other relevant factors.

Further, the above Committee is also authorized to restructure the ratio of the Rights Issue in consultation with the Lead Managers and Legal Advisor, considering the market situation and other factor in the best interest of the Company subject to the ratification of the same by the Board in the next Board Meeting of the Company.

The Rights Issue Committee of the Board was constituted in the current financial year and has met once since its constitution.

(v) Finance Committee

Members

- Mr. D. Bhattacharya, Managing Director
- Mr A.K. Agarwala, Non-Executive Director
- Mr E.B. Desai, Independent Director
- Mr C.M. Maniar, Independent Director

The Finance Committee of the Board was constituted by the resolution of the Board of Directors on July 31, 2002. Under its terms of reference, the Finance Committee is authorised, empowered and deemed to have been authorised and empowered to exercise, subject to the provision of Section 292 of the Act, all powers and discharge all functions which the Board is authorised in respect of the matters relating to the Company, including in particular, the following:

1. to borrow monies and/or avail of financial facilities for the business of the Company by way of loans, advances, deposits, deferred payment credits, guarantees, letters of credit and/or any other nature of credit or financial facilities from:
 - i) any one or more of the public financial institutions, or from any other financial or investment institutions participating in one or more of the credit schemes of such

institutions or from any other financial or investment institutions or companies in India or overseas engaged in the business of providing loans, advances or other credit or financial facilities whatsoever;

ii) any one or more commercial bank(s);

iii) any one or more bodies corporate(s).

Provided that the aggregate amount of such facilities, availed of from all the aforesaid institutions, banks or entities during such period shall not exceed a sum of Rs. 30,000 million or the limit fixed by the Board from time to time in this behalf.

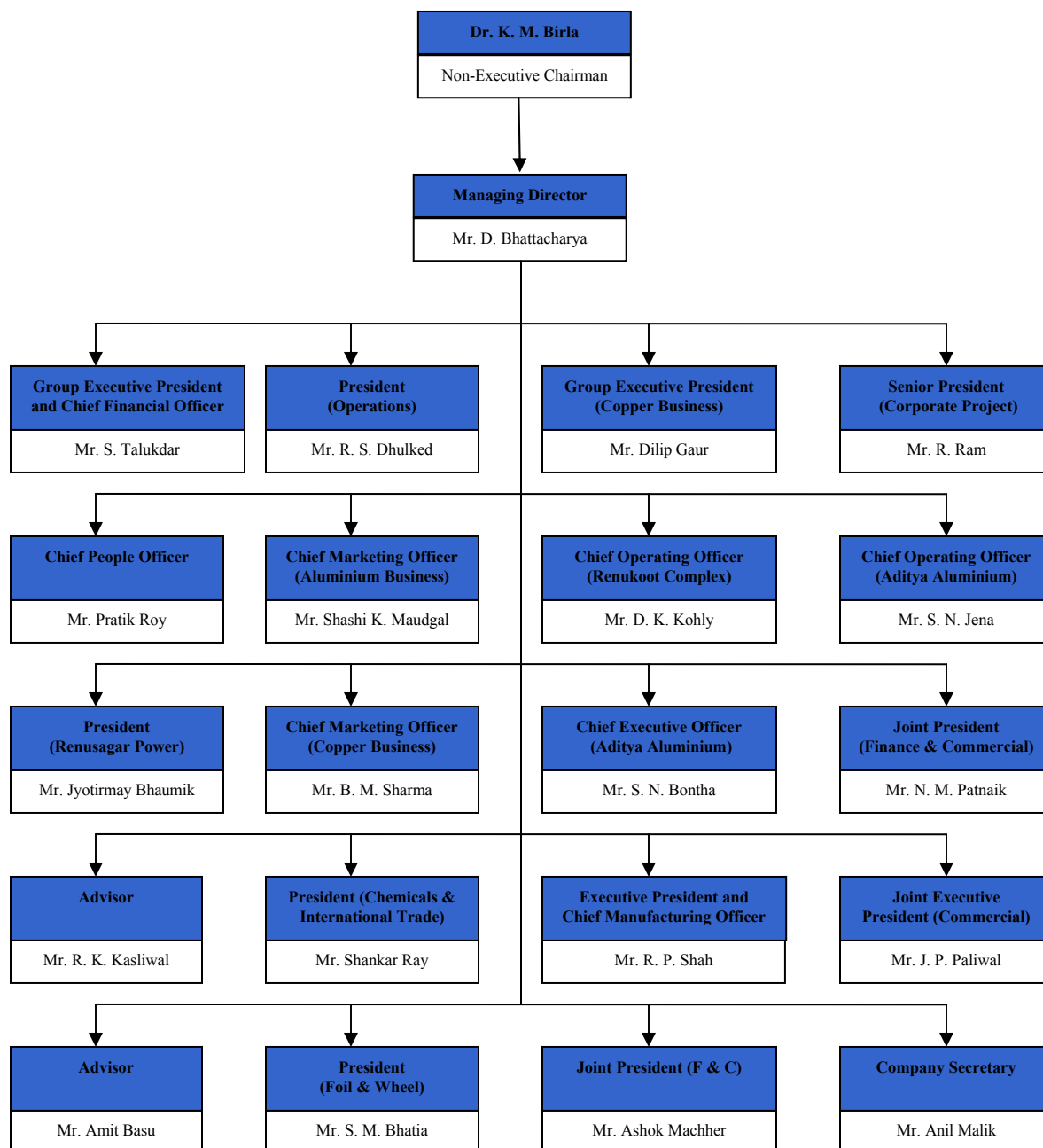
2. to borrow and/or avail working capital facilities from commercial banks as under:
 - i) cash credit facilities;
 - ii) bill discounting facilities;
 - iii) other similar working capital facilities or borrowings.
3. to avail non-fund based limits for;
 - i) deferred payment credit guarantees;
 - ii) other guarantees;
 - iii) letters of credit; and
 - iv) other non-fund based limits.

Provided that during the interval of two consecutive meetings of the Board of Directors of the Company the total facilities availed against each category shall not at any time exceed Rs. 5000 million.
4. to avail any other short term loans, advances, overdraft or note loan facility or any other facility from any bank, financial or investment institution, mutual fund or body corporate with or without security of Company's investments or by a negative lien on Company's investments or otherwise. Provided that during the interval of any two consecutive meetings of the Board of Directors of the Company, the total aggregate amount so borrowed from the banks, financial institutions or investment institutions or mutual funds or bodies corporate, etc. shall not exceed Rs.5000 million.
5. to authorise the officers of the Company to undertake and enter into all types of foreign currency contracts for hedging its underlying outstanding import and export exposures and other outstanding foreign currency liabilities of the Company, as may be permitted by the Reserve Bank of India and/or other authorities from time to time, with one or more of the consortium banks.
6. to authorise the officers of the Company to undertake and enter into foreign exchange transactions, including to transact derivative products including currency options, swaps to convert rupee liabilities into foreign currency liabilities to hedge currency and interest rate risks or fluctuations in respect of its export and import contracts, foreign currency and rupee liabilities and other foreign currency related matters as may be permitted by the Reserve Bank of India and/or other authorities, from time to time, with one or more of the consortium banks.
7. to authorise any person whether jointly or singly with any other person to open, operate, and or otherwise close any account with any one or more banks including to authorise such person as aforesaid to place, deposit, overdraw and or otherwise deal with the said account as also to draw or endorse and or deposit any cheques, bills of exchange, promissory notes and to give any direction, mandate or instructions to any such bank as may be authorised by the Finance Committee from time to time and to withdraw, cancel, revoke, modify or alter any such powers whether given by the committee or by the Board from time to time.
8. to authorise any person whether jointly or singly with any other person to open, operate, and or otherwise close any lockers/safe deposit vaults with any one or more banks from time to time and to withdraw, cancel, revoke, modify or alter any such powers whether given by the Finance Committee or by the Board from time to time.

-
9. to authorise execution of various deeds, documents, agreements, promissory notes or other papers including security documents as may be necessary for availing of any the above facilities whether present and/or contingent financial facilities and to authorise any of the officers of the Company for signing and executing the same and also to authorise for affixing common seal of the Company on any of the above documents in accordance with the provisions of the Articles of Association of the Company.
10. Other matters for authorising the officers of the Company from time to time as under :-
- a. to authorize the officers of the Company to sign and execute papers relating to excise, sales tax, income tax, customs, FEMA, Reserve Bank of India, Director General/Joint Director General of Foreign Trade, Central/State Governments, local bodies, railways, state electricity boards, telephones and telecommunications department, port trusts and/or any other applicable authorities and to attend the legal cases filed by and against the Company, insurance, revenue, land and mines matters and/or for any other purposes/work pertaining to the Company as the Finance Committee may deem fit and proper and also to revoke the same.
 - b. to approve execution of power of attorney in favour of the officers of the Company or authorized persons for various purposes as may be required from time to time.
 - c. to authorize the officers of the Company or authorized persons to sign and execute papers, deeds, documents, agreements relating to sale or purchase of land, buildings, plots, flats, tenements, apartments, etc. on behalf of the Company and also to revoke the same.
 - d. to authorise the officers of the Company to make, submit, sign and execute applications, deeds, documents, agreements, contracts and any other papers (including modifications thereto) in connection with all the aforesaid matters in so far as the same relate to the matters delegated to the Committee by the Board as aforesaid and also to authorise for affixing the common seal of the Company, if so required, on any of the aforesaid documents in accordance with the provisions of the Articles of Association of the Company; and
 - e. to give, withdraw, modify or alter any of the powers and/or authorities given to any person whether before or after this resolution and whether such powers and authorities have been given by the Board of Directors or by the Finance Committee, howsoever, including for affixing of the common seal of the Company as may be considered appropriate from time to time, in so far as it relates to the matters delegated to the Finance Committee by the Board;
 - f. to explore options and proposals for restructuring, consolidation of various businesses of the Company, merger, demerger and acquisition opportunities and for this purpose to authorize the officers of the Company and to appoint and seek advice from management consultants, financial consultants, valuers, tax experts, solicitors and legal experts and other agencies as it may deem fit and proper and to prepare the proposal(s) for presentation to the Board for any proposal which may emerge beneficial and be in the interest of the Company;
 - g. to perform such other acts, deeds, things and powers as may be delegated to the Finance Committee by the Board from time to time.
 - h. to authorise opening of depot according to the marketing plan and taking necessary registration under the sales tax, excise duty, shop and establishment and such other acts, as may be required.
 - i. to approve, by passing of resolution by circulation, in case so required, company secretary to act as secretary to the Finance Committee and ensure that minutes of the meeting(s) of the Finance Committee be placed in the next Board meeting of the Board for ratification.

Organizational Structure Chart

The organization structure of our Company is given below:



Shareholding of Key Managerial Personnel

Following are the details of the shareholding of our key managerial personnel in our Company:

S. No	Key Managerial Personnel	Number of Equity Shares held
1.	Mr. D. Bhattacharya	70,740
2.	Mr. S. Talukdar	28,135
3.	Mr. R. K. Kasliwal	57,865
4.	Mr. J. P. Paliwal	5,000
5.	Mr. R. P. Shah	286
6.	Mr. J. Bhaumik	10,000
7.	Mr. B. M. Sharma	500
8.	Mr. Ashok Machher	100
9.	Mr. N. M. Patnaik	700
10.	Mr. Pratik Roy	5,500
11.	Mr. R. S. Dhulked	5,000

Interest of Promoters and Directors and Key Managerial Personnel

Except as stated in “Related Party Transactions” on page 146 of this Letter of Offer, and to the extent of shareholding in our Company, our Promoters and promoter group do not have any other interest in our business.

The Non-Executive Directors of the Company may be deemed to be interested to the extent of fees, payable to them for attending meetings of the Board or a Committee. The Managing Director will be interested to the extent of remuneration paid to him for services rendered by him as an officer of the Company. All our directors may also be deemed to be interested to the extent of commission paid to them and Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Letter of Offer and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners and/or trustees. Additionally, Mr. E. B. Desai, being a partner of Mulla & Mulla & Craigie Blunt & Caroe, is also interested to the extent of benefits arising out of the charges payable by the Company to Mulla & Mulla & Craigie Blunt & Caroe for rendering legal services to the Company.

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in our Company, if any.

Loans availed by the Key Managerial Personnel from our Company are as follows:

Name	Loan Amount Outstanding as on July 31, 2008 (in Rs. million)	Nature of Loan
Mr. S. Talukdar	0.68	Housing Loan
Mr. R. K. Kasliwal	1.50	Housing Loan
Mr. R. P. Shah	0.15	House repairing
Mr. S. K. Maudgal	0.43	Housing Loan
Mr. B. M. Sharma	0.375	Marriage Loan
Mr. J. Bhaumik	0.275	House repairing
Mr. N. M. Patnaik	1.00	House building

Except as stated otherwise in this Letter of Offer, the Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Letter of Offer in which the Company's Directors are interested, directly or indirectly, and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them. Except as stated otherwise in this Letter of Offer, our Directors and our key managerial personnel have not taken any loan from our Company.

OUR SUBSIDIARIES

The Company's subsidiaries are as follows:

Indian subsidiaries

Our thirteen Indian subsidiaries are as set out below:

- 1) Bihar Caustic and Chemicals Limited;
- 2) Dahej Harbour and Infrastructure Limited;
- 3) East Coast Bauxite Mining Company Private Limited;
- 4) Hindalco - Almex Aerospace Limited;
- 5) Indal Exports Limited;
- 6) Lucknow Finance Company Limited;
- 7) Minerals and Minerals Limited;
- 8) Novelis (India) Infotech Limited*;
- 9) Renuka Investments & Finance Limited;
- 10) Renukeshwar Investments & Finance Limited;
- 11) Suvas Holdings Limited;
- 12) Tubed Coal Mines Limited; and
- 13) Utkal Alumina International Limited.

* being an indirect domestic subsidiary of the Company

Foreign subsidiaries

Direct subsidiaries

Our directly held foreign subsidiaries include:

- 1) Aditya Birla Minerals Limited;
- 2) AV Minerals (Netherlands) B.V.; and
- 3) Birla Resources Pty Limited

Indirect subsidiaries

Our indirectly held foreign subsidiaries include:

- 1) AV Aluminum Inc.;
- 2) AV Metals Inc.;
- 3) Birla Maroochydore Pty Ltd;
- 4) Birla Mt Gordon Pty Ltd;
- 5) Birla Nifty Pty Limited;
- 6) Novelis Inc.
- 7) Novelis Corporation;*;
- 8) Novelis Deutschland GmbH;*;
- 9) Novelis do Brasil Ltda.*; and
- 10) Novelis Korea Limited.*

*Only those subsidiaries of Novelis Inc. that contribute 5% or more to the turnover of Novelis Inc. have been included in the list

Indian subsidiaries

Unless otherwise stated, none of the companies mentioned below have made any public or rights issue in the last three years and there has been no change in the capital structure in the last six months. None of the companies mentioned below are sick companies under the meaning of SICA or are winding up.

Direct subsidiaries

1. Bihar Caustic & Chemicals Limited

Bihar Caustic & Chemicals Limited was incorporated under the Act on July 20, 1976. BCCL is in the business of manufacturing caustic soda, which is its main product and also manufactures other products like liquid chlorine, hydrochloric acid, sodium hypo chlorite, compressed hydrogen, aluminium chloride and stable bleaching powder.

The equity shares of BCCL were first listed on Bombay Stock Exchange Limited, Calcutta Stock Exchange Association Limited and Delhi Stock Exchange Association Limited in 1983 and also listed on National Stock Exchange of India Limited in December, 2005. The equity shares of BCCL were voluntarily delisted from Delhi Stock Exchange Association Limited and Calcutta Stock Exchange Association Limited on October 13, 2004 and March 30, 2005 respectively.

Registered office

The registered office of BCCL is located at:

Ghanshyam Kunj
Garhwa Road
P.O. Rehla
District Palamau - 822 124
Jharkhand

Board of Directors

The board of directors of BCCL consists of the following:

1. Mr. A.K. Agarwala;
2. Mr. Subrajit Bhowmick;
3. Mr. K. K. Maheshwari;
4. Mr. B. Choudhuri;
5. Mr. S.S. Gupta;
6. Mr. P.P.Sharma; and
7. Mr. J.C. Chopra.

Shareholding Pattern

The shareholding pattern of BCCL as on June 30, 2008 is as follows:

S. No.	Category of Shareholder	Total number of equity shares	% of equity shares
A	Shareholding of Promoter and Promoter Group		
	Indian	13,169,987	56.31
	Foreign	-	-
	Total Shareholding of Promoter and Promoter Group	13,169,987	56.31

S. No.	Category of Shareholder	Total number of equity shares	% of equity shares
B	Public shareholding		
	Institutions	2,237,960	9.57
	Non-institutions	7,978,553	34.12
	Total Public Shareholding	10,216,513	43.69
C	Shares held by Custodians and against which Depository Receipts have been issued	-	-
	GRANDTOTAL	23,386,500	100.00

Financial performance

The summary audited financial statements of BCCL for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	1,183.22	1,492.28	1,820.87
Profit After Tax	261.45	337.56	492.68
Equity capital (par value Rs. 10 per share)	233.86	233.87	233.87
Reserves	875.57	1,244.13	1,740.34
Basic Earnings per share	11.18	14.43	21.07
Book value per Share (of Rs. 10 each)	46.42	62.49	83.72

Share Quotation

The equity shares of BCCL are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The monthly high and low of the market price of the equity shares of BCCL having a face value of Rs. 10 each on Bombay Stock Exchange Limited for the last six months is as follows:

Month	High (Rs.)	Low (Rs.)
March, 2008	72.00	55.10
April, 2008	93.90	64.80
May, 2008	76.95	69.00
June, 2008	73.00	60.50
July, 2008	72.95	56.05
August, 2008	78.90	65.25

Source: www.bseindia.com

The monthly high and low of the market price of the equity shares of BCCL having a face value of Rs. 10 each on National Stock Exchange of India Limited for the last six months is as follows:

Month	High (Rs.)	Low (Rs.)
March, 2008	71.25	56.00
April, 2008	92.50	60.30
May, 2008	85.00	70.00
June, 2008	74.50	60.60

Month	High (Rs.)	Low (Rs.)
July, 2008	72.00	56.00
August, 2008	78.75	66.05

Source: www.nseindia.com

The market capitalisation of BCCL based on the closing price of Rs.69.90 per equity share on the Bombay Stock Exchange Limited as on August 29, 2008 was Rs. 1,634.7 million.

The market capitalisation of BCCL based on the closing price of Rs.69.50 per equity share on the National Stock Exchange of India Limited as on August 29, 2008 was Rs. 1,625.4 million.

Mechanism for redressal of investor grievance

For redressal of investor grievances, BCCL has nominated the company secretary of BCCL as the compliance officer. The compliance officer has been made responsible for attending to investor queries/complaints etc. Detailed status of investor complaints and complaints from various regulatory authorities received during a quarter and the action taken thereon, is presented before the shareholders' grievance committee of BCCL on a quarterly basis for their review, comments and suggestions. Generally, investors' queries are attended in two days and the complaints are resolved within a week's time because the detailed records are available at the Registrar's office which is situated far from BCCL's registered office.

Investor grievances are usually resolved within an average period of seven days from the date of its receipt.

During the quarter ended June 30, 2008, BCCL had no outstanding complaints from the shareholders regarding change of address, non receipt of dividend warrants, non-receipts of balance sheet, etc.

2. Dahej Harbour and Infrastructure Limited

Dahej Harbour and Infrastructure Limited ("DHIL") was incorporated under the Act on November 30, 1998. DHIL was a subsidiary of Indo Gulf Corporation Ltd ("IGCL") and became a subsidiary of Hindalco after the company's amalgamation with IGCL. DHIL provides cargo handling services to the industry and for the copper division of the Company.

Registered office

The registered office of DHIL is located at:

P.O. Lakhigam
Dahej
District Bharuch 392 130
Gujarat

Board of Directors

The board of directors of DHIL consists of the following:

1. Mr. D. Bhattacharya;
2. Mr. R.K. Kasliwal; and
3. Mr. Dilip Gaur.

Shareholding Pattern as on August 31, 2008

DHIL is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of DHIL for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	560.16	626.71	668.57
Profit After Tax	331.03	375.32	428.34
Equity capital (par value Rs. 10 per share)	500.00	500.00	500.00
Reserves	952.39	1,327.56	1,755.90
Basic Earnings per share	6.62	7.51	8.57
Book value per Share (of Rs. 10 each)	29.05	36.55	45.12

3. East Coast Bauxite Mining Company Private Limited

East Coast Bauxite Mining Company Private Limited (“East Coast”) was set up as collaboration between Hindalco Industries Limited and Orissa Mining Corporation Limited, Bhubaneswar and was incorporated on October 31, 2007. East Coast has been incorporated to carry out the business of raising, excavating and mining of bauxite ore.

Registered office

The registered office of East Coast is located at:

J-6, Jaydev Vihar
Bhubaneswar 751013
Orissa

Board of Directors

The board of directors of East Coast consists of the following:

1. Mr. Santosh Kumar Sarangi;
2. Mr. Nrusingha Charan Sahoo;
3. Mr. Suryanarayana Bontha;
4. Mr. Amit Kumar Basu; and
5. Mr. Hatee Ram Pattanayak.

Shareholding Pattern

The shareholding pattern of East Coast as on July 31, 2008 is as follows:

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
1.	Hindalco Industries Limited	7,400	74 %
2.	Orissa Mining Corporation Limited	2,600	26 %

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
	Total	10,000	100%

Financial performance

The summary audited financial statement of East Coast for last year is as follows:

(in Rs. million except per share data)

	Financial Year 2008
Total Income	nil
Profit After Tax	(0.03)
Equity capital (par value Rs. 10 per share)	0.10
Reserves	(0.03)
Basic Earnings per share	(2.73)
Book value per Share (of Rs. 10 each)	0.1992

4. Hindalco - Almex Aerospace Limited

Hindalco-Almex Aerospace Limited ("HAAL") was incorporated under the Act on January 2, 2007. HAAL is a joint venture company between the Company and Almex USA, Inc. HAAL is in the business of manufacture of high strength aluminium alloys for aerospace, automotive, sporting goods and other industries in India; sales and distribution of the products manufactured in India and overseas; and to undertake research and development activities with respect to high strength aluminium alloys.

Registered office:

The registered office of HAAL is located at:

Century Bhavan, 3rd Floor
Dr. Annie Besant Road
Worli
Mumbai - 400 030
Maharashtra

Board of Directors

The board of directors of HAAL consists of the following:

1. Mr. D. Bhattacharya;
2. Mr. Ajit Ranade;
3. Mr. S. Maudgal;
4. Mr. S. Talukdar;
5. Mr. R. Tilak; and
6. Mr. A. Subramaniam.

Shareholding Pattern

The shareholding pattern of HAAL as on August 31, 2008 is as follows:

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
1.	Hindalco Industries Limited	20,999,940	70 %
2.	Almex Inc., USA	9,00,000	30 %
3.	Others	60	-

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
	Total	30,000,000	100%

Financial performance

The summary audited financial statements of HAAL for the last two financial years is as follows:

(in Rs. million except per share data)

	Financial Year 2007	Financial Year 2008
Total Income	nil	nil
Profit After Tax	nil	nil
Equity capital (par value Rs. 10 per share)	30.00	300.00
Reserves	nil	nil
Basic Earnings per share	nil	nil
Book value per Share (of Rs. 10 each)	9.96	10.00

5. Indal Exports Limited

Indal Exports Limited was incorporated on June 21, 1989 under the Act. The main activity of Indal Exports Limited is trading in aluminium and related products. However, since the last six years the main source of income for the company has been from investments.

Registered office:

The registered office of Indal Exports Limited is located at:

1, Prafulla Chandra Sen Sarani
Kolkata – 700 071
West Bengal

Board of Directors

The board of directors of Indal Exports Limited consists of the following:

1. Mr. A K Basu;
2. Mr. I. Pathak; and
3. Mr. A Sen.

Shareholding Pattern

Indal Exports Limited is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of Indal Exports Limited for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	0.091	0.114,	0.13
Profit After Tax	(0.028)	(0.010)	(0.043)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Equity capital (par value Rs. 10 per share)	1.4	1.4	1.4
Reserves	3.706	3.696	3.653
Basic Earnings per share	(0.20)	(0.07)	(0.31)
Book value per Share (of Rs. 10 each)	36.47	36.40	36.09

6. Lucknow Finance Company Limited

Lucknow Finance Company Limited was incorporated under the Act on May 31, 1989. Lucknow Finance Company Limited is registered with the RBI as a non-banking financial company.

Registered office:

The registered office of Lucknow Finance Company Limited is located at:

P.O. Renukoot
District Sonabhadra 231217
Uttar Pradesh

Board of Directors

The board of directors of Lucknow Finance Company Limited consists of the following:

1. Mr. R.K. Kasliwal;
2. Mr. D.C. Kabra;
3. Mr. Rahul Mohnot; and
4. Mr. P. Balakrishnan.

Shareholding Pattern

Lucknow Finance Company Limited is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of Lucknow Finance Company Limited for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	19.24	13.14	16.85
Profit After Tax	8.23	7.73	10.95
Equity capital (par value Rs. 10 per share)	120.03	120.03	120.03
Reserves	36.98	44.71	55.66
Basic Earnings per share	0.69	0.64	0.91
Book value per Share (of Rs. 10 each)	13.08	13.72	14.63

7. Minerals and Minerals Limited

Minerals and Minerals Limited was incorporated under the Indian Companies Act on May 2, 1953. The Minerals and Minerals Limited changed its registered office from West Bengal to Bihar on

October 3, 1970, and its present registered office. The Minerals and Minerals Limited is engaged in raising bauxite from the mines which is supplied to the Company.

Registered Office

The registered office of Minerals and Minerals Limited is located at:

Hindalco Complex
Court Road
Lohardaga - 835302
Jharkhand

Board of Directors

The board of directors of Minerals and Minerals Limited consist of the following:

1. Mr. D Bhattacharya;
2. Mr. R. K. Kasliwal;
3. Mr. R Mohnot;
4. Mr. I. J. Joshi; and
5. Mr. Dinesh Kohly.

Shareholding pattern

Minerals and Minerals Limited is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of Minerals and Minerals Limited for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	62.73	13.75	2.77
Profit After Tax	0.34	0.66	0.05
Equity capital (par value Rs. 10 per share)	0.50	0.50	0.50
Reserves	10.26	10.91	10.96
Basic Earnings per share	6.70	13.13	1.02
Book value per Share (of Rs. 10 each)	215.12	228.24	229.26

8. Novelis (India) Infotech Limited

Novelis (India) Infotech Limited was incorporated under the Act on February 8, 2008. Novelis (India) Infotech Limited is a subsidiary of Novelis Inc. Novelis (India) Infotech Limited is in the business of information technology and houses various professionals for providing information technology services to Novelis Inc. and its other subsidiaries.

Registered Office

The registered office of Novelis (India) Infotech Limited is located at:

Century Bhavan - 3rd Floor
Dr. Annie Besant Road
Worli
Mumbai - 400 030
Maharashtra

Board of Directors

1. Mr. S. Talukdar;
2. Mr. Sanjeev Goel; and
3. Mr. A. Malik.

Shareholding Pattern

Novelis (India) Infotech Limited is a wholly owned subsidiary of Novelis Inc.

Financial performance

The summary audited financial statements of Novelis (India) Infotech Limited for the last financial period is as follows:

(in Rs. million except per share data)

	Period from February 2008 to March 31, 2008
Total Income	0.50
Profit after tax	(0.44)
Equity capital (par value Rs. 10 per share)	100.00
Reserves	(0.44)
Basic Earnings per share	(0.09)
Book value per Share (of Rs. 10 each)	9.96

9. Renuka Investments & Finance Limited

Renuka Investments & Finance Limited ("RIFL") was incorporated under the Act on October 24, 1994 as a private limited company. RIFL became a deemed public company on January 24, 1995. RIFL has investments in property at Ahura and in shares of Nalco and BCCL. It is not involved in any other business or operation and is registered with the RBI as a non-banking financial company.

Registered Office:

The registered office of RIFL is located as:

P.O. Renukoot
District Sonbhadra 231217
Uttar Pradesh

Board of Directors

The board of directors of RIFL consists of the following:

1. Mr. D.C. Kabra;
2. Mr. R.K. Kasliwal; and
3. Mr. Rahul Mohnot.

Shareholding Pattern

RIFL is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of RIFL for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	24.15	43.68	45.72
Profit After Tax	27.18	39.48	36.04
Equity capital (par value Rs. 10 per share)	92.50	92.50	92.50
Reserves	213.79	253.27	289.31
Basic Earnings per share	2.94	4.27	3.90
Book value per Share (of Rs. 10 each)	33.11	37.38	41.28

10. Renukeshwar Investments & Finance Limited

Renukeshwar Investments & Finance Limited is a non-banking finance institution incorporated under the Act on October 24, 1994 as a private limited company.

Registered Office

The registered office of Renukeshwar Investments & Finance Limited is located at:

P.O. Renukoot
District Sonbhadra - 231 217
Uttar Pradesh

Board of Directors

The board of directors of Renukeshwar Investments & Finance Limited consists of the following:

1. Mr. R.K. Kasliwal;
2. Mr. Anil Malik;
3. Mr. D.C. Kabra;
4. Mr. Rahul Mohnot; and
5. Mr. K.K. Patodia.

Shareholding Pattern

Renukeshwar Investments & Finance Limited is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of Renukeshwar Investments & Finance Limited for the last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	13.38	27.39	26.49
Profit After Tax	18.38	26.58	24.79
Equity capital (par value Rs. 10 per share)	47.95	47.95	47.95
Reserves	166.58	193.16	217.96
Basic Earnings per share	3.83	5.54	5.17
Book value per Share (of Rs. 10 each)	44.74	50.28	55.46

11. Suvas Holdings Limited

Suvas Holdings Limited was incorporated on September 20, 2000 as a private limited company under the Act. Suvas Holdings Limited changed its status to a public limited company with effect from June 1, 2004. Suvas Holdings Limited is a collaboration between the Company and Laxmi Organics Industries Limited with the main objective of setting up a power generation plant.

Registered Office

The registered office of Suvas Holdings Limited is located at:

Chandramukhi Basement
Nariman Point
Mumbai – 400 021
Maharashtra

Board of Directors

The board of directors of the Suvas Holdings Limited consists of the following:

1. Mr. Anil Mathew;
2. Mr. Ravi Goenka;
3. Mr. Rajiv Goenka;
4. Mr. Anil Malik; and
5. Mr. A.R. Das.

Shareholding Pattern

The shareholding pattern of Suvas Holdings Limited is as follows:

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
1.	Hindalco Industries Limited	1,88,700	51 %
2.	Laxmi Organics Industries Limited	1,81,300	49 %
	Total	3,70,000	100 %

Financial performance

The summary audited financial statements of Suvas Holdings Limited for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	nil	nil	nil
Profit After Tax	nil	nil	nil
Equity capital (par value Rs. 10 per share)	3.7	3.7	3.7
Reserves	nil	nil	nil
Basic Earnings per share	nil	nil	nil
Book value per Share (of Rs. 10 each)	9.97	9.97	9.97

12. Tubed Coal Mines Limited

Tubed Coal Mines Limited was incorporated under the Act on September 25, 2007. Tubed Coal Mines Limited was set up as collaboration between the Company and Tata Power Company Limited. Tubes Coal Mines Limited is in the business of extracting coal from mines for captive consumption.

Registered Office

The registered office of Tubed Coal Mines Limited is located at:

Century Bhavan - 3rd Floor
Dr. Annie Besant Road
Worli
Mumbai - 400 030
Maharashtra

Board of Directors

The board of directors of Tubed Coal Mines Limited consists of the following:

1. Mr. R.K. Kasliwal;
2. Mr. Sanjay Dube;
3. Mr. M. R. Prasanna; and
4. Mr. R. Ram.

Shareholding Pattern

The shareholding pattern of Tubed Coal Mines Limited as on August 31, 2008 is as follows:

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
1.	Hindalco Industries Limited	1,169,970	60 %
2.	Tata Power Company Limited	779,980	40 %
3.	Others	50	-
	Total	19,50,000	100 %

Financial performance

The summary audited financial statements of Tubed Coal Mines Limited for the last year are as follows:

(in Rs. million except per share data)

	Financial Year 2008
Total Income	nil
Profit After Tax	nil
Equity capital (par value Rs. 10 per share)	19.5
Reserves	nil
Basic Earnings per share	nil
Book value per Share (of Rs. 10 each)	9.75

13. Utkal Alumina International Limited

Utkal Alumina International Limited (“Utkal”) was incorporated on September 29, 1993 under the Act as a private limited company. Utkal became a deemed public company under section 43A of the Act and subsequently pursuant to shareholders resolution dated July 11, 2005 a fresh certificate of incorporation was issued on August 22, 2005. Utkal was set up as collaboration between the Company and Alcan Inc., however, in October, 2007, the Company acquired Alcan Inc.’s stake in Utkal. Utkal has been established with the purpose of setting-up an alumina plant in the state of Orissa.

Registered Office

The registered office of Utkal Alumina International Limited is located at:

J-6, Jaydev Vihar
Bhubaneshwar – 751 013
Orissa

Board of Directors

The board of directors of Utkal Alumina International Limited consists of the following:

1. Mr. D. Bhattacharya;
2. Mr. M.R. Prasanna; and
3. Mr. H.R Pattanayak.

Shareholding Pattern

Utkal Alumina International Limited is a wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of Utkal Alumina International Limited for last three years are as follows:

(in Rs. million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	nil	nil	nil
Profit After Tax	nil	nil	nil
Equity capital (par value Rs. 10 per share)	1,745.88	1,745.88	5,532.42
Reserves	nil	nil	nil
Basic Earnings per share	nil	nil	nil
Book value per Share (of Rs. 10 each)	10.00	10.00	10.00

Foreign subsidiaries

Unless otherwise stated, none of the companies mentioned below have made any public or rights issue in the last three years and there has been no change in the capital structure in the last six months. Further, unless otherwise stated, none of the companies mentioned below are under liquidation or winding up.

Direct subsidiaries

1. Aditya Birla Minerals Limited

Aditya Birla Minerals Limited (“ABML”), the Company's copper mining subsidiary in Australia, previous called Birla Mineral Resources Pty. Ltd (“BMRL”) was incorporated on January 28, 2003 under the laws of Australia.

BMRL forayed into Australia by acquiring Straits (Nifty) Pty Ltd, which owned the Nifty Copper mines in Australia. An agreement was entered with Straits Resources Ltd, a listed entity which owned 100% of Straits (Nifty) Pty Ltd to form BMRL. Birla Maroochydore Pty. Ltd., Birla Nifty Pty Ltd. and Birla Mt Gordon Pty. Ltd. are subsidiaries of ABML.

On May 12, 2006 ABML completed an issue of 153.6 million new shares at the rate of Australian Dollar (“AUD”) 1.95 per share to raise a total of AUD 300 million. ABML is listed in Australian Stock Exchange (“ASX”).

Registered Office

The registered office of ABML is located at:

Level 3 Septimus Roe Square
256 Adelaide Terrace
Perth
Western Australia 6000
Australia

Board of Directors

1. Mr. D Bhattacharya;
2. Mr. M. R. Prasanna;
3. Mr. Maurice Anghie;
4. Mr. Suresh Bhargava;
5. Mr. Narayan Krishnan; and
6. Mr. Sunil Kumar Kulwal.

Shareholding Pattern

The shareholding pattern of ABML as on June 30, 2008 is as follows:

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
1.	Hindalco Industries Ltd.	159,820,001	51%
2.	Public Shareholding	153,552,550	49%
	Total	313,372,551	100%

Financial performance

The summary audited financial statements of ABML prepared under IFRS for last three years are as follows:

(in AUD million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income (includes other income)	195.123	338.467	670.824
Profit After Tax	(17.149)	(0.739)	104.965
Equity capital*	159.820	450.663	450.663
Reserves	(80.584)	(43.472)	67.920
Basic Earnings per share (cent per share)	(10.89)	(0.25)	33.5
Book value per Share (in AUD per share)	0.50	1.30	1.65

* Effective from 1 July 1998, the Corporation legislation in place abolished the concept of authorized capital and par value shares. Hence, ABML does not have authorized capital or par value in respect of its issued shares.

Share Quotation

The equity shares of ABML are listed on ASX. The monthly high and low of the market price of the equity shares of ABML listed on ASX for the last six months is as follows:

Month	High (AUD)	Low (AUD)
March 2008	2.40	1.75
April 2008	2.97	1.89
May 2008	3.00	2.43
June 2008	2.86	2.14
July 2008	2.34	1.44
August 2008	1.74	1.41

Source: www.tradingrooms.com

The market capitalisation of ABML based on the closing price of AUD 2.19 per equity share on the ASX as on August 31, 2008 was AUD 512.36 million.

Promise versus performance

ABML undertook public issue of its shares to raise AUD 299 million primarily to repay existing external debt, to repay the existing debt from the Company and other related entities and to finance further exploration activities. ABML utilized the said proceeds in accordance with the aforementioned objects.

Mechanism for redressal of investor grievance

ABML has a policy of continuous disclosure and shareholder communication. Under this policy the authorised spokespersons for ABML are the Chairman, the Managing Director and Chief Executive Office, the Chief Financial Officer and other persons authorized by the Chairman from time to time. The Company Secretary is also kept advised of all discussions with investors. All investor grievances are initially communicated through the Company Secretary who then settles the grievance or redirects them to the appropriate person. All investor grievances are dealt with as a matter of priority and to date there have been no formal investor grievances since the listing of the ABML on the ASX.

Since listing on the ASX, ABML has not received any formal investor grievances. It aims to resolve any grievances if and when they occur within 24 hours or receipt.

During the quarter ended June 30, 2008, ABML had no outstanding complaints from the shareholders regarding change of address, non receipt of dividend warrants, non-receipts of balance sheet, etc.

2. AV Minerals (Netherlands) BV

AV Minerals (Netherlands) BV was incorporated on April 18, 2007 under the laws of the Netherlands. AV Minerals (Netherlands) BV is a wholly owned subsidiary of the Company. A V Minerals (Netherlands) BV was formed as a holding company for the direct investment in its wholly owned subsidiary, A. V. Metals Inc.

AV Minerals (Netherlands) BV was formed as a special purpose vehicle for acquisition of Novelis Inc.

Registered office

The registered office of AV Minerals (Netherlands) BV is located at:

ANT Trust & Corporate Services B.V.
Frederik Roeskestraat 123
NL-1076 EE Amsterdam

Board of Directors

The board of directors of AV Minerals (Netherlands) BV consists of the following:

1. Mr. Doraiswami Muthukumaran; and
2. Mr. Peter Jan Stegeman.

Shareholding Pattern

AV Minerals (Netherlands) BV is a wholly owned subsidiary of the Company.

Financial performance

AV Minerals (Netherlands) BV is not required to prepare audited standalone financial statements under the laws applicable to it and the financial results of AV Minerals (Netherlands) BV are consolidated into the audited consolidated financial statements of the Company. For further details please see section titled “Financial Statements” on page 147 of this Letter of Offer.

3. Birla Resources Pty Ltd

Birla Resources Pty Ltd was incorporated on December 22, 2000 under the laws of Australia. Hindalco forayed into Australia by acquiring Straits (Nifty) Pty Ltd, which owned the Nifty copper mines in Australia. Birla Resources Pty Ltd provides advisory services to ABML.

Registered office

The registered office of Birla Resources Pty Ltd is located at:

Level 3 Septimus Roe Square
256 Adelaide Terrace
Perth
Western Australia 6000

Australia

Board of Directors

The board of directors of Birla Resources Pty Ltd consists of the following:

1. Mr. D. Bhattacharya;
2. Mr. M. R. Prasanna; and
3. Mr. Sunil Kumar Kulwal.

Shareholding pattern

Birla Resources Pty Ltd is wholly owned subsidiary of the Company.

Financial performance

The summary audited financial statements of Birla Resources Pty Ltd prepared under IFRS, for last three years are as follows:

(in AUD thousand except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	113.333	85.313	52.363
Profit After Tax	(4.400)	0.528	1.731
Equity capital*	650.000	650.000	650.000
Reserves	(2.380)	(1.851)	(0.120)
Basic Earnings per share (cents per share)	(0.0068)	0.0008	0.0027
Book value per Share (of AUD each)	-	-	-

* Effective from 1 July 1998, the Corporation legislation in place abolished the concept of authorized capital and par value shares. Hence, Birla Resources Pty Ltd does not have authorized capital or par value in respect of its issued shares.

Indirect subsidiaries

1. AV Aluminum Inc.

AV Aluminum Inc. was incorporated on January 16, 2007 under the laws of Canada. AV Aluminum Inc. was formed as a special purpose vehicle for acquisition of Novelis Inc. AV Aluminum Inc. is a subsidiary of AV Metals Inc. AV Aluminum Inc. was formed as a holding company for the direct investment in its wholly owned operating subsidiary, Novelis Inc. and subsidiaries of Novelis Inc.

Registered office

The registered office of AV Aluminum Inc. is located at:

79 Wellington Street West
 Suit 3000
 Toronto
 Ontario M5K 1N2
 Canada

Board of Directors

The board of directors of AV Aluminum Inc. consists of the following:

1. Mr. S. Talukdar;
2. Mr. M. R. Prasanna; and
3. Mr. Jugal Kishore Dhoot.

Shareholding Pattern

AV Aluminum Inc. is a wholly owned subsidiary of AV Metals Inc.

Financial performance

AV Aluminum Inc. is not required to prepare audited standalone financial statements under the laws applicable to it and the financial results of AV Aluminum Inc. are consolidated into the audited consolidated financial statements of the Company. For further details please see section titled “Financial Statements” on page 147 of this Letter of Offer.

2. AV Metals Inc.

AV Metals Inc. was incorporated on February 1, 2007 under the laws of Canada. AV Metals Inc. is wholly-owned subsidiary of A. V. Minerals (Netherlands) B.V. AV Metals Inc. was formed as a special purpose vehicle.

Registered office

The registered office of AV Metals Inc. is located at:

79 Wellington Street West
Suit 3000
Toronto
Ontario M5K 1N2
Canada

Board of Directors

The board of directors of AV Metals Inc. consists of the following:

1. Mr. S. Talukdar;
2. Mr. M. R. Prasanna; and
3. Mr. Jugal Kishore Dhoot.

Shareholding Pattern

AV Metals Inc. is a wholly owned subsidiary of A.V. Minerals (Netherlands) B.V.

Financial performance

AV Metals Inc. is not required to prepare audited standalone financial statements under the laws applicable to it and the financial results of AV Metals Inc. are consolidated into the audited consolidated financial statements of the Company. For further details please see section titled “Financial Statements” on page 147 of this Letter of Offer.

3. Birla Maroochydore Pty Ltd

Birla Maroochydore Pty Ltd was incorporated on February 24, 2003 under the laws of Australia. Birla Maroochydore Pty Ltd is in the business of copper production and exploration. Birla Maroochydore Pty Ltd is a subsidiary of ABML.

Registered office

The registered office of Birla Maroochydore Pty Ltd is located at:

Level 3 Septimus Roe Square
256 Adelaide Terrace
Perth
Western Australia 6000
Australia

Board of Directors

The board of directors of Birla Maroochydore Pty Ltd consists of the following:

1. Mr. D. Bhattacharya;
2. Mr. M. R. Prasanna; and
3. Mr. Sunil Kumar Kulwal.

Shareholding Pattern

Birla Maroochydore Pty Ltd is a wholly owned subsidiary of ABML.

Financial performance

The summary audited financial statements of Birla Maroochydore Pty Ltd prepared under IFRS, for last three years are as follows:

(in AUD million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	nil	nil	nil
Profit After Tax	(0.071)	(0.098)	(0.254)
Equity capital*	10.000	10.000	10.000
Reserves	(3.462)	(3.602)	(3.964)
Basic Earnings per share (cents per share)	(0.0071)	(0.0098)	(2.54)
Book value per Share (AUD per share)	0.65	0.64	0.60

* Effective from 1 July 1998, the Corporation legislation in place abolished the concept of authorized capital and par value shares. Hence, Birla Maroochydore Pty Ltd does not have authorized capital or par value in respect of its issued shares.

4. Birla Mt Gordon Pty Ltd

Birla Mt Gordon Pty Ltd was incorporated on September 19, 2003 under the laws of Australia. The Mt Gordon mine, in Queensland, Australia, was acquired in November 2003. Mt Gordon mine consists of an underground and open-pit mine, a copper concentrate plant and ferric leach plant. Until recently, the operation produced copper cathode through the ferric leach process. In 2004, a

copper concentrator was commissioned to provide concentrate for use at our operations in Dahej, Gujarat.

Registered office

The registered office of Birla Mt Gordon Pty. Ltd. is located at:

Level 3 Septimus Roe Square
256 Adelaide Terrace
Perth
Western Australia 6000
Australia

Board of Directors

The board of director of Birla Mt Gordon Pty Ltd consists of:

1. Mr. D. Bhattacharya;
2. Mr. M. R. Prasanna;
3. Mr. Dilip Singh Gaur;
4. Mr. Sunil Kumar Kulwal.

Shareholding Pattern

Birla Mt Gordon Pty Ltd is a wholly owned subsidiary of ABML.

Financial performance

The summary audited financial statements of Birla Mt Gordon Pty Ltd prepared under IFRS for last three years are as follows:

(in AUD million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	115.580	141.170	205.384
Profit After Tax	(5.330)	15.56	30.854
Equity capital*	24.000	24.000	24.000
Reserves	(59.540)	(41.64)	5.826
Basic Earnings per share (cents per share)	(0.22)	0.648	128.56
Book value per Share (of AUD per share)	(1.48)	(0.735)	1.24

* Effective from 1 July 1998, the Corporation legislation in place abolished the concept of authorized capital and par value shares. Hence, Birla Mt Gordon Pty Ltd does not have authorized capital or par value in respect of its issued shares.

5. Birla Nifty Pty Ltd

Birla Nifty Pty Ltd was incorporated on May 27, 1996 under the laws of New South Wales, Australia in the name of Straits (Whim Creek Operations) Pty Ltd. Birla Nifty Pty Ltd changed its name to Birla (Nifty) Pty Ltd on March 10, 2003 and subsequently to Birla Nifty Pty Ltd on June 26, 2003.

Registered office

The registered office of Birla Nifty Pty Ltd is located at:

Level 3 Septimus Roe Square
256 Adelaide Terrace
Perth
Western Australia 6000
Australia

Board of Directors

1. Mr. D. Bhattacharya;
2. Mr. M. R. Prasanna;
3. Mr. Sunil Kumar Kulwal.

Shareholding Pattern

Birla Nifty Pty Ltd is a wholly owned subsidiary of ABML.

Financial performance

The summary audited financial statements of Birla Nifty Pty Ltd prepared under IFRS for last three years are as follows:

(in AUD million except per share data)

	Financial Year 2006	Financial Year 2007	Financial Year 2008
Total Income	79.398	190.720	464.624
Profit After Tax	(11.982)	(14.289)	78.430
Equity capital *	87.414	87.414	87.414
Reserves	(45.854)	(35.2)	78.754
Basic Earnings per share	(0.1371)	(0.149)	89.72
Book value per Share (of AUD per share)	0.48	0.60	1.90

* Effective from 1 July 1998, the Corporation legislation in place abolished the concept of authorized capital and par value shares. Hence, Birla Nifty Pty Ltd does not have authorized capital or par value in respect of its issued shares.

6. Novelis Inc.

Novelis Inc. was incorporated on September 21, 2004 under the laws of Canada.

Novelis Inc. in the business of manufacturing aluminum rolled products and aluminum can recycling.

Registered office

The registered office of Novelis Inc. is located at:

191 Evans Avenue
Toronto
Ontario M8Z 1J5
Canada

Board of Directors

The board of directors of Novelis Inc. consists of the following:

1. Kumar Mangalam Birla;
2. Askaran K. Agarwala;
3. D. Bhattacharya;
4. Clarence J. Chandran; and
5. Donald Alexander Stewart.

Shareholding pattern as on August 31, 2008

Novelis Inc. is wholly owned subsidiary of AV Aluminum Inc.

Financial performance

The summary consolidated financial information of Novelis Inc. (on a U.S. GAAP basis) for last three years, derived from its audited consolidated financial statements, is as follows:

(in U.S.\$ in million, except per share data)

	Year ended December 31, 2005	Year ended December 31, 2006	Three months ended March 31, 2007	Predecessor April 1, 2007 Through May 15, 2007	Successor May 16, 2007 Through March 31, 2008
Net Income (Loss)	90	(275)	(64)	(97)	(20)
Total Shareholders Equity (common stock, no par value)	425	398	428	n/a	3,497
Reserves and Surplus	482	340	316	n/a	39
Basic Earnings per share (as of May 15, 2007, all of the common shares were indirectly held by the Company; thus no earnings per share data is reported for March 31, 2008) (in US Dollars per share)	1.21	(3.71)	(0.85)	(1.29)	(0.26)
Book value per Share (in US Dollar per share)	5.85	2.63	2.32	n/a	45.48

7. Novelis Corporation

Novelis Corporation was incorporated on May 15, 2003 under the laws of Texas, USA. Novelis Corporation is in the business of manufacturing Aluminium rolled products.

Registered office

The registered office of Novelis Corporation is located at:

350 North St. Paul Street
Suite 2900
Dallas, Texas 75201
USA

Board of Directors

The board of directors of Novelis Corporation consists of the following:

1. Mr. Jean-Marc Germain;
2. Mr. Glen Guman; and
3. Mr. Charles R. Aley.

Shareholding Pattern as on August 31, 2008

Novelis Corporation is a wholly owned subsidiary of the Novelis Inc.

Financial performance

As under the laws governing Novelis Corporation, there is no requirement of preparing standalone audited financial statements of the Novelis Corporation, the same has not been disclosed in this Letter of Offer.

8. Novelis Deutschland GmbH

Novelis Deutschland GmbH was incorporated on July 26, 1926 under the laws of Germany. Novelis Deutschland GmbH is in the business of manufacturing bare and coated sheet products, plain and converted foil and semi-rigid foil containers.

Registered office

The registered office of Novelis Deutschland GmbH is located at:

Hannoversche Strasse 1
37075 Göttingen
Germany

Board of Directors

Managing Directors:
Dr. Erwin Mayr
Mr. Gottfried Weindl

The Supervisory Board is established and operates according to the requirements under the German Co-Determination Act (Mitbestimmungsgesetz).

The Supervisory board of directors of Novelis Deutschland GmbH consists of the following members:

Supervisory Board

Novelis Representatives

1. Arnaud de Weert;
2. Peter Ith; resigned, replacement pending
3. Michael Demmer; resigned, replacement pending
4. Erwin Faust;
5. David Sneddon; and
6. Bernhard Strauch.

Employees' Representatives

7. Ingo Schmidtke;
8. Gerd-Uwe Boguslawski;
9. Bernard Schröder;
10. Dieter Salewski
11. Detlef Kiel; and
12. Rüdiger Schlam.

Shareholding Pattern as on August 31, 2008

Novelis Deutschland GmbH is a wholly owned subsidiary of the Novelis Aluminium Holding Company.

Financial performance

The summary financial information of Novelis Deutschland GmbH (on a German GAAP basis) for last three years, derived from its audited financial statements, are as follows:

(in Euros in thousands, except per share data)

	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Total Income	1,675,516	2,035,262	2,154,865
Profit (Loss) after tax ¹	52,536	46,344	102,059
Equity capital	120,796	120,796	120,796
Reserves and Surplus	115,018	53,820	42,426
Basic Earnings (Loss) per share (in Euros per share) ¹	0.62	0.55	1.20
Book value per share (in Euros per share) ²	2.06	1.47	1.47

¹ Profit (Loss) and Basic Earnings (Loss) per share are shown before profit distribution of to Novelis Aluminium Holding Company

² Book value per share reflects equity after profit distribution to Novelis Aluminium Holding Company

9. Novelis do Brasil Ltda.

Novelis do Brasil Ltda. was incorporated on December 17, 1940 under the laws of Brazil. Novelis do Brasil Ltda. is in the business mining and/or producing bauxite alumina, specialty chemicals, primary aluminum, plate, flat rolled aluminium sheet, plain and converted foil, recycling, secondary smelting, and used beverage cans recovery.

Registered office

The registered office of Novelis do Brasil Ltda. is located at:

Av. das Nações Unidas
12.551 - 15th Floor
Torre Empresarial World Trade Center de São Paulo
São Paulo
SP-04578-000
Brazil

Board of Directors

The board of directors of Novelis do Brasil Ltda. consists of the following:

1. Alexandre Moreira Martins de Almeida
2. Antonio Tadeu Coelho Nardocci

Shareholding Pattern as on August 31, 2008

Novelis do Brasil Ltda. is a wholly owned subsidiary of the Novelis Inc.

Financial performance

The summary financial information of Brasil Ltda. (on a Brazilian GAAP basis) for last three years, derived from its audited financial statements, are as follows:

(in Brazilian Reais in thousands, except per share data)

	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Total Income	2,145,831	2,653,655	2,726,126
Profit (Loss) after tax	156,428	220,686	228,131
Equity capital (par value R\$ 1 per share)	120,131	120,131	120,131
Reserves and Surplus	567,414	492,930	258,030
Basic Earnings (Loss) per share (in Reais per share)	1.30	1.84	1.90
Book value per Share (in Reais per share)	1.19	1.38	1.98

10. Novelis Korea Limited

Novelis Korea Limited was incorporated on September 3, 1999 under the laws of the Republic of Korea. Novelis Korea Limited is in the business of operating an aluminium rolled products manufacturing plant, including casting, cold rolling and extensive finishing operations.

Registered office

The registered office of Novelis Korea Limited is located at:

250 Jeokseo-Dong
Yeongju-City
Kyungsangbuk-Do
Korea

Board of Directors

The board of directors of Novelis Korea Limited consists of the following:

Novelis

1. Leslie J. Parrette, Jr.;
2. Steven R. Fisher;
3. Keith V. Sodan;
4. Thomas L. Walpole; and
5. In-Soo Kim.

Taihan Electric Wire Co., Ltd ("TEC")

1. C. W. Lim; and
2. J. H. Kwon.

Shareholding Pattern

The shareholding pattern of Novelis Korea Limited as on August 31, 2008 is as follows:

S. No	Name of Share Holder	No. of equity shares	Percentage of holding
1.	4260856 Canada Inc.	47,631	40.74%
2.	4260848 Canada Inc.	31,755	27.16%
3.	Taihan Electric Wire Co., Ltd.	27,476	23.50%
4.	Y.S. SULL (TEC)	8,999	7.70%
5.	Hyundai Heavy Industries Co., Ltd.	527	0.45%
6.	Hynix Semi conductor Co., Ltd	159	0.14%
7.	Doosan Industrial Development Co., Ltd	152	0.13%
8.	Hyundai Elevator Co., Ltd	140	0.12%
9.	Hyundai Mipo Dockyard Co., Ltd.	35	0.03%
10.	S. Lee	9	0.01%
11.	Long Term Bank Securities	6	0.01%
12.	J.A. Lee	4	0.00%
13.	J. S. Kim	2	0.00%
14.	K. P. Jeung	2	0.00%
15.	H. S. Kwack	1	0.00%
16.	M. H. Kim	1	0.00%
17.	J. Y. Kim	1	0.00%
18.	H. S. Yoon	1	0.00%
19.	M. R. Cho	1	0.00%
	Total	116,905	100%

Financial performance

The summary financial information of Novelis Korea Limited (on a Korean GAAP basis) for last three years, derived from its audited financial statements, are as follows:

(in Korean Won in million, except per share data)

	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Total Income	1,387,121	1,587,175	1,626,961
Profit (Loss) after tax	54,592	1,463	6,873
Equity capital (par value 1 million Korean Won per share)	343,377	343,377	343,377
Reserves and Surplus	175,832	207,778	237,258
Basic Earnings (Loss) per share (in Korean Won per share)	466,984	12,514	58,794
Book value per Share (par value 1 million Korean Won each) (in Korean Won per share)	3,489,218	3,261,323	3,144,322

RELATED PARTY TRANSACTIONS

Please see section titled “Financial Statements – Related Party Transactions” on page F-43 of this Letter of Offer.

FINANCIAL STATEMENTS

S. No	Contents	Page Number
1.	Five years restated consolidated and standalone financial statements for the Company with the report issued by Singhi & Co.	F-1
2.	Standalone unaudited financial statements of the Company for quarter ended June 30, 2008 and June 30, 2007	F-64
3.	Audited consolidated financial statement of the Company for year ended March 31, 2008 with the audit report issued by Singhi & Co. and letter dated August 20, 2008 by Singhi & Co.	F-75
4.	Audited consolidated financial statement of the Company for year ended March 31, 2007 with the audit report issued by Singhi & Co.	F-112
5.	Audited financial statements for Novelis for the periods from May 16, 2007 to March 31, 2008, April 1, 2007 to May 15, 2007, the three months ended March 31, 2007, and the years ended December 31, 2006 and 2005, with the report issued by PricewaterhouseCoopers LLP	F-139
6.	Unaudited financial statements for quarter ended June 30, 2008 for Novelis	F-241

RESTATED FINANCIAL STATEMENTS

Auditors' Report on Financial Information in Relation to the Letter of Offer

To,
The Board of Directors
Hindalco Industries Ltd.
Century Bhavan, 3rd Floor
Dr. Annie Besant Road
Worli, Mumbai 400 030

Dear Sirs,

- 1) We have examined the attached Consolidated Financial Information and also the Standalone Financial Information of **Hindalco Industries Ltd.**, as approved by the Board of directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated July 25, 2008 in connection with the proposed issue of Equity shares of the Company on the Right basis to existing shareholder.

Consolidated Financial Information

- 2) This Consolidated Financial Information have been extracted by the Management from the Consolidated Financial Accounts Audited by us for the year ended 31st March 2004, 2005, 2006, 2007 and 2008.

We did not audit the financial statements of the subsidiaries except Dahej Harbour Infrastructure Limited, Joint ventures except Mahan Coal Limited for the years ended 31st March 2007 and 2008 and TANFAC Industries Limited for the years ended 31st March 2004 and 2005 and Associates for the years ended 31st March 2004, 2005, 2006, 2007 and 2008, whose Financial Statement reflects total assets of Rs. 35,885.26 million, Rs. 23,977.02 million, Rs. 29,012.86 million, Rs. 39,389.56 million and Rs. 881,336.44 million as of 31st March 2004, 2005, 2006, 2007 and 2008 respectively and total revenue of Rs. 24,675.84 million, Rs. 11,411.23 million, Rs. 12,485.45 million, Rs. 22,094.36 million and Rs. 434,346.64 million for the years ended 31st March 2004, 2005, 2006, 2007 and 2008 respectively. These financial statements have been audited by other firms of Chartered Accountants, whose reports have been furnished to us and our opinion in so far as it relates to amounts included in these Consolidated Restated Summary Statement of Asset and Liabilities and Consolidated Restated Summary Statement of Profit & Loss account are based solely on the report of other auditors.

The management of the Company has confirmed that the restated consolidated financial information has been prepared after incorporating:

- (i) Adjustment for changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - (ii) Adjustment for the material amounts in the respective financial years to which they relate.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:
 - (a) The Consolidated Restated Summary Statement of Assets and Liabilities of the Company and its Subsidiaries, joint venture and associates as at 31st March 2004, 2005, 2006, 2007 and 2008 examined by us, as set out in Annexure 18 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, notes and changes in significant Accounting Policies (Refer Annexure 20).

- (b) The Consolidated Restated Summary Statement of Profit and Loss of the Company and its Subsidiaries, joint venture and associates for the year ended on 31st March 2004, 2005, 2006, 2007 and 2008 examined by us, as set out in Annexure 17 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, Note and changes in Significant Accounting Policies (Refer Annexure 20).

Attention is invited to the following:

- a) Accounts have not been restated for any period prior to which the new Accounting Standards (AS) or revision in existing AS became effective. **Refer Note no. 2 (b) and (c) of Annexure 20.**
- b) Subsequent to the approval of Consolidated Financial Statement of Hindalco Industries Ltd., for the period ended 31st March 2008, certain non-cash errors were detected in the consolidated accounts of Novelis Inc., a wholly-owned subsidiary of the Company. The audited accounts of Novelis Inc. have been revised and on the basis of Fit for Consolidation Certificate on revised accounts issued by a firm of Chartered Accountants, the adjustments have been considered for the purpose of these accounts. **Refer note no. 3 in Annexure 20 for reasons and impact of such restatement.**
- (c) Based on above and also as per the reliance placed on the reports submitted by the other auditors, for subsidiaries / joint ventures, for the respective years, we confirm that the restated financial information has been made after incorporating:
- (i). Adjustments for the changes in accounting policies retrospectively in the respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - (ii). Adjustment for the material amounts in the respective financial years to which they relate.
 - (iii). And there are no extra-ordinary items that need to be disclosed separately in the accounts; and
 - (iv). There are no qualifications requiring adjustments.
- (d) We have also examined the Restated Consolidated Cash Flow Statement (Annexure-19), Consolidated Related Party transactions (Annexure - 21) , Restated Consolidated Segment Report (Annexure - 22) and Consolidated Accounting Ratios (Annexure 23) prepared by the management and approved by the Board of Directors relating to the Company and its Subsidiaries, joint venture and associates for the year ended 31st March 2004, 2005, 2006, 2007 and 2008. This information has been included based upon the reports submitted by other auditors.

In our opinion the financial information contained in Annexure 17 to 23 of this report read along with the Significant Accounting Policies, Changes in Significant Accounting Policies and Notes (refer Annexure 20) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the SEBI Guidelines.

Hindalco Industries Ltd. (Stand alone)

- 4) This information on Hindalco Industries Ltd. Stand alone accounts have been extracted by the Management from the financial statements for the year ended 31st March 2004, 2005, 2006, 2007 and 2008 which have been audited by us. The restated financial information has been made after incorporating:
- (a) Adjustment for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - (b) Adjustment for the material amounts in the respective financial years to which they relate.

- (c) And there are no extra-ordinary items that need to be disclosed separately in the accounts; and
 - (d) There are no qualifications requiring adjustments.
- 5) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:
- (a) The Restated Summary Statement of Assets and Liabilities of the Company as at 31st March 2004, 2005, 2006, 2007 and 2008 examined by us, as set out in Annexure 2 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, notes and changes in significant Accounting Policies (Refer Annexure 4).
 - (b) The Restated Summary Statement of Profit and Loss of the Company for the year then ended 31st March 2004, 2005, 2006, 2007 and 2008 examined by us, as set out in Annexure 1 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, Note and changes in Significant Accounting Policies (Refer Annexure 4).

Attention is invited for the following:

Accounts have not been restated for any period prior to which the new Accounting Standards (AS) or revision in existing AS became effective. **Refer Note no. 5 (b) and (c) of Annexure 4.**

- (c) Based on above we are of the opinion that the restated financial information have been made after incorporating:
 - (i). Adjustments for the changes in accounting policies retrospectively in the respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - (ii). Adjustment for the material amounts in the respective financial years to which they relate.
 - (iii). And there are no extra-ordinary items that need to be disclosed separately in the accounts; and
 - (iv). There are no qualifications requiring adjustments.
- 6) We have also examined the following other financial information set out in annexure prepared by the management and approved by the Board of directors relating to the company for the year ended **31st March 2004, 2005, 2006, 2007 and 2008** which were audited by us.
- i. Restated Cash Flow Statement Annexure 3
 - ii. Statement of Related Party Transaction included in Annexure 5
 - iii. Segmental Results included in Annexure 6.
 - iv. Statement of Principle Term of Loan (Secured and Unsecured) and Assets Charged as Security included in Annexure 7.
 - v. Summary of Investment included in Annexure 8.
 - vi. Statement of Sundry Debtors included in Annexure 9.
 - vii. Statement of Loans, advances and Current Assets included in Annexure 10.
 - viii. Statement of Current Liabilities and provisions included in Annexure 11.
 - ix. Statement of and Other Income and operating revenues included in Annexure 12.
 - x. Statement of dividend paid / proposed included in Annexure 13.
 - xi. Statement of Accounting Ratios included in Annexure 14.
 - xii. Statement of Capitalisation as at included in Annexure 15.
 - xiii. Statement of Tax Shelter included in Annexure 16.
- [Annexures on restatement carried out]

In our opinion the financial information contained in Annexure 1 to 16 of this report read along with the Significant Accounting Policies, Changes in Significant Accounting Policies and Notes (refer Annexure 4) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the SEBI Guidelines.

- 7) We have also reviewed the Balance Sheet and Profit and Loss account of the Company (Stand alone) with schedule for the quarter ended 30th June 2008 and 30th June 2007, prepared and approved by the Board of Directors for the purpose of disclosure in the offer document of the company as mentioned in Paragraph (1) above.

We conducted our review in accordance with the Auditing and Assurance Standard (AAS) 33, Engagement to Review financial statements issued by the Institute of chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly we do not express and audit opinion.

Attention is invited for the following:

- i. In pursuance of the announcement dated 29th March 2008 of the Institute of Chartered Accountants of India on Accounting of Derivatives, mark to market losses on outstanding derivatives instruments as on 30th June, 2008 stood at Rs 1151.90 million arising from hedging transaction undertaken by the Company for its commodities and foreign currency related exposures for which no provision has been made in the account. In view of the management the above mark to market loss is expected to flow back through future cash flows.
- ii. Accounting standard 3 (Cash Flow Statements), Accounting standard 17 (Segment Reporting), Accounting standard 18 (Related Party Disclosures) and other disclosure requirement as prescribed under the Accounting Standards has not been complied with while preparing the Financial Statements for the quarter ended 30th June 2008 and 30th June 2007.

Based on our review, nothing has come to our attention, *except as mentioned above*, which causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006

- 8) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report should not be used for any other purpose except with our consent in writing.

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

**Rajiv Singhi
Partner
Membership No 53518**

**Place: Mumbai
Date: September 13, 2008**

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 1

STATEMENT OF PROFITS AND LOSSES - RESTATED

(Rs. in Million)

	<u>For the year ended 31st March,</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Income:					
Sales of products Manufactured by the Company	188,144.51	180,437.53	110,734.83	93,038.64	59,213.85
Sales of products Traded by the Company	946.28	238.21	211.30	170.95	-
Operating Revenues	2,919.48	3,058.23	1,776.72	3,098.76	2,869.67
Net Sales and Operating Revenues	192,010.27	183,733.97	112,722.85	96,308.35	62,083.52
Other Income	4,929.37	3,700.69	2,439.11	2,700.45	2,400.05
	196,939.64	187,434.66	115,161.96	99,008.80	64,483.57
Expenditure:					
(Increase)/ Decrease in Stocks	(1,370.26)	(4,425.17)	(10,338.40)	(2,556.48)	(1,019.36)
Trade Purchases	925.18	230.19	204.19	171.34	-
Consumption of Raw Materials	120,517.18	111,118.94	66,210.11	46,731.24	31,049.65
Employees Cost	6,212.22	5,195.81	4,627.62	4,116.24	2,370.56
Power and Fuel	19,108.32	18,486.21	17,917.43	15,266.31	9,357.00
Other Expenditure	12,919.14	12,383.26	9,465.22	8,666.68	5,331.71
Interest and Finance Charges	2,806.30	2,423.88	2,251.68	1,699.56	1,771.54
Depreciation	5,878.09	5,528.02	5,166.77	4,632.57	3,174.52
Impairment	-	852.40	44.54	-	-
	166,996.17	151,793.54	95,549.16	78,727.45	52,035.62
Profit before Tax and Exceptional Items	29,943.47	35,641.12	19,612.80	20,281.35	12,447.95
Exceptional Items (Net)	-	-	-	60.81	-
Profit before Tax	29,943.47	35,641.12	19,612.80	20,220.54	12,447.95
Provision for Current Tax	5,957.31	10,041.23	2,754.96	6,136.29	2,603.26
Provision for Deferred Tax	875.79	(551.00)	1,159.80	43.26	1,461.00
Provision for Fringe Benefit Tax	114.00	113.00	100.60	-	-
Net Profit	22,996.37	26,037.89	15,597.44	14,040.99	8,383.69

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 2

STATEMENT OF ASSETS AND LIABILITIES – RESTATED

(Rs. in Million)

	2008	2007	As at 31st March, 2006	2005	2004
A. Fixed Assets					
Gross Block	126,084.59	112,526.55	104,182.53	87,727.93	66,584.94
Less : Depreciation	46,368.07	40,563.25	35,310.72	30,693.37	19,182.79
Less : Impairment	1,623.15	1,896.21	1,043.81	999.27	-
Net Block	78,093.37	70,067.09	67,828.00	56,035.29	47,402.15
Capital Work-in-Progress	11,198.69	14,764.25	8,329.17	13,229.81	4,676.66
	89,292.06	84,831.34	76,157.17	69,265.10	52,078.81
B. Investments	141,079.86	86,753.17	39,712.86	37,021.08	33,771.66
C. Current Assets, Loans and Advances					
Inventories	50,979.06	43,153.14	40,950.88	23,745.18	11,913.43
Sundry Debtors	15,650.22	15,045.02	12,484.01	7,873.67	5,611.13
Cash and Bank Balances	1,469.77	6,654.96	9,172.85	4,009.69	2,279.02
Loans and Advances	9,794.60	11,742.20	7,972.66	8,713.86	8,822.96
Other Current Assets	623.04	1,188.08	1,928.30	1,283.46	236.42
	78,516.69	77,783.40	72,508.70	45,625.86	28,862.96
	308,888.61	249,367.91	188,378.73	151,912.04	114,713.43
Less:					
D. Liabilities and Provisions					
Secured Loans	62,054.23	64,102.03	28,480.47	29,523.38	17,259.35
Unsecured Loans	21,231.61	9,490.33	20,473.00	8,412.55	8,336.12
Deferred Tax Liability (Net)	13,236.74	11,258.01	12,333.59	11,296.98	9,951.35
Current Liabilities and Provisions	38,043.90	34,791.85	25,906.79	19,966.79	5,194.61
	134,566.48	119,642.22	87,193.85	69,199.70	40,741.43
Net Worth	174,322.13	129,725.69	101,184.88	82,712.34	73,972.00
Net Worth Represented by:					
Share Capital	1,226.48	1,043.25	985.66	927.77	924.77
Share Capital Suspense	4.06	-	-	-	-
Share Warrants	1,390.96	-	-	-	-
Reserves and Surplus (Net of Miscellaneous Expenditure)	171,700.63	128,682.44	100,199.22	81,784.57	73,047.23
	174,322.13	129,725.69	101,184.88	82,712.34	73,972.00

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 3

STATEMENT OF CASH FLOW – RESTATED

(Rs. In Million)

		For the year ended 31 st March				
		2008	2007	2006	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES						
A.	Profit before Tax	-	-	-	-	-
	Adjustment for :					
	Interest and Finance charges	2,806.30	2,423.88	2,251.68	1,732.85	1,514.52
	Depreciation	5,878.09	5,528.02	5,166.77	4,632.57	3,174.52
	Impairment	-	852.40	44.54	-	-
	Unrealized Foreign Exchange Gain / Loss (Net)	120.60	(198.37)	23.20	41.51	-
	Employee Stock Option Provisions / Provisions written-back (Net)	21.29	-	-	-	-
	Miscellaneous expenditure written off	(566.53)	(33.76)	(195.71)	34.50	-
	Provision / (write back) for diminution in carrying cost of Investments (Net)	36.16	40.04	62.91	60.69	-
	Lease Rent Paid	122.18	(3.78)	17.49	-	-
		-	-	-	-	97.25
	Investing Activities (Net)	(5,002.60)	(3,488.20)	(2,231.90)	(2,706.72)	(2,091.28)
	Operating profit before working capital changes	33,358.96	40,761.35	24,751.78	24,015.94	15,142.96
	Changes in working Capital:	-	-	-	-	-
	Change in Inventories	(7,727.26)	(2,202.26)	(17,205.70)	(9,377.40)	(1,891.21)
	Change in Trade and other Receivables	269.09	(4,644.92)	(7,838.24)	(2,327.80)	(3,153.50)
	Change in Trade Payables	2,074.54	5,504.54	10,409.61	5,017.13	1,928.97
	Cash generation from Operation	27,975.33	39,418.71	10,117.45	17,327.87	12,027.22
	Payment under VRS	(3.23)	(11.72)	(29.05)	(76.57)	-
	Payment of Direct Taxes	(6,573.66)	(5,603.73)	(2,968.24)	636.01	(1,589.23)
	Net Cash Generated/ (used) - Operating Activities	21,398.44	33,803.26	7,120.16	17,887.31	10,437.99
CASH FLOW FROM INVESTMENT ACTIVITIES						
B.	Purchase of Fixed Assets	(9,090.14)	(13,536.41)	(12,083.76)	(11,733.38)	(7,030.31)
	Sale of Fixed Assets	212.54	63.96	101.27	528.15	69.16
	Purchase / Sale of shares of Subsidiaries (Net)	(31,362.52)	(21.00)	(933.88)	(1,043.39)	(906.58)
	Purchase / Sale of Investments (Net)	(21,244.11)	(46,072.94)	(1,174.10)	(10,357.22)	(5,583.52)
	Loans / Repayment of Advances & Loans from Subsidiaries (Net)	1,662.55	(851.31)	(699.84)	280.96	474.67
	Interest received	1,328.37	1,689.09	423.47	1,255.79	937.99

For the year ended 31 st March					
	2008	2007	2006	2005	2004
Dividend received	4,868.34	2,365.37	1,086.96	794.27	378.80
Lease Rent received	-	-	-	10.82	-
Net Cash Generated/ (used) - Investing Activities					
	(53,624.97)	(56,363.24)	(13,279.88)	(20,264.00)	(11,659.79)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and warrants (net of expenses)	24,237.13	5,528.68	5,190.54	0.01	0.13
Proceeds / Repayment of Long Term Borrowings (net)	(568.29)	34,846.45	(1,189.49)	8,146.22	(2,233.54)
Proceeds / Repayment of Short Term Borrowings (net)	10,208.38	(10,194.82)	12,058.76	(719.44)	4,280.95
Interest and Finance Charges	(6,678.38)	(5,795.22)	(2,656.11)	(1,740.32)	(1,539.69)
Lease Rent Paid	-	-	-	-	(97.25)
Dividend paid (including Dividend Tax)	-	(4,494.66)	(2,115.86)	(1,725.25)	(1,408.34)
Net Cash Generated/ (used) - Financing Activities					
	27,198.84	19,890.43	11,287.84	3,961.22	(997.74)
Net Increase / (Decrease) in Cash and Cash Equivalents	(5,027.69)	(2,669.55)	5,128.12	1,584.53	(2,219.54)
Add : Opening Cash and Cash Equivalents	6,412.11	9,081.66	3,953.54	2,226.01	4,445.55
Cash acquired on Amalgamation	9.41	-	-	143.00	-
Closing Cash and Cash Equivalent	1,393.83	6,412.11	9,081.66	3,953.54	2,226.01

Notes:

1. Closing cash and cash equivalents represent "Cash and Bank Balances" except amount 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 necessary.

HINDALCO INDUSTRIES LIMITED

ANNEXURE - 4

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 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) Leasehold land (including mining rights) are amortized over the period of lease on straight line basis.

(c) Intangible assets 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 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.

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 employment 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.

11. 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.

12. 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.

13. 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.

14. 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 being adjusted on the date of settlement.

15. 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.

16. 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.

17. 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.

B. NOTES ON ACCOUNTS

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
1.	Capital Commitments outstanding (Advance/Deposit paid Rs 6,814.17 million, previous year Rs. 1,734.37 million)	9,512.31	8,143.37
2.	Uncalled Liability on shares partly paid up	2,379.58	-

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:

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
(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 pending with Hon'able High Court of Delhi. Earlier demand raised was quashed by Hon'able High Court of Delhi. The amount has been sequestered in the Aluminium Regulation account. According to the terms of settlement dated 5.12.83 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.	91.21	91.21
ii)	Demand of interest on past dues of the Aluminium Regulation account upto 31.12.1987. * The demand is in dispute with Controller of Aluminium Regulation Account.	63.29	63.29
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 11.5.2001.	40.80	40.80
iv)	Transit fees levied by Divisional Forest officer, Renukoot on coal and bauxite. * Appeal pending with Hon'able High Court of Allahabad and payment of transit fee has been stayed. According to legal opinion received by the Company, the forest department has no authority to levy such fee.	444.98	348.56
v)	M.P Transit Fee on Coal demanded by Northern Coal Fields Limited. * Writ petition pending with Hon'able High Court of Jabalpur. The Company has paid Rs 105.90 million to NCL under protest subject to the final conclusion of the writ petition.	160.53	160.53
vi)	Imposition of Cess on Coal by Shaktinagar Special Area Development Authority.	39.68	36.42

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
	* Appeal is pending before 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.		
vii)	Demand of Royalty on Vanadium by District Mining officer, Lohardaga. * Appeal is pending with Hon'able High Court of Allahabad. The demand has been stayed on certain conditions fulfilled by the Company.	84.44	84.44
viii)	The demand of Excise Duty on gold. * Appeal is pending with Supreme Court.	1,553.06	1,553.06
ix)	Demand for disallowances of depreciation claim and other claim on the leased assets by Lessor. * Matter is pending with Lessor.	180.20	180.20
x)	Tax under MPGATSV, 2005 @ 5% on basic price of coal w.e.f. 30-9-2005 by M.P. State Government. *Writ petition is being filed before the Hon'able High Court of Madhya Pradesh at Jabalpur.	268.59	167.10
xi)	Demand raised on provisional assessment for Entry Tax. * Writ petition is pending before Hon'able High Court of Allahabad and demand has been stayed while in some cases Hon'able high court has directed to pay the amount which will be deposited in the interest bearing account.	1,545.35	258.54
xii)	Demand raised on assessment under CST Act & UP Sales Tax Act. * Appeal has been filed with appropriate Authority.	404.56	94.59
xiii)	Revision of surface rent on land by Government of Jharkhand w.e.f. 16-6-2005. * Matter is in dispute at Hon'able High Court of Jharkhand.	66.98	42.29
xiv)	Demand made by Nayab Tehsildar Kusmi / Collector under Chattisgarh (Adhosanrachna Vikas evam Parayavaran Upkar Adhiniyam, 2005). * Writ petition has been filed before Hon'able High Court of Chhattisgarh at Bilaspur.	17.39	12.12
xv)	Service tax paid on GTA and BAS. * Commissioner has confirmed the demand. Appeal is being filed to CESTAT New Delhi.	20.50	-
xvi)	Demand for duty on loading and transportation charges on scrap. * Appeal has been filed with appropriate Authority.	-	13.87
xvii)	Demand for reversal of difference between duty paid and credit taken on returned material. * Appeal has been filed with appropriate Authority.	-	16.45
xviii)	CST demand on reopening of assessments for earlier years. * Appeals have been filed.	88.10	65.11
xix)	Recovery of differential duty on account of Final Assessment of different B/Es. for import under Advance Licences. *Appeal pending with Commissioner of Customs (Appeals), Ahmedabad.	-	758.14
xx)	Disallowances of Sales Tax Forms for Sales Tax Assessment year 1997-98. *Appeal is pending with Joint Commissioner (Appeal), Vadodara, Gujarat.	12.05	16.50
xxi)	Demand for Sales Tax u/s 15B for A.Y. 2001-02 & 2002-03. * Appeal is pending with J. C Appellate Authority, Baroda.	81.70	81.70
xxii)	Demand for Stamp Duty on Imported Cargo. * Matter is pending with hon'ble High Court, Ahmedabad, Gujarat.	104.93	95.40
xxiii)	Classification dispute of Aluminium Casserole. * Matter is pending with CESTAT, Ahmedabad.	52.38	-
xxiv)	Service tax on insurance policy attributable to Renusagar. * Commissioner has confirmed the demand. Appeal is being filed with CESTAT, New Delhi.	12.90	-
xxv)	Demand of Interest on differential duty on account of final assessment of Bill of Entries.	517.27	-

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
	* The matter is pending with Commissioner of Customs, Appeal, Ahmedabad.		
xxvi)	Disallowance of CENVAT credit.	52.89	-
	* The matter is pending with CESTAT, Ahmedabad.		
xxvii)	Demand for interest on claim.	53.16	-
	* Matter is pending with arbitrator.		
xxviii)	Demand raised on assessment under CST Act and APGST Act for various years.	26.13	-
	* Appeals have been filed with appropriate authorities.		
xxix)	Other Contingent Liabilities in respect of Excise, customs, Sales Tax etc. each being for less than Rs.10 millions.	100.85	101.33
	* The demands are in dispute at various legal forums.		

*** indicating uncertainties**

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
(b) i)	Bills discounted with Banks	765.88	1,004.16
ii)	Corporate Guarantees outstanding (Rs.159,925 million (previous year Rs. 45 million) given on behalf of subsidiary companies). *	160,242.10	195.00
(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 th May 1976 to 30 th June 1980 and the same remains unprovided for as disputed by the Company.	50.10	50.10
(d)	Customs duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled.	1,920.27	1,833.40

* Includes US\$ 4 billion (Rs. 1,59,880 million) 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\$ 3.03 billion for acquisition of Novelis Inc.

(II) Provisions:

		(Rs. in Million)		
Nature	Opening Balance	Addition	Utilisation	Closing Balance
Excise duty on electricity	54.73	-	-	54.73
Sales tax	18.37	-	-	18.37
Others	71.90	-	-	71.90
Total	145.00	-	-	145.00

(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

- non disposal of equity shares of 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.
- non disposal of equity shares of IDEA Cellular Ltd. till the Institutional loans are repaid in full.

4. During April 2007, the Company received a notice dated 24th March, 2007 from collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of Rs. 2,529.59 million 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.

5. a) For the purpose of restatement of audited accounts all material adjustments have been considered. Reconciliation of Net Profit as per Audited Accounts and Net Profit after Restatement together with items considered for restatement are given below:

	(Rs. in Million)				
	For the year ended 31st March,				
	2008	2007	2006	2005	2004
Net Profit as per Audited Accounts	28,609.39	25,643.25	16,555.50	13,293.57	8,389.29
Restatement Adjustments:					
(i). Prior Year Adjustments (refer Note (i) below)	53.97	(9.22)	(17.68)	(10.25)	(8.74)
(ii). Liability no longer required written back (refer Note (ii) below)	(366.56)	85.05	(15.99)	297.50	-
(iii). Export and other Incentives (refer Note (iii) below)	-	519.04	(1,380.28)	861.24	-
(iv). Exceptional Item (refer Note (iv) below)	-	-	(30.22)	30.22	-
(v). Tax Adjustment for earlier years (refer Note (v) below)	(5,406.68)	-	-	-	-
(vi). Tax impact on Restatement - Current Tax	106.25	(200.23)	486.11	(431.29)	3.14
Net Profit after Restatement	22,996.37	26,037.89	15,597.44	14,040.99	8,383.69

- i) In the audited accounts for the year ended 31st March, 2008, certain cenvat credit earlier availed were reversed. For the purpose of restated accounts the said items have been adjusted in the relevant years in which the same were originally availed.
- ii) In the audited accounts for the years ended 31st March, 2006 and 2008, certain liabilities created in earlier years were written back. For the purpose of restated accounts the said liabilities, wherever considered material, have been appropriately adjusted in the relevant years in which the same were originally created.
- iii) Audited accounts for the year ended 31st March, 2006 include benefit under Target Plus Scheme accrued in relation to export made during FY 2004-05 as necessary guidelines for claiming such benefits were issued during FY 2005-06. Further pursuant to a notification dated 12th June, 2006 of Government of India, reduction in benefit under Target Plus in relation to export made during FY 2005-06 has been accounted during FY 2006-07. For the purpose of restated accounts the said benefits/ reduction have been adjusted in the relevant years to which they relate.
- iv) Audited accounts for the year ended 31st March, 2006 include write back of excess provision made for demerger expenses. For the purpose of restated accounts said item has been adjusted in the year in which the same was originally created.
- v). In the financial statements for the years ended 31st March, 2008, Tax adjustment for earlier years (Net) represents write back of provision for tax resulting from change in estimation of tax liability on progress in tax assessments. For the purpose of this statement said amount have been adjusted in the year in which the same was originally created.
- b). Accounts have not been restated for any period prior to which the new Accounting Standards (AS) or revision in existing AS, as stated under, become effective:

Particulars	Effective Date
AS 11 (Revised) - Accounting for the Effects of Changes in Foreign Exchange Rates	Periods commencing on or after 1st April, 2004
AS 15 (Revised) - Employee Benefits	Periods commencing on or after 1st April, 2006
AS 28 - Impairment of Assets	Periods commencing on or after 1st April, 2004
AS 29 - Provisions, Contingent Liabilities and Contingent Assets	Periods commencing on or after 1st April, 2004

- c). Exchange differences up to December, 2006 attributable to the acquisition of fixed assets had been adjusted to the cost of the respective assets. The accounts have not been restated for the period prior to December, 2006 in respect of such exchange differences.
- d). Figures have been regrouped/ rearranged wherever necessary.

6. Sale of Di-Ammonium Phosphate (DAP) and other complex fertilizers are covered under the concessional schemes for decontrolled fertilizers of the Government of India. In previous year

pending claim for concession were accounted for based on current practice adopted by department of fertilizer for neutralizing the cost of input. In view of uncertainty, accounting of pending claim for concession, for which final rate has not been declared, has been done on base rate declared by the Government.

7. 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. The effect of variation in the rate will be accounted for in the year in which rates are finalized by UPPCL.
8. 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.
9. 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 31st October 2002 and 18th 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 upto 23rd January 2017.
10. The Company has issued equity shares of Re. 1/- each on rights basis at a price of Rs 96 per share in the ratio of 1:4 in February, 2006 aggregating to 231,882,222 shares (including 361,191 shares allotted by the Company during the year, earlier kept in abeyance at the time of Company's rights issue due to court cases). Against a total amount receivable of Rs 22,261 million (spreading over a two year period with two call notices), the Company has received Rs 22,195 million till 31st March, 2008. Out of this, an amount of Rs 366 million has been spent on associated expenses of the rights issue and Rs 3,935 million has been utilized towards subscription to shares of a subsidiary of the Company. The balance amount has been invested temporarily in liquid funds.
11. As per approval of shareholders in the Extra Ordinary General Meeting held on 28 March 2007, the Company has allotted 67,500,000 equity shares of face value of Re 1/- each on a preferential basis to Promoters / Promoter Group at a price of Rs 173.87 each, fully paid on 11th April, 2007. Further 80,000,000 warrants were also allotted on a preferential basis to the Promoters / Promoter Group entitling them to apply for and obtain allotment of one equity share at a price of Rs 173.87 per share against each such warrant at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches. The Company has received 10% amount against each such warrant.
12. A wholly owned subsidiary company namely A V Minerals (Netherlands) B.V. has been incorporated in Netherlands in April 2007. The entire holding in A V Metals Inc., a subsidiary of the Company in Canada has been transferred in May 2007 to A V Minerals (Netherlands) B.V. As on 31st March 2008 the Company has invested a total amount of Rs. 25,327.20 million. Out of this Rs. 19,114.30 million (equivalent to US\$ 450 million) has been invested towards initial equity contribution in A V Minerals for the purpose of acquisition of Novelis (refer note below). The balance amount of Rs. 6,212.90 million has been funded as equity towards payment of interest for the year by A V Minerals Inc and A V Metals Inc on total bridge loan of US\$ 3.03 billion for a period of 18 months taken by these companies for the said purpose.

Since these companies do not have adequate income, payment of interest has affected their net worth. In view of strategic nature of investment, the management believes that the diminution in value being temporary in nature, no provision is necessary.
13. On 15th May, 2007, the Company acquired Novelis Inc., the world's largest aluminium rolled product manufacturer through its indirect wholly-owned subsidiary A V Metals Inc. (Acquisition Sub) pursuant to a plan of arrangement (Arrangement) entered into on 10th February, 2007 and approved by the Ontario Superior Court of Justice, Canada on 14th May, 2007. As a result of the Arrangement, Acquisition Sub acquired all of Novelis' outstanding common shares at a price of US\$ 44.93 per share in exchange for cash payments. The aggregate purchase price for Novelis' common shares was US\$ 3.4 billion and immediately following the Arrangement, the common shares of Novelis were transferred from Acquisition Sub to the Company's wholly-owned indirect subsidiary A V Aluminum Inc. a company established in Canada for this purpose. A V Aluminum Inc is a wholly owned subsidiary of A V Metals Inc which in turn is a wholly owned subsidiary of A V Minerals (Netherlands) B.V.

14. With a view to derive full synergistic benefits the board of directors of Indian Aluminium Company (Indal) and Hindalco approved a Scheme of Amalgamation (the Scheme). After obtaining all requisite statutory approvals including sanction of the Scheme by the Hon'able High Courts at Mumbai and Kolkata, the amalgamation was made effective on 25th March, 2008 with appointed date as 1st April, 2007. Accounting of such amalgamation was done to comply with the Scheme and applicable Accounting Standards. The last date for actual exchange of shares between equity and preference, to be issued by the Company, to the shareholders of Indal based on option exercised by the shareholders of Indal was fixed as 22nd April, 2008. Accordingly, 376 Equity Shares of Re. 1/- each and 2,032,734 6% Cumulative Preference Shares of Rs. 2/- each of the Company have been allotted as per Board resolution dated 3rd May 2008. Since exchange of shares stated above has not been effected before 31st March, 2008, an amount of Rs 4.06 million has been accounted as Share Capital Suspense to be transferred to Equity Share Capital and Preference Share Capital subsequently. An amount of Rs 0.24 million has been appropriated towards dividend payable to the preference shareholders being amount accruing from 1st April, 2007 as per the Scheme. Further, an amount of Rs 0.13 million has been transferred to Capital Reserves. In complying with the Scheme, an amount of Rs 28.12 million (net of tax effect of Rs 14.48 million) being shortfall of depreciation charge due to alignment of accounting policy has been adjusted against General Reserves.
15. (a) The Company has acquired the shareholding of Alcan Inc. consisting of 78,564,384 equity shares of Rs 10/- each in Utkal Alumina International Limited (Utkal). Consequently, Utkal is now a wholly owned subsidiary of the Company. During the year Utkal has issued 378,654,820 numbers of shares, Thus the Company has invested a total amount of Rs. 6,635.12 million till 31st March 2008. The project activities in Utkal are progressing well.
- (b) The Company has entered into a joint venture agreement with Essar Power M.P. Limited by virtue of which it holds 50% stake in Mahan Coal Limited, a new company formed for mining of coal, a part of which being the entitlement of the Company as per the agreement will be used for generating power to be captively consumed in proposed greenfield aluminium smelter in Madhya Pradesh. The Company has invested a total amount of Rs.23.75 million till 31st March 2008.
- (c) The Company has entered into a joint venture partnership with Almex USA Inc. (Almex), for the manufacture of high strength aluminium alloys for applications in the aerospace, sporting goods and surface transport industries. The joint venture has been named Hindalco-Almex Aerospace Limited. The Company has 70 per cent equity participation, with Almex holding the balance 30 per cent in the JV. The Company has made an equity contribution of Rs.210.00 million till 31st March 2008. It is expected that the project will go on stream during the second quarter of next year.
- (d) The Company has formed a joint venture company namely Tubed Coal Mines Ltd with The Tata Power Company Ltd as per the condition of allotment letter of Ministry of Coal for the purpose of exploration of the Coal block allotted by the Government in the State of Jharkhand. Hindalco holds 60% stake in the Joint venture and balance 40% is held by The Tata Power Company Ltd. The Company has invested a total amount of Rs. 12.30 million (including Rs. 0.60 Million towards advance against equity.) till 31st March 2008.
- (e) The Company has formed a joint venture company namely East Coast Bauxite Mining Company Private Limited with Orissa Mining Corporation Limited to mine bauxite in the State of Orissa. Hindalco holds 74% stake in the Joint venture by virtue of acquiring 7,400 numbers of equity share of Rs. 10/- each, and balance 26% is held by Orissa Mining Corporation Limited.
16. 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:

(Rs. in Million)

	As at 31 st March 2008	As at 31 st March 2007
Not later than one year	4.00	4.00
Later than one year and not later than five years	16.00	16.00

Later than five years

36.67

40.67

17.

Deferred Tax

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

Particulars	(Rs. in Million)	
	As at 31 st March 2008	As at 31 st March 2007
Deferred Tax Assets (A)		
Expenses allowable as per Income Tax u/s 35D/35DD	124.40	149.28
On Provision for retirement benefit	621.47	529.02
Total	745.87	678.30
Deferred Tax Liability (B)		
Depreciation	13,305.50	11,352.80
Others	677.11	583.51
Total	13,982.61	11,936.31
Net Deferred Tax Liabilities (B-A)	13,236.74	11,258.01

18.

- (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 is accounted for provisionally pending finalisation of price variations in the year of settlement.
- (c) Final price payable on purchase of copper concentrate for which quotational period, price and quantity was not finalized in the previous year, were realigned at year end rate based on monthly average rate for Copper and Precious Metal quoted at LME & LBMA respectively and accordingly an additional provision for Rs.546.82 million was made. During the year final price payable was settled at Rs. 1,962.66 million and additional liabilities of Rs. 1,415.84 million has been charged to raw material consumption. Further, an additional provision for Rs. 2,520.04 million was made on realignment of such class of liabilities as on 31st March 2008. Actual outflow is expected on finalization of quotational period price 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 provisional sales for Rs. 430.87 million were accounted for. During the year final price was settled at Rs. 490.22 million and credit for further sales of Rs. 59.35 million were taken into account. As on 31st March 2008 sales of Rs. 1,975.76 million pending for price finalization were realigned at year end rate of LME and an additional sales of Rs. 161.55 million was accounted for. Actual inflow is expected on finalization of price in next financial year.

19.

- (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 2008		As at 31st March 2007	
		Quantity	Value (USD in Million)	Quantity	Value (USD in Million)
Copper - Mt	Sell	2,175	13.78	25,500	160.44
Gold - Tr Oz	Sell	164,103	154.11	126,977	82.86
Silver - Tr Oz	Sell	1,013,962	19.21	938,967	13.07
Aluminium - Mt	Sell	52,400	154.97	30,750	83.39

- (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, 2008 (in million)	As at 31st March, 2007 (in million)
USD Earnings	USD	Sell	52.00	315.61
USD Earnings	USD	Buy	-	38.00
Suppliers Credit	USD	Sell	-	50.00
Buyers Credit	USD	Buy	33.00	83.49
Exports	USD	Sell	239.62	239.61
Capex	USD	Buy	0.89	25.19
Capex	AUD	Buy	-	2.40
Capex	CHF	Buy	0.50	1.33
Capex	EURO	Buy	0.21	5.78
Capex	GBP	Buy	0.50	0.95
Imports	USD	Buy	1.48	1.49
Spares Purchase	EURO	Buy	-	1.49
Investment in Equity	USD	Buy	-	370.00
Packing Credit	USD	Buy	-	25.00

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

Currency	As at 31st March, 2008			As at 31st March, 2007		
	Payable (in million)	Receivable (in million)	Loan (in million)	Payable (in million)	Receivable (in million)	Loan (in million)
USD	512.78	104.04	436.92	372.73	85.25	145.54
EUR	0.77	0.97	-	0.72	2.04	-
GBP	0.76	0.84	-	0.09	0.56	-
CHF	3.09	-	-	0.05	-	-
AUD	0.58	-	-	0.13	-	-
JPY	57.33	-	-	3.85	-	-
YEN	-	-	-	38.01	-	-
NOK	0.70	-	-	1.96	-	-

- (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 31st March, 2008 stood at Rs. 220 million, 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 intends to go for early adoption of AS 30 on Financial Instruments: Recognition and Measurement which will take some time on account of associated complexities and documentation requirements. 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 exchange exposures. The transactions outstanding as on 31st March 2008 are as under:

Category	Nature	Outstanding Amount (Rs. million)	MTM (Rs. million) Gain (+) / Loss (-)
Commodity	Forward Cover, Option, etc	25,892.99	(140.00)
Foreign Exchange, Currency, etc	Forward Cover, Option, etc	12,193.42	(80.00)

HINDALCO INDUSTRIES LIMITED

ANNEXURE - 5

RELATED PARTY TRANSACTIONS – STANDALONE

A List of Related Parties

(a) Subsidiaries of the Company

Aditya Birla Minerals Limited
Birla (Nifty) Pty Limited
Birla Maroochydore Pty
Limited

Birla Mt Gordon Pty Limited
Birla Resources Pty Limited
Dahej Harbour and
Infrastructure Limited
Bihar Caustic and Chemicals
Limited
Hindalco – Almex Aerospace
Limited

Indal Exports Limited

Lucknow Finance Company
Limited

Minerals and Minerals Limited
Renuka Investments &

Finance Limited

Renukeswar Investments &
Finance Limited

Suvas Holdings Limited

Utkal Alumina International Limited

East Coast Bauxite Mining Company Private Limited

Tubed Coal Mines Limited

A V Minerals (Netherlands) B.V.

A V Metals Inc

A V Aluminum Inc.

Novelis Inc.

Novelis Belgique SA

Novelis Benelux NV

Albrasilis – Alumínio do Brasil Industria e Comercio Ltda

Novelis do Brasil Ltda.

(b) Trust of the Company

Trident Trust

(c) Joint Venture

IDEA Cellular 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)

(e) Key Managerial Personnel

Mr. Debu Bhattacharya – Managing
Director

RELATED PARTY TRANSACTIONS – STANDALONE

A List of Related Parties

(a) Subsidiaries of the Company

4260848 Canada Inc.
4260856 Canada Inc.
Novelis Cast House Technology Ltd.
Novelis No. 1 Limited Partnership
Novelis Foil France SAS
Novelis Lamines France SAS
Novelis PAE SAS
Novelis Aluminium Beteiligungs GmbH
Novelis Deutschland GmbH
Novelis Aluminium Holding Company
Novelis Italia SpA
Novelis Luxembourg SA
Alcom Nikkei Specialty Coatings Sdn Berhad
Aluminum Company of Malaysia Berhad
Al Dotcom Sdn Berhad
Novelis (India) Infotech Ltd.
Novelis de Mexico SA de CV
Novelis Korea Ltd.
Novelis Sweden AB
Novelis AG
Novelis Switzerland SA
Novelis Technology AG
Novelis Automotive UK Ltd.
Novelis Europe Holdings Limited
Novelis UK Ltd.
Aluminum Upstream Holdings LLC (Delaware)
Eurofoil, Inc. (USA) (New York)
Logan Aluminium Inc. (Delaware)
Novelis Corporation (Texas)
Novelis Finances USA LLC (Delaware)
Novelis PAE Corp (Delaware)
Novelis South America Holdings LLC

B The following transactions were carried out with the Related parties in the ordinary course of business:

(Rs. in Million)										
(a) Subsidiary Companies, Associate and Joint Ventures:										
Sl. No	Transactions during the year	2007-08			2006-07			2005-06		
		Subsidiaries	Associate	Joint Ventures	Subsidiaries	Associate	Joint Ventures	Subsidiaries	Associate	Joint Ventures
1	Sales and Conversion	207.47	-	-	590.07	-	-	392.51	-	109.86
2	Services rendered	6.84	-	-	43.21	-	-	66.47	-	-
3	Interest and dividend received	39.23	4.79	-	63.72	0.72	-	55.69	-	0.50
4	Interest paid	-	-	-	-	-	-	-	-	-
5	Purchase of materials	24,060.29	-	-	11,636.94	-	-	5,744.35	-	153.63
6	Services received	310.26	68.84	0.40	311.81	5.16	0.39	277.90	-	0.52
7	Investments, Deposits, loans and advances made during the year	29,890.79	83.30	9.50	1,443.91	45.35	25.15	1,666.26	98.25	-
8	Investments, Deposits, loans and advances received back during the year	187.99	-	-	401.00	-	-	-	-	-
9	Guarantees and Collateral securities given	159,880.00	-	-	-	-	-	9,234.38	-	-
10	Guarantees and Collateral securities received back during the year	311.40	-	-	1,026.02	-	-	-	-	-
11	Licence and Lease arrangements									
	a) Licence Fees	0.06	-	-	0.06	-	-	5.66	-	-
	b) Deposits	-	-	-	-	-	-	54.85	-	-
	Outstanding balance as at 31st March									
1	Debit Balances	1.42	0.01	0.05	76.27	-	-	38.30	-	0.06
2	Credit Balances	6,504.48	-	-	1,445.56	4.18	-	12.19	-	-
3	Investments, Deposits, loans and advances	38,033.61	226.89	2,318.05	8,471.40	143.59	2,309.94	7,544.26	78.25	2,283.40
4	Guarantees and Collateral securities given	159,925.00	-	-	45.00	-	-	1,071.03	-	-
5	Guarantees and Collateral securities taken	-			311.40			311.40	-	-
(b) Trident Trust										
	Beneficiary Interest in the Trust			344.52			344.52			344.52
(c) Key Managerial Personnel:										
	Managerial Remuneration (Including perquisites) *			82.37			49.40			37.81
	* Excluding gratuity, leave encashment provisions and employee compensation under Employee Stock Option Scheme									

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 6 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 : 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 Segment are follows:

Particulars	2007-08			2006-07			2005-06		
	Aluminium	Copper	Total	Aluminium	Copper	Total	Aluminium	Copper	Total
REVENUE									
External Sales	71,414.13	120,596.14	192,010.27	73,675.86	110,058.11	183,733.97	60,183.35	52,539.50	112,722.85
Inter Segment Transfers	35.31	58.93	94.24	28.20	61.35	89.55	-	0.79	0.79
Less: Inter Segment Transfer	71,449.44	120,655.07	192,104.51	73,704.06	110,119.46	183,823.52	60,183.35	52,540.29	112,723.64
	35.31	58.93	94.24	28.20	61.35	89.55	-	0.79	0.79
Total Revenue	71,414.13	120,596.14	192,010.27	73,675.86	110,058.11	183,733.97	60,183.35	52,539.50	112,722.85
RESULTS									
Segment Results	23,864.45	5,087.61	28,952.06	29,552.20	5,505.33	35,057.53	21,080.16	(1,019.80)	20,060.36
Un-allocable Income (Net)			3,797.71			3,007.47			1,804.12
Interest Expenses			(2,806.30)			(2,423.88)			(2,251.68)

Particulars	2007-08			2006-07			2005-06		
	Aluminium	Copper	Total	Aluminium	Copper	Total	Aluminium	Copper	Total
Provision for Taxes			(6,947.10)			(9,603.23)			(4,015.36)
Net Profit			22,996.37			26,037.89			15,597.44

OTHER INFORMATION

Assets:									
Segment Assets	89,300.81	75,149.49	164,450.30	84,367.13	68,108.74	152,475.87	71,166.67	66,965.31	138,131.98
Un-allocable Assets			144,438.31			96,892.04			50,246.75
Total Assets			308,888.61			249,367.91			188,378.73
Liabilities:									
Segment Liabilities	9,218.08	21,182.32	30,400.40	9,489.79	18,855.60	28,345.39	5,268.93	16,615.70	21,884.63
Un-allocable Liabilities			104,166.08			91,296.83			65,309.22
Total Liabilities			134,566.48			119,642.22			87,193.85
Capital Expenditure	9,742.07	704.00		14,836.43	706.34		9,951.96	1,644.95	
Non-Cash Expenses:									
Depreciation	4,160.95	1,658.95		3,816.70	1,617.88		3,559.39	1,535.91	
Impairment	-	-		125.24	727.16		44.54	-	

(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 Segment are follows:

(Rs. in Million)

Particulars	2007-08			2006-07			2005-06		
	India	Rest of the World	Total	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	127,298.80	64,711.47	192,010.27	114,001.92	69,732.05	183,733.97	76,290.19	36,432.66	112,722.85
Segment Assets	159,940.33	4,509.97	164,450.30	148,530.55	3,945.32	152,475.87	134,746.11	3,385.87	138,131.98
Capital Expenditure	10,446.07	-	10,446.07	15,542.77	-	15,542.77	11,596.91	-	11,596.91

HINDALCO INDUSTRIES LIMITED

ANNEXURE - 7

PRINCIPAL TERMS OF LOAN AND ASSETS CHARGED AS SECURITY

(Rs. in Million)

Particulars	Balance as on 31st March, 2008	Rate of Interest	Repayment Schedule	Security
100 Nos. Redeemable Non-Convertible Debentures of Rs. 100.00 million each	1,000.00	6.39%	15th November 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.
2,500 Nos Redeemable Non-Convertible Debentures of Rs. 1.00 million each	2,500.00	6.50%	6th 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).
Cash Credit and Export Credit	1,179.06	As negotiated time to time with reference to various facilities	As per nature of facility	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 Renugar 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.
Rupee Term Loans	55,053.00	8.35%	Rs.1,590.38 million in 2008-09, Rs. 2,620.82 million in 2009-10, Rs. 2,799.7 million in 2010-11, Rs. 5,152.2 million in 2011-12, Rs. 7,931.9 million in 2012-13, Rs.10,751.6 million in 2013-14, Rs. 20,608.8 million in 2014-15 and balance Rs. 3,577.6 million in 2015-16	Secured by first charge on all immovable properties of the Company both present and future ranking pari-passu and hypothecation on all the assets both present and future of the Company ranking pari-passu with other charge holders.

HINDALCO INDUSTRIES LIMITED

ANNEXURE - 7

PRINCIPAL TERMS OF LOAN AND ASSETS CHARGED AS SECURITY

(Rs. in Million)

Particulars	Balance as on 31st March, 2008	Rate of Interest	Repayment Schedule	Security
Foreign Currency Term Loans	2,321.95	5.71%	20th June, 2008	The JPY loan equivalent to USD 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.
Term Loans from Government of Uttar Pradesh under subsidized Housing Scheme for Industrial Workers	0.22	9.97%	In 2008-09, 2009-10 and 2010-11	Secured by hypothecation of Workers' Quarters at the Renukoot Plant
Employees Fixed Deposits	30.89	7.50%	Within a year	
Short Term Unsecured Loan from Banks	18,787.89	As negotiated from time to time with reference to various facilities	As per nature of facility	
Long Term Unsecured Loan from Banks				
DBS Bank	671.59	4.21%	2nd April, 2009	
DBS Bank	447.73	4.21%	2nd April, 2009	
Mizuho	1,124.25	5.66%	1st December, 2009	
Long Term Unsecured Loan from Others	169.27	Interest free	Varied amounts payable annually by April, 2018.	
	83,285.84			

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 8

INVESTMENTS

(Rs. In Million)
As at 31st March,

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Long Term Investments:					
Unquoted					
Shares in Subsidiary Companies	32,967.45	1,743.27	6,529.90	5,598.31	4,069.02
Shares, Debentures, Bonds, Units etc. in others	509.24	408.24	2,870.14	2,519.89	2,852.88
Quoted					
Government Securities	377.67	55.08	55.08	61.71	61.71
Shares in Subsidiary Companies	4,932.18	4,932.18	124.55	122.26	12,143.37
Shares, Debentures, Bonds, Units etc. in others	6,372.45	6,399.11	2,644.05	2,257.09	2,292.00
	45,158.99	13,537.88	12,223.72	10,559.26	21,418.98
Less: Provision for Diminution in carrying cost	(5.36)	(9.41)	(6.90)	(6.90)	-
	45,153.63	13,528.47	12,216.82	10,552.36	21,418.98
Current Investments:					
Unquoted					
Shares, Debentures, Bonds, Units etc. in others	95,926.23	73,224.70	27,496.04	26,468.72	12,352.68
	141,079.86	86,753.17	39,712.86	37,021.08	33,771.66
Aggregate Book Value:					
Quoted Investments	11,676.94	11,376.96	2,816.78	2,434.16	14,497.08
Unquoted Investments	129,402.92	75,376.21	36,896.08	34,586.92	19,274.58
	141,079.86	86,753.17	39,712.86	37,021.08	33,771.66
Aggregate Market Value of Quoted Investments	57,956.75	51,592.79	14,002.31	8,025.92	16,963.73

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 9 SUNDRY DEBTORS

	(Rs. In Million) <u>As at 31st March,</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debts outstanding over six months:					
Considered Good	585.68	698.46	552.73	161.25	228.60
Considered Doubtful	198.82	199.03	137.40	94.70	19.07
Other Debts:					
Considered Good	15,064.54	14,346.56	11,931.28	7,712.42	5,382.53
	15,849.04	15,244.05	12,621.41	7,968.37	5,630.20
Less: Provision for doubtful debts	198.82	199.03	137.40	94.70	19.07
	15,650.22	15,045.02	12,484.01	7,873.67	5,611.13
Receivable from:					
Promoters/ Promoter Group Companies	87.58	51.85	46.22	30.91	1.93
Others	15,562.64	14,993.17	12,437.79	7,842.76	5,609.20
	15,650.22	15,045.02	12,484.01	7,873.67	5,611.13

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 10

LOANS, ADVANCES AND OTHER CURRENT ASSETS

(Rs. In Million)

	<u>As at 31st March,</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Loans and Advances:					
Advances recoverable in cash or in kind or for value to be received and/ or to be adjusted	7,303.35	7,204.39	5,412.96	7,514.09	7,069.11
Advance and Loans to Subsidiaries		1,795.96	944.65	212.27	555.65
	133.34				
Balance with Customs, Port Trusts, Excise etc.		1,538.98	681.29	11.51	0.02
	1,492.14				
Inter Corporate Deposits		858.35	589.24	631.47	853.66
	521.25				
Trident Trust		344.52	344.52	344.52	344.52
	344.52				
	9,794.60	11,742.20	7,972.66	8,713.86	8,822.96
Other Current Assets:					
Accrued Interest:					
On Investments	20.48	13.54	8.49	1.18	0.82
On Inter Corporate Deposits and Deposit in Banks	18.07	173.65	78.51	31.23	53.62
On Others	49.42	43.12	37.27	12.04	28.01
Accrued Export and other Incentives	535.07	957.77	1,804.03	1,239.01	153.97
	623.04	1,188.08	1,928.30	1,283.46	236.42
	10,417.64	12,930.28	9,900.96	9,997.32	9,059.38
Receivable from:					
Promoters/ Promoter Group Companies	407.02	400.23	423.60	400.08	515.46
Others	10,010.62	12,530.05	9,477.36	9,597.24	8,543.92
	10,417.64	12,930.28	9,900.96	9,997.32	9,059.38

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 11

CURRENT LIABILITIES AND PROVISIONS

(Rs. In Million)

	<u>2008</u>	<u>As at 31st March,</u>		<u>2005</u>	<u>2004</u>
		<u>2007</u>	<u>2006</u>		
Current Liabilities:					
Sundry Creditors	20,386.63	22,767.61	20,018.44	14,161.08	7,737.56
Subsidiary Companies' Credit Balances and Advances against orders	6,504.43	1,445.56	12.17	279.84	104.47
	1,383.44	1,526.50	524.99	407.18	332.50
Investor Education and Protection Fund shall be credited by the following:					
Unpaid Dividends	70.19	234.50	55.87	50.34	47.07
Unpaid Application/Call Money due for refund	3.45	4.01	30.72	-	-
Unpaid Matured Deposits	0.35	0.47	0.56	0.97	-
Interest accrued on above	0.18	0.70	0.70	0.90	-
Other Liabilities Interest accrued but not due on Debentures, Loans and Deposits	264.84	626.73	591.51	631.39	252.29
	334.28	608.77	604.81	715.37	557.31
	<u>28,947.79</u>	<u>27,214.85</u>	<u>21,839.77</u>	<u>16,247.07</u>	<u>9,031.20</u>
Provisions:					
Taxation (Net)	3,993.57	5,525.37	974.87	1,138.71	(5,629.54)
Dividends	2,269.17	-	2,168.38	1,855.61	1,525.84
Tax on Dividends	385.64	-	304.12	260.25	195.50
Employee Benefits	2,270.25	1,874.16	442.18	377.95	16.88
Other Provisions	177.48	177.47	177.47	87.20	54.73
	<u>9,096.11</u>	<u>7,577.00</u>	<u>4,067.02</u>	<u>3,719.72</u>	<u>(3,836.59)</u>
	38,043.90	34,791.85	25,906.79	19,966.79	5,194.61

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 12

DETAILS OF OTHER INCOME AND OPERATING REVENUES

(Rs. In Million)

		<u>For the year ended 31st March,</u>				
		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Other Income:						
Rent Received	Recurring	34.56		24.87		
			30.34		14.62	13.67
Profit/(Loss) on Fixed Assets sold/ discarded (Net)	Non-Recurring	(31.52)	(38.74)	(7.65)	77.66	(1.82)
Income from Current Investments						
Interest	Recurring	-	-	-	-	0.67
Dividend	Recurring	3,299.27	1,329.57	944.31	641.60	206.42
Profit/(Loss) on sale of Investments (Net)	Non-Recurring	195.33	277.26	85.80	145.22	56.89
Changes in carrying amount of Investments (Net)	Non-Recurring	(126.23)	6.29	(10.86)	-	(0.09)
Income from Long Term Investments						
Interest	Recurring	107.26	81.25	13.15	7.09	19.18
Dividend	Recurring	69.41	334.71	142.65	152.67	172.38
Profit/(Loss) on sale of Investments (Net)	Non-Recurring	459.79	233.98	515.38	399.45	741.16
(Diminution)/ write back in carrying cost of Investments (Net)	Non-Recurring	4.05	(2.51)	(6.63)	-	-
Interest on ICDs and Deposit in Banks	Non-Recurring	49.96	218.41	125.76	119.66	267.81
Interest from Others						
Income Tax Department	Non-Recurring	387.34	387.34	387.34	387.34	387.34
Others	Recurring	465.76	664.42	100.57	755.14	536.44
Miscellaneous Income	Non-Recurring	14.39	178.37	124.42	-	-
		4,929.37	3,700.69	2,439.11	2,700.45	2,400.05
Operating Revenues						
Export and Other Incentives	Recurring	2,137.05	2,700.01	1,363.42	2,712.91	2,561.06
Miscellaneous Receipts and Claims (Net)	Recurring	782.43	358.22	413.30	385.85	308.61
		2,919.48	3,058.23	1,776.72	3,098.76	2,869.67

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 13

DETAILS OF DIVIDEND PAID/ PROPOSED

(Rs. In Million)

	<u>2008</u>	<u>For the year ended 31st March.</u>		<u>2005</u>	<u>2004</u>
		<u>2007</u>	<u>2006</u>		
On Equity Shares:					
Number of Shares – Fully Paid-up	1,227,130,192	927,747,970	927,747,970	92,774,797	92,475,275
Number of Shares – Partly Paid-up (Re. 0.25 paid-up)		-	231,521,031		
Number of Shares – Partly Paid-up (Re. 0.50 paid-up)	-	231,521,031			
Face Value per Share (in Rs.)					
*	1.00	1.00	1.00	10.00	10.00
Rate of Dividend (%)	185.00	170.00	220.00	200.00	165.00
Dividend (Rs. In Million)	2,268.93	1,773.44	2,168.38	1,855.61	1,525.84
Dividend Tax (Rs. In Million)	385.60	248.72	304.12	264.16	195.50
On Preference Shares # :					
Number of Shares – Fully Paid-up	2,032,734	-		-	-
Face Value per Share (in Rs.)	2.00		-	-	-
Rate of Dividend (%)	6.00		-	-	-
Dividend (Rs. In Million)	0.24			-	-
Dividend Tax (Rs. In Million)	0.04			-	-

*During FY 2005-06 Equity Share of face value of Rs. 10/- each has been split into 10 Equity Shares of face value of Re. 1/- each.

#Refer Note No. 14 of Notes on Accounts in Annexure 4 - Significant Accounting policies and Notes on Accounts

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 14

ACCOUNTING RATIOS

(Rs. in Million)

	Fot the year ended 31st March.				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Profit attributable to Equity Shareholders					
Net Profit	22,996.37	26,037.89	15,597.44	14,040.99	8,383.69
Less: Dividend on Preference Shares (including Dividend Tax)	0.28	-	-	-	
	22,996.09	26,037.89	15,597.44	14,040.99	8,383.69
Net Worth	174,322.13	129,725.69	101,184.88	82,712.34	73,972.00
Number of Equity Shares outstanding					
Fully Paid-up	1,227,130,192	927,747,970	927,747,970	92,774,797	92,475,275
Partly Paid-up (Re. 0.25 paid-up)	-	-	231,521,031	-	-
Partly Paid-up (Re. 0.50 paid-up)	-	231,521,031	-	-	-
Weighted average number of Equity Shares outstanding					
Basic	1,167,151,498	1,004,921,647	986,116,213	92,780,847	92,481,325
Diluted	1,173,519,744	1,004,921,647	986,116,213	92,780,847	92,481,325
Face Value of Equity Shares (in Rs.) #	1.00	1.00	1.00	10.00	10.00
Earning Per Share (EPS):					
Basic EPS (in Rs.)	19.70	25.91	15.82	151.34	90.65
Diluted EPS (in Rs.)	19.60	25.91	15.82	151.34	90.65
Return on Net Worth (in %)	13.19%	20.07%	15.41%	16.98%	11.33%
Net Asset Value Per Share (in Rs.)	142.06	124.32	102.66	891.54	799.91

During FY 2005-06 Equity Share of face value of Rs. 10/- each has been split into 10 Equity Shares of face value of Re. 1/- each.

HINDALCO INDUSTRIES LIMITED

ANNEXURE - 15 CAPITALIZATION STATEMENT

	(In Rs. million)	
	Pre-Issue	Post-Issue
Borrowings[#]:		
Short Term	26,808.98	26,808.98
Long Term	60,536.56	69,536.56
	87,345.54	87,345.54
Shareholders' Funds:		
Equity Share Capital	1,227.10	1,752.90
Share Warrants	1,390.96	1,390.96
Reserves and Surplus (Net of Miscellaneous Expenditure to the extent not written off or adjusted) ^{##}	178,772.52	228,723.75
	181,390.58	231,867.61
Long Term Debt/ Equity	0.33	0.26

As at 30th June 2008 as per unaudited accounts
Profit up to 30th June, 2008 considered as per unaudited accounts

ANNEXURE - 16 TAX SHELTER STATEMENT

	(In Rs. million)				
	<u>For the year ended 31st March,</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Tax Rate	33.99%	33.66%	33.66%	36.59%	35.88%
Profit before Tax	29,943.47	35,641.12	19,612.80	20,220.54	12,447.95
Tax at Notional Rate	10,177.78	11,996.80	6,601.67	7,398.70	4,465.70
Adjustments:					
Export Benefits	-	-	-	-	423.70
Difference between tax Depreciation and book Depreciation	2,805.53	374.02	3,761.31	2,362.00	3,896.60
Other Adjustments	9,626.58	5,435.76	7,666.82	1,088.14	871.18
Net Adjustments	12,432.11	5,809.78	11,428.13	3,450.14	5,191.48
Tax saving on above Adjustments	4,225.67	1,955.57	3,846.71	1,262.41	1,862.44
Total Taxation (Current Tax)	5,952.11	10,041.23	2,754.96	6,136.29	2,603.26

HINDALCO INDUSTRIES LIMITED

ANNEXURE - 17

STATEMENT OF CONSOLIDATED PROFITS AND LOSSES – RESTATED

(in Rs. million)

	<u>2008</u>	<u>For the year ended 31st March.</u>			
		<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Income:					
Net Sales	596,962.99	190,674.40	118,159.31	99,955.78	79,319.21
Operating Revenues	3,165.24	3,090.77	1,795.48	3,136.35	3,209.89
Net Sales and Operating Revenues	600,128.23	193,765.17	119,954.79	103,092.13	82,529.10
Other Income	6,560.33	4,090.63	2,805.44	2,778.83	2,795.21
	606,688.56	197,855.80	122,760.23	105,870.96	85,324.31
Expenditure:					
(Increase)/ Decrease in Stocks	(1,457.20)	(4,501.25)	(10,111.91)	(2,242.07)	(779.19)
Trade Purchases	357.55	233.69	211.62	182.22	8.42
Consumption of Raw Materials	404,429.80	113,912.92	68,398.03	48,482.82	36,621.16
Employees Cost	43,415.20	5,715.71	5,028.16	4,850.43	4,475.17
Power and Fuel	31,166.81	18,584.94	18,011.41	15,546.73	13,183.88
Other Expenditure	56,178.13	15,017.66	11,428.16	10,849.03	9,496.89
Interest and Finance Charges	18,490.97	3,134.70	3,013.69	2,159.12	2,345.64
Depreciation	24,827.78	7,793.13	7,914.85	6,324.93	5,140.34
Impairment	54.73	852.40	44.54	-	-
	577,463.77	160,743.90	103,938.55	86,153.20	70,492.31
Profit before Tax and Exceptional Items	29,224.79	37,111.90	18,821.68	19,717.76	14,832.00
Exceptional Items (Net)	-	-	7.50	100.33	10.04
Profit before Tax and Minority Interest	29,224.79	37,111.90	18,814.18	19,617.43	14,821.96
Provision for Current Tax	9,632.40	10,101.60	2,795.71	5,849.76	3,239.07
Provision for Deferred Tax	2,027.40	(478.46)	979.74	93.44	1,637.73
Provision for Fringe Benefit Tax	122.63	120.71	108.54	-	-
Profit before Minority Interest	17,442.36	27,368.05	14,930.19	13,674.23	9,945.16
Minority Interest	2,160.61	135.79	120.61	110.11	39.70
Share in (Profit)/ Loss of Associates (Net)	(997.88)	11.54	-	-	-
Net Profit	16,279.63	27,220.72	14,809.58	13,564.12	9,905.46

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 18

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES – RESTATED

	(in Rs. million)				
	<u>2008</u>	<u>2007</u>	<u>As at 31st March,</u> <u>2006</u>	<u>2005</u>	<u>2004</u>
A. Fixed Assets					
Gross Block	418,687.70	142,422.69	134,290.81	109,451.02	102,549.50
Less : Depreciation	72,372.13	48,449.36	44,957.73	38,065.60	30,412.75
Less : Impairment	1,677.88	1,896.21	1,043.81	999.27	-
Net Block	344,637.69	92,077.12	88,289.27	70,386.15	72,136.75
Capital Work-in-Progress	24,571.14	19,169.47	10,402.80	16,386.94	7,115.58
	369,208.83	111,246.59	98,692.07	86,773.09	79,252.33
B. Investments	140,076.46	78,741.41	31,632.07	29,558.16	18,655.27
C. Current Assets, Loans and Advances					
Inventories	111,108.64	48,123.25	44,975.37	26,970.41	17,033.69
Sundry Debtors	67,173.76	15,485.21	13,056.55	8,404.44	7,517.35
Cash and Bank Balances	17,168.72	10,344.65	10,423.42	4,730.47	2,831.20
Loans and Advances	18,587.13	11,512.23	7,880.90	8,989.22	9,779.16
Other Current Assets	703.89	1,219.76	1,926.37	1,288.28	443.56
	214,742.14	86,685.10	78,262.61	50,382.82	37,604.96
	724,027.43	276,673.10	208,586.75	166,714.07	135,512.56
Less:					
D. Liabilities, Provisions and Minority Interest					
Secured Loans	109,030.01	72,589.06	31,178.07	32,310.15	24,385.11
Unsecured Loans	214,494.32	11,840.34	31,531.02	16,933.96	12,801.07
Deferred Tax Liability (Net)	39,350.52	11,629.59	12,238.83	11,318.26	11,941.93
Current Liabilities and Provisions	172,179.55	38,458.96	33,458.28	22,695.69	9,776.70
Minority Interest	16,153.62	8,502.65	1,309.71	857.73	932.11
	551,208.02	143,020.60	109,715.91	84,115.79	59,836.92
Net Worth	172,819.41	133,652.50	98,870.84	82,598.28	75,675.64
Net Worth Represented by:					
Share Capital	1,226.48	1,043.25	1,473.76	1,415.87	1,412.87
Share Capital Suspense	4.07	-	-	-	-
Share Warrants	1,390.96	-	-	-	-
Reserves and Surplus (Net of Miscellaneous Expenditure)	170,197.90	132,609.25	97,397.08	81,182.41	74,262.77
	172,819.41	133,652.50	98,870.84	82,598.28	75,675.64

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 19

STATEMENT OF CONSOLIDATED CASH FLOW – RESTATED

		(in Rs. million)			
		For the year ended 31st March			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash Flow from Operating Activities:					
Profit before Tax and Minority Interest	29,224.79	37,111.90	18,814.18	19,617.43	14,821.96
Adjustment For:					
Interest and Finance Charges	18,490.97	3,134.70	3,013.69	2,208.47	2,185.87
Depreciation	24,827.78	7,793.13	7,914.85	6,324.93	5,140.34
Impairment	54.73	852.40	44.54	-	-
Unrealised Exchange (Gain)/ Loss (Net)	164.98	957.00	23.09	41.51	(120.21)
Employees Stock Option Provisions/ Provisions written-back (Net)	(519.13)	(17.23)	(1,475.57)	759.40	112.74
Miscellaneous Expenditure written-off	50.48	51.27	67.93	64.37	85.89
Write-off and amortization of fair value adjustments	(9,482.08)	-	-	-	-
Impact of Foreign Exchange translation (Net)	(1,332.32)	-	-	-	-
Investing Activities (Net)	<u>(6,029.93)</u>	<u>(3,867.19)</u>	<u>(2,495.64)</u>	<u>(2,786.64)</u>	<u>(2,535.62)</u>
Operating Profit before Working Capital changes	55,474.82	46,015.98	25,907.07	26,229.47	19,690.97
Change in Working Capital:					
Inventories	3,456.88	(3,149.38)	(18,037.33)	(9,925.91)	(2,501.81)
Trade and other Receivables	8,104.16	(4,192.16)	(7,664.47)	(2,834.46)	(2,981.93)
Trade Payables	<u>(3,665.99)</u>	<u>1,353.65</u>	<u>14,989.37</u>	<u>5,223.26</u>	<u>2,933.54</u>
Cash generation from Operation	63,369.87	40,028.09	15,194.64	18,692.36	17,140.77
Payment of Miscellaneous Expenditure	(17.12)	(14.34)	(31.65)	(89.67)	(70.84)
Payment of Direct Taxes	<u>(9,353.60)</u>	<u>(5,898.98)</u>	<u>(3,059.45)</u>	<u>580.04</u>	<u>(2,025.32)</u>
Net Cash generated/ (used) – Operating Activities	<u>53,999.15</u>	<u>34,114.77</u>	<u>12,103.54</u>	<u>19,182.73</u>	<u>15,044.61</u>
Cash Flow from Investing Activities:					
Purchase of Fixed Assets	(27,857.47)	(28,664.10)	(27,225.45)	(17,756.69)	(12,175.11)
Sale of Fixed Assets	350.93	6,903.38	7,755.97	685.14	91.54
Acquisitions of Business/ Subsidiaries	(139,024.65)	-	(2.29)	(739.98)	(85.72)
Purchase/ Sale of Investments (Net)	(21,502.67)	(45,817.79)	(1,422.19)	(9,977.19)	(5,304.49)
Interest Received	2,362.89	1,787.88	403.85	1,258.73	1,077.65
Dividend Received	<u>4,947.04</u>	<u>2,427.12</u>	<u>1,108.97</u>	<u>833.47</u>	<u>636.52</u>

	For the year ended 31st March				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net Cash generated/ (used) - Investing Activities	<u>(180,723.93)</u>	<u>(63,363.51)</u>	<u>(19,381.14)</u>	<u>(25,696.52)</u>	<u>(15,759.61)</u>
Cash Flow from Financing Activities:					
Proceeds from Shares issued (Net of Expenses)	25,242.05	18,039.52	5,512.77	97.32	103.81
Proceeds from State Capital Subsidy	-	-	21.57	-	-
Proceeds/ Repayments of Long Term Borrowings (Net)	126,162.28	32,997.57	787.66	12,304.38	(90.77)
Proceeds/ Repayments of Short Term Borrowings (Net)	960.36	(10,976.84)	11,910.15	(68.23)	3,963.42
Interest and Finance Charges	(23,118.06)	(6,505.50)	(3,169.19)	(2,189.53)	(2,257.75)
Dividend Paid (including Dividend Tax)	<u>(101.31)</u>	<u>(4,523.57)</u>	<u>(2,126.96)</u>	<u>(1,733.11)</u>	<u>(1,410.17)</u>
Net Cash generated/ (used) – Financing Activities	<u>129,145.32</u>	<u>29,031.18</u>	<u>12,936.00</u>	<u>8,410.83</u>	<u>308.54</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	2,420.53	(217.56)	5,658.40	1,897.04	(406.46)
Add: Opening Cash and Cash Equivalents	10,101.39	10,325.45	4,667.05	2,770.01	3,176.47
Add: Cash and Cash Equivalents taken over on acquisition	4,063.79	0.20	-	-	-
Add: Adjustment for change in holding in a Joint Venture	(25.86)	(6.70)	-	-	-
Add: Exchange variation on Cash and Cash Equivalents	<u>532.22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing Cash and Cash Equivalents	<u>17,092.07</u>	<u>10,101.39</u>	<u>10,325.45</u>	<u>4,667.05</u>	<u>2,770.01</u>

Notes:

1. Closing cash & cash equivalents represents Cash and Bank Balances except Rs. 76.65 million, 243.26 million, 97.97 million, 63.42 million and 61.19 million for FY 2007-08, 2006-07, 2005-06, 2004-05 and 2003-04 respectively lying in designated account with schedule 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/ restated wherever necessary.

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED 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.
- (f). During the year the Company has acquired Novelis Inc. Generally accepted accounting principles in India (Indian GAAP) does not provide any specific guidance on accounting for business combination. Hence the Company has adopted the principles of International Financial Reporting Standards 3 (IFRS 3 - Accounting for Business Combinations).

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.
- (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.

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.
11. **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.
12. **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.
13. **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
14. **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.
15. **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.
16. **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.

17. **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.

HINDALCO INDUSTRIES LIMITED

ANNEXURE 21

RELATED PARTY TRANSACTIONS – CONSOLIDATED

- (a). List of Related Parties:
 - i). Associates:
 - Aditya Birla Science & Technology Company Limited
 - Aluminium Norf GmbH (from FY 2007-08)
 - Consortio Candonga (from FY 2007-08)
 - MiniMRF LLC (from FY 2007-08)
 - Deutsche Aluminium Verpackung Recycling GmbH (from FY 2007-08)
 - France Aluminium Recyclage SA (from FY 2007-08)
 - ii). Joint Ventures:
 - IDEA Cellular Limited
 - Mahan Coal Limited (from FY 2006-07)
 - iii). Trust:
 - Trident Trust
 - iv). Key Managerial Personnel:
 - Mr. Debu 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 Million)

Particulars	2008		2007		2006	
	Associates	Joint Ventures	Associates	Joint Ventures	Associates	Joint Ventures
Transactions during the year ended 31st March:						
Sales	-	-	-	-	-	1.98
Service Received	11,156.48	0.40	5.16	0.39	-	-
Interest and Dividend Received	32.88	-	0.72	-	-	-
Investments, Deposits, Loans and Advances given	1,038.02	9.50	45.35	25.15	98.25	-
Investments, Deposits, Loans and Advances received	706.31	-	-	-	-	-
Balance as at 31st March:						
Debit Balance	0.01	0.05	-	-	-	0.06
Credit Balance	2,211.97	-	4.18	-	-	-
Investments, Deposits, Loans and Advances	38,592.74	2,318.05	143.59	2,309.94	98.25	2,283.40

ii).	Trust:	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
	Beneficiary Interest in Trust	344.52	344.52	344.52
iii).	Key Managerial Personnel:			
	Managerial Remuneration (including perquisites) *	82.37	49.40	37.81
	* Excluding gratuity, leave encashment provisions and employee compensation under Employee Stock Option Scheme.			

C. NOTES ON CONSOLIDATED 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 as at 31st March				
			2008 @	2007	2006	2005	2004
Indian Aluminium Company, Ltd.	Subsidiary	India	100.00%	97.06%	97.06%	97.06%	96.53%
Indal Exports Ltd. *	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	96.53%
Utkal Alumina International Ltd. **	Subsidiary	India	100.00%	55.00%	55.00%	55.00%	53.10%
Suvas Holdings Ltd. ***	Subsidiary	India	51.00%	51.00%	51.00%	51.00%	49.24%
Minerals & Minerals Ltd.	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	100.00%
Bihar Caustic & Chemicals Ltd.	Subsidiary	India	54.65%	54.65%	54.65%	54.57%	54.57%
Renukeshwar Investments & Finance Ltd.	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	100.00%
Renuka Investments & Finance Ltd.	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	100.00%
Dahej Harbour and Infrastructure Ltd.	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	100.00%
Lucknow Finance Company Ltd.	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	100.00%
Hindalco-Almex Aerospace Ltd.	Subsidiary	India	70.00%	70.00%	#	#	#
			60.00%	##	##	##	##
Tubed Coal Mines Ltd.	Subsidiary	India	74.00%	##	##	##	##
East Cost Bauxite Mining Company Private Ltd.	Subsidiary	India	100.00%	100.00%	100.00%	100.00%	100.00%
Birla Resources Pty Ltd.	Subsidiary	Australia	51.00%	51.00%	100.00%	100.00%	100.00%
Aditya Birla Minerals Ltd. (Consolidated)	Subsidiary	Australia					

Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest as at 31st March				
			2008	2007	2006	2005	2004
AV Minerals (Netherlands) B.V.	Subsidiary	Netherlands	100.00%	##	##	##	##
AV Metals Inc.	Subsidiary	Canada	100.00%	100.00%	#	#	#
AV Aluminum Inc.	Subsidiary	Canada	100.00%	100.00%	#	#	#
Novelis Inc. (Consolidated)	Subsidiary	Canada	100.00%	##	##	##	##
IDEA Cellular Ltd.	Joint Venture	India	8.66%	8.81%	10.11%	10.11%	10.11%
Tanfac Industries Ltd.	Joint Venture	India	\$	\$	\$	9.98%	9.98%
Mahan Coal Ltd.	Joint Venture	India	50.00%	50.00%	#	#	#
Aditya Birla Science & Technology Company Ltd.	Associate	India	49.00%	49.00%	49.00%	\$\$	\$\$

@ Amalgamated with the Company effective from 1st April, 2007.

* In FY 2003-04, Group's proportion of Voting Power was 100%.

** In FY 2003-04, Group's proportion of Voting Power was 55%.

*** In FY 2003-04, Group's proportion of Voting Power was 51%.

Became Subsidiary/ Joint Venture from FY 2006-07.

Became subsidiary from FY 2007-08.

\$ Sold entire investment during FY 2005-06.

\$\$ Became Associate from FY 2005-06.

(b) For the purpose of consolidation, the audited consolidated financial statements of Aditya Birla Minerals Limited reflecting consolidation of following entities 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 as at 31st March				
			2008	2007	2006	2005	2004
Birla Maroochydore Pty Limited	Subsidiary	Australia	51.00%	51.00%	100.00%	100.00%	100.00%
Birla Nifty Pty Limited	Subsidiary	Australia	51.00%	51.00%	100.00%	100.00%	100.00%
Birla Mt Gordon Pty Limited	Subsidiary	Australia	51.00%	51.00%	100.00%	100.00%	100.00%
#	Group's proportion of Voting Power is 100%.						

(c) For the purpose of consolidation, the consolidated financial statements of Novelis Inc. reflecting consolidation for following entities as at 31st March 2008 have been prepared in accordance with Generally Accepted Accounting Principles in India and other recognized 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 – Alumínio 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%

Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest
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%
Alcom Nikkei Specialty Coatings Sdn Berhad	Subsidiary	Malaysia	100.00%
Aluminum Company of Malaysia 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%

Name of the Company	Relationship	Country of Incorporation	Group's proportion of Ownership Interest
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 Finances USA 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.

2 (a) For the purpose of restatement of audited accounts, all material adjustments have been considered. Reconciliation of Net Profit as per Audited Accounts and Net Profit after Restatement together with items considered for restatement are given below:

(Rs. In Million)

	<u>For the year ended 31st March</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net Profit as per Audited Accounts	23,873.24	26,857.53	15,795.77	12,847.85	9,934.84
Restatement Adjustments:					
(i). Prior Year Adjustments (refer Note (i) below)	53.97	(9.22)	(17.68)	(10.25)	(8.74)
(ii). Liability no longer required written back (refer Note (ii) below)	(366.56)	85.05	(15.99)	297.50	-
(iii). Export and other Incentives (refer Note (iii) below)	-	519.04	(1,380.28)	861.24	-
(iv). Exploration and Evaluation Expenditure (refer Note (iv) below)	-	(54.53)	(45.62)	(31.15)	(23.78)
(v). Exceptional Item (refer Note (v) below)	-	-	(30.22)	30.22	-
(vi). Restatement of Novelis Inc. Accounts (refer Note (vi) below)	(1,940.02)	-	-	-	-
(vii). Tax Adjustment for earlier years (refer Note (vii) below)	(5,447.25)	23.08	17.49	-	-
(viii). Tax impact on Restatement - Current Tax	<u>106.25</u>	<u>(200.23)</u>	<u>486.11</u>	<u>(431.29)</u>	<u>3.14</u>
Net Profit after Restatement	<u>16,279.63</u>	<u>27,220.72</u>	<u>14,809.58</u>	<u>13,564.12</u>	<u>9,905.46</u>

- (i). In the audited accounts for the year ended 31st March, 2008, certain cenvat credit earlier availed were reversed. For the purpose of restated accounts the said item have been adjusted in the relevant years in which the same were originally availed.
- (ii). In the audited accounts for the years ended 31st March, 2006 and 2008, certain liabilities created in earlier years were written back. For the purpose of restated accounts the said liabilities, wherever material, have been appropriately adjusted in the relevant years in which the same were originally created.
- (iii). Audited accounts for the year ended 31st March, 2006 include benefit under Target Plus Scheme accrued in relation to export made during FY 2004-05 as necessary guidelines for claiming such benefits were issued during FY 2005-06. Further pursuant to a notification dated 12th June, 2006 of Government of India, reduction in benefit under Target Plus in relation to export made during FY 2005-06 has been accounted during FY 2006-07. For the purpose of restated accounts the said benefits/ reduction have been adjusted in the relevant years to which they relate.

- (iv). Aditya Birla Minerals Limited, one of the subsidiaries of the Company, has changed its accounting policy during FY 2007-08 in respect of Exploration and Evaluation Expenditure of Mines. As per changed accounting policy such expenditure is charged against revenue as incurred instead of hitherto followed practice of generally being carried forward based on management estimation of recovery of such cost from future operation. For the purpose of restated accounts, the said expenditure have been adjusted in the respective years to which they relate.
- (v). Audited accounts for the year ended 31st March, 2006 include write back of excess provision made for demerger expenses. For the purpose of restated accounts said item has been adjusted in the year in which the same was originally created.
- (vi). Represents the impact of restatement of Novelis Inc., a wholly owned subsidiary of the Company (refer point 3 below).
- (vii). In the financial statements for the years ended 31st March, 2008, 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. For the purpose of this statement said amount have been adjusted in the year in which the same was originally created. Further it also include MAT credit entitlement for earlier years recognized by one of the subsidiary and same has been adjusted in the relevant years.

(b) Accounts have not been restated for any period prior to which the new Accounting Standards (AS) or revision in existing AS, as stated under, become effective:

Particulars	Effective Date
AS 11 (Revised) - Accounting for the Effects of Changes in Foreign Exchange Rates	Periods commencing on or after 1st April, 2004
AS 15 (Revised) - Employee Benefits	Periods commencing on or after 1st April, 2006
AS 28 - Impairment of Assets	Periods commencing on or after 1st April, 2004
AS 29 - Provisions, Contingent Liabilities and Contingent Assets	Periods commencing on or after 1st April, 2004

(c) Exchange differences up to December, 2006 attributable to the acquisition of fixed assets had been adjusted to the cost of the respective assets. The accounts have not been restated for the period prior to December, 2006 in respect of such exchange differences.

(d) Figures have been regrouped/ rearranged wherever necessary.

3. Subsequent to the approval of Consolidated Financial Statement of Hindalco Industries Ltd., for the year ended 31st March, 2008, certain non-cash errors were detected in the accounts of Novelis Inc., a wholly-owned subsidiary of the Company. The audited accounts of Novelis have been revised and on the basis of Fit for Consolidation Certificate on revised accounts issued by a firm of Chartered Accountants, the adjustments have been considered for the purpose of restated accounts. The reasons and impact of such restatement is reproduced below.

The Novelis Inc., a wholly-owned subsidiary of the Company, has restated herein its consolidated financial statements as of March 31, 2008 and for the period from May 16, 2007 through March 31, 2008. This restatement corrects non-cash errors relating to the company'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 finalised. Miscellaneous adjustments that were deemed to be not material by management, either individually or in the aggregate previously have now been effected. These adjustments do not have an impact on compliance with the financial covenants under 7.25% Senior Notes or under New Senior Secured Credit Facilities.

As a result of the Arrangement (see below) and subsequent allocation of fair value to the assets and liabilities of Novelis Inc., the recorded value of 50% interest in Aluminium Norf GmbH (Norf) increased by approximately USD 775 million. A deferred tax liability was created on this increase by applying the statutory tax rate in Germany as of the May 15, 2007 being closing date of the Arrangement.

Management has identified non-cash errors relating to the initial valuation of the deferred tax liability and subsequent remeasurement of that liability associated with the statutory rate reduction. Management has determined that a significant portion of this increase in basis reflected goodwill inside the Norf investment, which is not deductible for tax purposes, and that deferred tax liability for the inside and outside basis differences associated with purchase accounting for this equity method investment was not measured properly.. Additionally, the deferred tax accounting for the increase in fair value of equity method investment was inappropriately presented as if Norf was a consolidated subsidiary.

As a result of these errors in opening balance sheet of the company, the tax benefits associated with the subsequent remeasurement of deferred tax liabilities due to the reduction of the German statutory tax rate was overstated.

These non-cash errors have been corrected by (i) reducing the deferred tax liability amount recorded in purchase accounting for Norf investment by approximately USD 287 million with an offsetting decrease to goodwill, (ii) reducing the income tax benefit that was recognized related to the reduction in statutory tax rate by approximately USD 45 million, (iii) reclassifying the remaining \$29 million of Norf deferred tax liability accretion, previously recognized in Provision for Deferred Tax, to Share of Profit / Loss of Associates and (iv) removing the \$33 million currency translation adjustment associated with the overstated portion of the deferred tax liability.

The Company has also included in the appropriate periods in its restated consolidated financial statements other miscellaneous adjustments that were deemed to be not material by management, either individually or in the aggregate, and therefore were originally corrected in the period in which they were identified. Such adjustments impacted (i) the timing of expense items, including income taxes, (ii) the measurement of depreciation expense recognized for assets placed into service after completion of the Arrangement, (iii) remeasurement of bank accounts denominated in foreign currencies, and (iv) amortization of certain pension amounts. The net impact of correcting these items reduced net income for the Successor Period from May 16, 2007 through March 31, 2008 by approximately USD 3 million.

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 Million	Proportion
	Parent	Subsidiary	2007-08	2006-07	2007-08	2006-07
Environment and 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.	596.29	729.79	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 (a) On 15th May, 2007, the Company has acquired Novelis Inc. (Novelis), the world's largest aluminium rolled product manufacturer through wholly-owned subsidiary A V Metals Inc. (Acquisition Sub) pursuant to a plan of arrangement (Arrangement) entered into on 10th February, 2007 and approved by the Ontario Superior Court of Justice on 14th May, 2007. As a result of the Arrangement, Acquisition Sub acquired all of Novelis' outstanding common shares at a price of USD 44.93 per share in exchange for cash payments. The aggregate purchase price for Novelis' common shares was USD 3.4 billion and the consideration and transaction costs paid by the Company has been allocated to the assets acquired and liabilities assumed in accordance with principles of IFRS 3 as under:

	<u>USD in Million</u>
Consideration	
Purchase of all outstanding 75,415,536 shares at \$ 44.93 per share	3,388
Direct transaction costs incurred by Hindalco	<u>17</u>
Total Consideration	<u>3,405</u>
 Allocation	
Assets acquired:	
Current assets	3,210
Property, plant and equipment	3,451
Goodwill	1,869
Intangible assets	913
Investment in and advances to non-consolidated affiliates	927
Fair value of derivative instruments - net of current portion	3
Deferred income tax assets	119
Other long-term assets	<u>109</u>
Total assets acquired	<u>10,601</u>
 Liabilities assumed:	
Accounts payable	1,612
Accrued expenses and other current liabilities	750
Debt, including current portion and short-term borrowings	2,824
Deferred income tax liabilities, including current portion	751
Accrued postretirement benefits	382
Other long-term liabilities	724
Minority interests in equity of consolidated affiliates	<u>153</u>
Total liabilities assumed	<u>7,196</u>
Total Consideration	<u>3,405</u>

The purchase price allocation shown above includes a total of USD 685 million for the fair value of liabilities associated with unfavorable sales contracts. Of this amount, USD 655 million relates to unfavorable sales contracts in North America. These contracts include a ceiling over which metal prices cannot contractually be passed through to certain customers, unless adjusted. Subsequent to the Arrangement, the fair values of these liabilities are credited to Net sales over the remaining lives of the underlying contracts. The reduction of these liabilities does not affect the Company's cash flows.

Intangible assets include USD 124 million for a favorable energy supply contract in North America, recorded at its estimated fair value and USD 15 million for other favorable supply contracts in Europe. The goodwill resulting from the Arrangement reflects the value of our in-place workforce, deferred income taxes associated with the fair value adjustments and potential synergies. The valuation and the useful lives of tangible and intangible assets were based on the fair values arrived by independent professionals. To estimate fair values, the Company considered a number of factors, including the application of multiples to discounted cash flow estimates. There are considerable judgment with respect to cash flow estimates and appropriate multiples used in determining fair value.

(b) The CFS of the Company for the year ended 31st March, 2008 include Rs. 399,089.85 million in Net Sales and Operating Revenues, Rs. 2,270.03 million of loss in Net Profit and Rs. 139,892.84 million in Net Assets being the effect of acquisition of Novelis from 16th May, 2007.

6 (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, 2008 stood at Rs. 220 million, 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 derivative 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 intends to go for early adoption of AS 30 on Financial Instruments: Recognition and Measurement which will take some time on account of associated complexities and documentation requirements. Pending adoption of AS 30, the Company has not provided for the losses on mark to market basis. The foreign subsidiaries account for derivative transactions under IFRS or US GAAP which comply with the requirements prescribed by the Institute for similar transactions.

(b) The Company has entered into various derivative contracts for hedging foreign exchange exposures. The transactions outstanding as on 31st March 2008 are as under:

(Rs. in Million)

Category	Nature	Outstanding Amount	MTM Gain/ (Loss)
Commodity	Forward Cover, Option etc.	25,892.99	(140.00)
Foreign Exchange, Currency etc.	Forward Cover, Option etc.	12,193.42	(80.00)

7 (a) Future obligation under non-cancelable operating leases are as under:

(Rs. in Million)

Period	2007-08	2006-07
Not later than one year	1,406.83	298.02
Later than one year and not later than five years	3,057.80	662.55
Later than five years	1,555.40	114.60

(b) Future obligation towards minimum lease payments under the finance leases taken on or after 1st April, 2001 are as under:

(Rs. in Million)

Period	2007-08		2006-07	
	Payment	Present Value	Payment	Present Value
Not later than one year	382.16	370.35	60.09	55.88
Later than one year and not later than five years	1376.81	991.47	235.86	184.68
Later than five years	1878.59	1279.16	-	-

8. Additional information:

(Rs. in Million)

	<u>2007-08</u>	<u>2006-07</u>
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	22,238.69	13,898.51
(b) Contingent liabilities not provided for in respect of:		
i). Claims against the Company not acknowledged as debts	7,531.91	2,012.43
ii). Bills discounted with Banks	765.88	1,004.16
iii). Corporate Guarantees outstanding	936.55	506.40
iv). Custom duty on Capital goods and Raw Materials imported under Advance License/ EPCG Scheme against which Export obligations to be fulfilled	1,926.30	1,836.72

9. During April 2007, the Company received a notice dated 24th March, 2007 from collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of Rs. 2,529.59 million 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

	(Rs. in Million)	
	<u>2007-08</u>	<u>2006-07</u>
10. Major components of Deferred Tax arising on account of temporary timing differences are as under:		
Deferred Tax Liability:		
Depreciation	53,541.17	14,148.18
Others	<u>12,201.97</u>	<u>807.08</u>
	<u>65,743.14</u>	<u>14,955.26</u>
Deferred Tax Assets:		
Un-amortized Expenditure	12,741.72	149.40
Brought forward Business Loss	6,664.11	1,710.86
Others	<u>6,986.79</u>	<u>1,465.41</u>
	<u>26,392.62</u>	<u>3,325.67</u>
Deferred Tax Liability (Net)	<u>39,350.52</u>	<u>11,629.59</u>

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HINDALCO INDUSTRIES LIMITED

ANNEXURE - 22 SEGMENTAL REPORTING – CONSOLIDATED

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

- i). The Company 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 and Aluminium 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 as follows:

(Rs. in Million)

Particulars	2007-08				2006-07				2005-06			
	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total
REVENUE												
External Sales	470,338.20	123,344.92	6,445.11	600,128.23	73,933.39	115,613.81	4,217.97	193,765.17	60,401.87	56,013.44	3,539.48	119,954.79
Inter-segment transfers	201.12	58.93	1,129.13	1,389.18	28.20	61.35	1,067.51	1,157.06	0.79	-	648.92	649.71
	470,539.32	123,403.85	7,574.24	601,517.41	73,961.59	115,675.16	5,285.48	194,922.23	60,402.66	56,013.44	4,188.40	120,604.50
Less: Inter Segment Adjustment	201.12	58.93	1,129.13	1,389.18	28.20	61.35	1,067.51	1,157.06	0.79	-	648.92	649.71
Total Revenue	470,338.20	123,344.92	6,445.11	600,128.23	73,933.39	115,613.81	4,217.97	193,765.17	60,401.87	56,013.44	3,539.48	119,954.79
RESULTS												
Segment Results	31,453.72	9,368.16	1,863.93	42,685.81	29,525.87	6,112.30	1,336.09	36,974.26	21,104.06	(2,125.17)	1,053.68	20,032.57
Un-allocable Income (Net)				3,867.22				3,125.01				1,674.69
Interest Expenses				(18,490.97)				(3,134.70)				(3,013.69)
Provision for Taxes				(11,782.43)				(9,743.85)				(3,883.99)
Net Profit				16,279.63				27,220.72				14,809.58
OTHER INFORMATION												

(Rs. in Million)

Particulars	2007-08				2006-07				2005-06			
	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total
N												
Assets:												
Segment Assets	466,275.82	91,347.00	13,528.14	571,150.96	87,629.66	84,951.11	10,095.50	182,676.27	72,920.24	84,386.83	9,163.37	166,470.44
Un-allocable Assets				152,876.47				93,996.83				42,116.31
Total Assets				724,027.43				276,673.10				208,586.75
Liabilities:												
Segment Liabilities	139,338.14	17,754.20	2,746.98	159,839.32	11,242.32	20,181.24	7,426.09	38,849.65	5,397.96	22,204.78	1,796.78	29,399.52
Un-allocable Liabilities				391,368.70				104,170.95				80,316.39
Total Liabilities				551,208.02				143,020.60				109,715.91
Capital Expenditure	22,469.26	4,035.88	3,349.32		15,943.50	6,877.83			10,236.38	5,368.93		
Non-Cash Expenses:							654.71				1,689.82	
Depreciation	19,938.40	3,894.41	936.79		3,852.84	3,127.88	753.34		3,638.65	3,596.53	652.74	
Impairment	54.73	-	-		125.24	727.16	-		44.54	-	-	

(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:

Particulars	(Rs. in million)								
	2007-08			2006-07			2005-06		
	India	Rest of the World	Total	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	133,697.40	466,430.83	600,128.23	118,390.23	75,374.94	193,765.17	83,405.82	36,548.97	119,954.79
Segment Assets	171,512.20	399,638.76	571,150.96	162,539.97	20,136.30	182,676.27	145,536.54	20,933.90	166,470.44
Capital Expenditure	17,501.29	12,353.17	29,854.46	17,828.73	5,647.31	23,476.04	12,031.22	5,263.91	17,295.13

HINDALCO INDUSTRIES LIMITED

ANNEXURE – 23

CONSOLIDATED ACCOUNTING RATIOS

(Rs. In Million)

	<u>For the year ended 31st March,</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Profit attributable to Equity Shareholders					
Net Profit	16,279.63	27,220.72	14,809.58	13,564.12	9,905.46
Less: Dividend on Preference Shares (including Dividend Tax)	0.28	-	-	-	-
	16,279.35	27,220.72	14,809.58	13,564.12	9,905.46
Net Worth	172,819.41	133,652.50	98,870.84	82,598.28	75,675.64
Number of Equity Shares outstanding					
Fully Paid-up	1,227,130,192	927,747,970	927,747,970	92,774,797	92,475,275
Partly Paid-up (Re. 0.25 paid-up)	-	-	231,521,031	-	-
Partly Paid-up (Re. 0.50 paid-up)	-	231,521,031	-	-	-
Weighted average number of Equity Shares outstanding					
Basic	1,167,151,498	1,004,921,647	986,116,213	92,780,847	92,481,325
Diluted	1,173,519,744	1,004,921,647	986,116,213	92,780,847	92,481,325
Face Value of Equity Shares (in Rs.) #	1.00	1.00	1.00	10.00	10.00
Earning Per Share (EPS):					
Basic EPS (in Rs.)	13.95	27.09	15.02	146.20	107.11
Diluted EPS (in Rs.)	13.87	27.09	15.02	146.20	107.11
Return on Net Worth (in %)	9.42%	20.37%	14.98%	16.42	13.09
Net Asset Value Per Share (in Rs.)	140.83	128.08	100.31	890.31	818.33

During FY 2005-06 Equity Share of face value of Rs. 10/- each has been split into 10 Equity Shares of face value of Re. 1/- each.

HINDALCO INDUSTRIES LIMITED

Balance Sheet as at 30th June, 2008

(Rs. in Million)

	<u>Schedule</u>	<u>2008</u> <u>(Unaudited)</u>	<u>As at 30th June,</u> <u>2007</u> <u>(Unaudited)</u>
<u>SOURCES OF FUNDS</u>			
SHAREHOLDERS' FUNDS			
Share Capital	`1'	1,230.62	1,111.01
Share Capital Suspense		-	4.07
Share Warrants		1,390.96	1,390.96
Reserves and Surplus	`2'	178,720.29	140,777.69
		181,341.87	143,283.73
LOAN FUNDS			
Secured Loans	`3'	58,281.90	61,048.42
Unsecured Loans	`4'	29,063.64	22,386.79
		87,345.54	83,435.21
DEFERRED TAX LIABILITY (NET)			
		13,683.24	11,667.98
TOTAL		282,370.65	238,386.92
<u>APPLICATION OF FUNDS</u>			
FIXED ASSETS			
Gross Block	`5'	128,009.19	113,901.39
Less : Depreciation		47,840.44	42,543.07
Less : Impairment		1,623.15	1,896.21
Net Block		78,545.60	69,462.11
Capital Work-in-Progress		12,240.34	17,719.33
		90,785.94	87,181.44
INVESTMENTS	`6'	146,261.20	87,081.75
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	`7'	58,073.02	50,397.56
Sundry Debtors	`8'	15,092.76	14,843.82
Cash and Bank Balances	`9'	1,180.43	4,839.60
Other Current Assets	`10'	429.51	800.59
Loans and Advances	`11'	10,763.95	31,897.90
		85,539.67	102,779.47
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	`12'	30,238.87	24,951.96
Provisions	`13'	9,977.29	13,728.98
		40,216.16	38,680.94

HINDALCO INDUSTRIES LIMITED**Balance Sheet as at 30th June, 2008**

(Rs. in Million)

	<u>Schedule</u>	<u>2008</u> <u>(Unaudited)</u>	<u>As at 30th June,</u> <u>2007</u> <u>(Unaudited)</u>
NET CURRENT ASSETS		45,323.51	64,098.53
MISCELLANEOUS EXPENDITURE	`14'	-	25.20
(to the extent not written off or adjusted)			
TOTAL		<u>282,370.65</u>	<u>238,386.92</u>

HINDALCO INDUSTRIES LIMITED
Profit and Loss Account for the Quarter ended 30th June, 2008

(Rs. in Million)

		<u>For the quarter ended 30th June,</u>	
	<u>Schedule</u>	<u>2008</u>	<u>2007</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>INCOME</u>			
Gross Sales and Operating Revenues	`15'	50,683.27	51,249.52
Less: Excise Duty		4,207.94	4,398.12
Net Sales and Operating Revenues		46,475.33	46,851.40
Other Income	`16'	2,146.58	1,246.23
		48,621.91	48,097.63
<u>EXPENDITURE</u>			
(Increase)/ Decrease in Stocks	`17'	(2,491.16)	(2,307.16)
Trade Purchases		33.86	75.02
Manufacturing and Other Expenses	`18'	39,442.19	40,272.59
Interest and Finance Charges	`19'	761.21	562.61
Depreciation		1,568.02	1,437.48
		39,314.12	40,040.54
PROFIT BEFORE TAX		9,307.79	8,057.09
Provision for Current Tax		1,871.70	1,644.69
Provision for Deferred Tax		446.50	408.05
Provision for Fringe Benefit Tax		22.00	18.12
Tax adjustment for earlier years (Net)		-	-
NET PROFIT		6,967.59	5,986.23
Balance brought forward from Previous year		3,000.00	1,000.00
Balance brought forward from Amalgamating Company		-	(15.62)
BALANCE CARRIED TO BALANCE SHEET		9,967.59	6,970.61

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Balance Sheet

(Rs. in Million)

	<u>As at 30th June,</u>	
	<u>2008</u>	<u>2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>SCHEDULE '1'</u>		
<u>SHARE CAPITAL</u>		
Equity Shares		
Equity Shares of Re.1/- each fully paid-up	1,227.19	995.31
Equity Shares of Re.1/- each partly paid-up	-	115.94
	1,227.19	1,111.25
Less: Face value of Shares forfeited	0.06	0.06
	1,227.13	1,111.19
Add: Forfeited Shares Account (Amount Paid-up)	0.03	0.03
	1,227.16	1,111.22
Less: Calls-in-Arrears	0.61	0.21
	1,226.55	1,111.01
Preference Shares		
6% Cumulative Redeemable Preference Share of Rs. 2/- each	4.07	-
	1,230.62	1,111.01
<u>SCHEDULE '2'</u>		
<u>RESERVES AND SURPLUS</u>		
Capital Reserve	4.46	4.46
Capital Redemption Reserve	1,011.59	1,011.59
Securities Premium Account	42,688.33	31,711.73
Debenture Redemption Reserve	825.00	2,496.70
Employees Stock Options	30.06	-
General Reserve	124,193.26	98,582.60
Profit and Loss Account Balance	9,967.59	6,970.61
	178,720.29	140,777.69
<u>SCHEDULE '3'</u>		
<u>SECURED LOANS</u>		
Debentures	3,500.00	8,386.80
Loans from Banks	54,781.69	52,615.56
Other Loans	0.21	46.06
	58,281.90	61,048.42

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Balance Sheet

(Rs. in Million)

	<u>2008</u> <u>(Unaudited)</u>	<u>2007</u> <u>(Unaudited)</u>
<u>SCHEDULE '4'</u>		
<u>UNSECURED LOANS</u>		
Fixed Deposits	28.16	86.62
Loans from Banks	28,900.46	22,125.73
Loans from Others	135.02	174.44
	<u>29,063.64</u>	<u>22,386.79</u>
<u>SCHEDULE '5'</u>		
<u>FIXED ASSETS</u>		
Gross Block	128,009.19	113,901.39
Less : Depreciation	47,840.44	42,543.07
Less : Impairment	1,623.15	1,896.21
Net Block	78,545.60	69,462.11
Capital Work-in-Progress	12,240.34	17,719.33
	<u>90,785.94</u>	<u>87,181.44</u>
<u>SCHEDULE '6'</u>		
<u>INVESTMENTS</u>		
Long Term Investments	45,389.42	13,439.15
Current Investments	100,871.78	73,642.60
	<u>146,261.20</u>	<u>87,081.75</u>
<u>SCHEDULE '7'</u>		
<u>INVENTORIES</u>		
Stores and Spare-parts	2,719.34	2,437.43
Coal and Fuel	1,112.14	881.30
Raw Materials	23,505.11	17,987.17
Work-in-Process	27,056.21	26,733.95
Finished Goods	3,221.68	1,989.68
Excise Duty on Stock	458.54	368.03
	<u>58,073.02</u>	<u>50,397.56</u>

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Balance Sheet

(Rs. in Million)

	<u>2008</u>	<u>2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>SCHEDULE '8'</u>		
<u>SUNDRY DEBTORS</u>		
Exceeding six months:		
Considered Good	870.58	708.98
Considered Doubtful	186.93	201.66
Others:		
Considered Good	14,222.18	14,134.84
	15,279.69	15,045.48
Less: Provision for doubtful debts	186.93	201.66
	15,092.76	14,843.82
 <u>SCHEDULE '9'</u>		
<u>CASH AND BANK BALANCES</u>		
Cash balance on hand	3.95	4.21
Cheques and Drafts in hand	74.96	1.54
Balance with Scheduled Banks :		
In Current Accounts	1,037.12	1,199.64
In Call Accounts	4.75	5.83
In Deposit Account	59.36	3,628.07
Balance with Others:		
In Current Accounts	0.29	0.31
	1,180.43	4,839.60
 <u>SCHEDULE '10'</u>		
<u>OTHER CURRENT ASSETS</u>		
Accrued Interest		
On Investments	41.40	38.07
On Inter Corporate Deposits and Deposit in Banks	20.16	233.58
On Others	38.05	56.97
Accrued Export and other Incentives	329.90	471.97
	429.51	800.59
 <u>SCHEDULE '11'</u>		
<u>LOANS AND ADVANCES</u>		
Advances recoverable in cash or in kind or for value to be received and/ or to be adjusted	6,532.22	6,542.68
Advance and Loans to Subsidiaries	2,329.90	23,098.75
Balance with Customs, Port	1,219.10	1,041.35

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Balance Sheet

(Rs. in Million)

	<u>As at 30th June,</u>	
	<u>2008</u>	<u>2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Trusts, Excise etc.	338.21	870.60
Inter Corporate Deposits	344.52	344.52
Trident Trust	<u>10,763.95</u>	<u>31,897.90</u>

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Balance Sheet

(Rs. in Million)

As at 30th June,

	<u>2008</u>	<u>2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>SCHEDULE '12'</u>		
<u>CURRENT LIABILITIES</u>		
Sundry Creditors	25,753.28	19,309.93
Subsidiary Companies	1,944.96	2,502.28
Customers' Credit Balances and Advances against orders	1,211.35	1,121.51
Investor Education and Protection Fund shall be credited by the following:		
Unpaid Dividends	64.51	238.94
Unpaid Application/Call Money due for refund	5.06	4.01
Unpaid Matured Deposits	0.35	0.51
Interest accrued on above	0.18	0.76
Other Liabilities	921.83	1,251.27
Interest accrued but not due on Debentures, Loans and Deposits	337.35	522.75
	<u>30,238.87</u>	<u>24,951.96</u>
<u>SCHEDULE '13'</u>		
<u>PROVISIONS</u>		
Taxation (Net)	4,844.15	11,625.27
Dividends	2,269.17	-
Tax on Dividends	385.65	-
Employee Benefits	2,300.85	1,926.24
Other Provisions	177.47	177.47
	<u>9,977.29</u>	<u>13,728.98</u>
<u>SCHEDULE '14'</u>		
<u>MISCELLANEOUS EXPENDITURE</u>		
(To the extent not written off or adjusted)		
Compensation under VRS	-	25.20
	<u>-</u>	<u>25.20</u>

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Profit and Loss Account

(Rs. in Million)

For the quarter ended 30th June,

	<u>2008</u>	<u>2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>SCHEDULE '15'</u>		
<u>GROSS SALES AND OPERATING REVENUES</u>		
A. Sales:		
Net Sales	46,191.56	45,974.56
Excise Duty	4,207.94	4,398.12
Gross Sales	50,399.50	50,372.68
B. Operating Revenues:		
Export and Other Incentives	180.00	620.48
Miscellaneous Receipts and Claims	103.77	256.36
	283.77	876.84
	50,683.27	51,249.52
<u>SCHEDULE '16'</u>		
<u>OTHER INCOME</u>		
Rent Received	8.95	7.19
Profit/(Loss) on Fixed Assets sold/ discarded (Net)	85.11	(8.80)
Income from Investments;		
Income from Current Investments-		
Dividend	897.97	675.85
Profit/(Loss) on sale of Investments (Net)	(81.63)	190.28
Changes in carrying amount of Investments (Net)	130.80	(6.54)
Income from Long Term Investments-		
Interest	31.48	25.00
Dividend	654.83	-
Profit/(Loss) on sale of Investments (Net)	289.67	229.24
(Diminution)/ write back in carrying cost of Investments (Net)	(0.71)	-
Interest on Inter Corporate Deposits and Deposit in Banks	3.51	20.48
Interest from Others	100.87	107.50
Miscellaneous Income	25.73	6.03
	2,146.58	1,246.23

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Profit & Loss Account

(Rs. in Million)

For the quarter ended 30th June,

	<u>2008</u> <u>(Unaudited)</u>	<u>2007</u> <u>(Unaudited)</u>
<u>SCHEDULE '17'</u>		
<u>(INCREASE)/DECREASE IN STOCKS</u>		
Opening Stocks		
Work-in-Process	25,234.92	24,649.04
Finished Goods	2,831.97	1,957.83
Add: Stock of Amalgamating Company		
Work-in-Process	-	28.05
Finished Goods	-	13.99
	<u>28,066.89</u>	<u>26,648.91</u>
Less: Closing Stocks:		
Work-in-Process	27,056.21	26,733.95
Finished Goods	3,680.22	2,357.71
	<u>30,736.43</u>	<u>29,091.66</u>
	<u>(2,669.54)</u>	<u>(2,442.75)</u>
Less: Change in Excise Duty on Stock	<u>(178.38)</u>	<u>(135.59)</u>
	<u>(2,491.16)</u>	<u>(2,307.16)</u>
<u>SCHEDULE '18'</u>		
<u>MANUFACTURING AND OTHER EXPENSES</u>		
Raw Materials Consumed	29,432.61	31,179.72
Power and Fuel (including cost of own generation)	5,543.62	4,237.29
Payments to and Provisions for Employees		
Salaries, Wages and Bonus	1,180.89	1,045.93
Contribution to Provident and other Funds	125.38	136.58
Employees Welfare	187.64	154.03
Other Expenses		
Consumption of Stores and Spare-parts	784.93	844.72
Repairs to Buildings	66.33	42.01
Repairs to Machinery	389.34	315.30
Rates and Taxes	17.64	24.84
Rent	51.57	40.99
Insurance	87.37	113.96
Auditors' Remuneration	4.31	3.50
Research and Development	18.37	9.15
Discount on Sales	45.37	31.01
Commission on Sales	45.75	58.32
Freight and Forwarding (Net)	592.42	676.50
Doubtful Debts Provision/ (written back) (Net)	(11.89)	2.63
Bad Debts written off	1.72	0.66
Donation	16.70	0.34
Directors' Fees	0.14	0.11
Miscellaneous Expenditure written off	0.50	9.28
Provisions/ Liability no longer required written back (Net)	38.18	(146.76)
Miscellaneous	823.30	1,492.48
	<u>39,442.19</u>	<u>40,272.59</u>

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Profit & Loss Account

(Rs. in Million)

For the quarter ended 30th June,

	<u>2008</u>	<u>2007</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>SCHEDULE '19'</u>		
<u>INTEREST AND FINANCE CHARGES</u>		
Interest on Debentures and other Fixed Loans	1,258.26	1,236.25
Interest on Others	216.73	155.47
Other Finance Charges	128.58	94.28
	<u>1,603.57</u>	<u>1,486.00</u>
Less: Interest Capitalized	842.36	923.39
	<u>761.21</u>	<u>562.61</u>

To
The Board of Directors
Hindalco Industries Ltd.
Century Bhavan 3rd Floor Dr. Annie Besant Road,
Worli, Mumbai- 400 030.

**Subject: Restatement of Audited Consolidated Financial Statements of Novelis Inc. (a subsidiary)
for the Financial Year ended March 31, 2008**

Dear Sirs,

The audited consolidated accounts of Hindalco Industries Ltd. and its subsidiaries, associates and joint ventures (the “ Group ”) was approved in the meeting of the Board of Directors of the Company held on 20th June, 2008 and report on those accounts was issued by us on the same date. Subsequent to this, we have been informed by the management of the Company that the audited consolidated financial statements of Novelis Inc., a subsidiary of the Company, audited by other auditors, have been restated as a result of certain errors in previously published audited consolidated financial statements as of and for the period ended 31st March 2008. These restated audited financial statements of Novelis Inc. as of and for the year ended 31st March 2008 were approved by the Board of Directors of Novelis Inc. on August 11, 2008.

Consequently, the audited consolidated accounts of the Group referred to in our report dated 20th June, 2008 requires certain restatement which are stated hereunder to reflect a true and fair view.

Rs. in Millions

Particulars	As per Audited Consolidated Accounts	Effect of revision of Novelis Inc. Accounts	Amount after Restatement (Unaudited)
Profit and Loss Account items			
Depreciation	24,510.46	317.32	24,827.78
Share in (Profit) / Loss of Associates	158.53	(1,156.41)	(997.88)
Current Tax for the year	9,713.25	25.40	9,738.65
Deferred Tax for the year	(738.21)	2,765.61	2,027.40
Minority Interest in P & L	2,206.18	(11.90)	2,194.28
Net Profit after Tax	23,873.24	(1,940.02)	21,933.22
Balance Sheet items			
Depreciation Reserve	72,055.31	316.82	72,372.13
Investment (in Associates)	138,922.25	1,154.21	140,076.50
Provision for Current Tax	7,945.59	(106.93)	7,838.66
Deferred Tax Liability	49,513.52	(10,163.00)	39,350.52
Fixed Assets	430,198.72	(11,511.02)	418,687.70
Minority Interest in Balance Sheet	16,165.52	(11.90)	16,153.62
Currency Translation Reserve	705.08	1,334.36	2,039.44
Basic EPS (in Rs.)	20.45		18.79
Diluted EPS (in Rs.)	20.34		18.69
Basic EPS Before Tax Adjustment for earlier years (in Rs.)	15.76		14.10
Diluted EPS Before Tax Adjustment for earlier years (in Rs.)	15.67		14.02

This letter is provided to take note of the above changes to the audited consolidated accounts of the Company as of and for the year ended 31st March 2008. We also request you to inform the Shareholders of these changes as well as to incorporate it in the Letter of Offer and/or wherever the original audited consolidated accounts of the Company as of and for the year ended 31st March 2008 will be used / published/ referred.

Thanking you,

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

**Rajiv Singhi
Partner
Membership No 53518**

**Place: Kolkata
Date: 20th August, 2008**

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, 2008, 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 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. 11,074.43 million as at 31st March, 2008 and total revenue of Rs. 1,880.20 million and net cash flow amounting to Rs 836.01 million 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 Metal Inc., A V Aluminium 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. 841,751.94 million as at 31st March, 2008, total revenue of Rs. 401,238.74 million and cash flow amounting to Rs. 8,487.65 million for the year then ended, have been converted into the Indian GAAP 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 Company 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. 28,119.19 million as at 31st March, 2008 and total revenue 25,291.89 million and net cash flow amounting to Rs 251.89 million for the year then ended.
 - c) These consolidated financial statements include total assets of Rs. 11,064.51 million as at 31st March, 2008 and total revenue of Rs. 5,935.81 million and net cash flow amounting to Rs 1,145.87 million for the year then ended, being proportionate share in the joint venture Idea Cellular Limited which are based on Consolidated financial statements audited by other Auditors.

- d) The Company's share of loss (Net) in associates aggregating to Rs.158.53 million for the year ended 31st March 2008, have been accounted for based on audited financial statements audited by other auditors.
 - e) 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.
- 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", 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. Attention is invited to Note No 29(d) regarding Non provision for mark to market losses (net) of Rs 220 million on outstanding derivatives as on 31st March 08 which is not in accordance with Accounting Standard-1 and announcement made by the ICAI on 29th March 08 .
- 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".**

The methodology followed for accounting for this Business Combination as per IFRS –3 has been given in Note No. 6 (a).

- 5) Based on our audit and on the consideration of reports of other auditors on separate financial statements and Fit for Consolidation Reports to the best of our information and according to the explanations given to us, the said accounts subject to Note No 5 on Schedule 20 regarding payment of Managerial Remuneration and pending approval of Central Government and with other Notes and in particular Note No 2, we are of the opinion that the attached consolidated financial statements 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 31st March 2008
 - (b) in the case of the consolidated profit and loss account, of the profit/ loss 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**

**Rajiv Singhi
Partner
Membership No 53518**

**Place: Mumbai
Date: 20th June , 2008**

HINDALCO INDUSTRIES LIMITED
Consolidated Balance Sheet as at 31st March, 2008

(Rs. In Million)

		<u>As at 31st March, 2008</u>		<u>As at 31st March, 2007</u>	
	Schedule	Share in Joint Ventures	Share in Consoli- dated	Share in Joint Ventures	Share in Consoli- dated
<u>SOURCES OF FUNDS</u>					
<u>SHAREHOLDERS' FUNDS</u>					
Share Capital	`1'	2,307.15	1,226.48	2,283.40	1,043.25
Share Capital Suspense		-	4.07	-	-
Share Warrants		-	1,390.96	-	-
Reserves and Surplus	`2'	787.80	170,849.39	(363.78)	127,136.68
		3,094.95	173,470.90	1,919.62	128,179.93
<u>LOAN FUNDS</u>					
Secured Loans	`3'	4,726.37	109,030.01	3,117.30	72,589.06
Unsecured Loans	`4'	929.65	214,494.32	625.91	11,840.34
		5,656.02	323,524.33	3,743.21	84,429.40
MINORITY INTEREST		-	16,165.52	-	8,566.84
DEFERRED TAX LIABILITY (NET)		57.27	49,513.52	0.93	11,715.50
TOTAL		8,808.24	562,674.27	5,663.76	232,891.67
<u>APPLICATION OF FUNDS</u>					
<u>FIXED ASSETS</u>					
Gross Block	`5'	12,051.04	430,198.72	8,119.03	142,709.06
Less : Depreciation		3,658.23	72,055.31	3,179.28	48,449.36
Less : Impairment		-	1,677.88	-	1,896.21
Net Block		8,392.81	356,465.53	4,939.75	92,363.49
Capital Work-in- Progress		932.17	24,571.14	446.40	19,169.47
		9,324.98	381,036.67	5,386.15	111,532.96
INVESTMENTS	`6'	481.74	138,922.25	1.08	78,741.41
<u>CURRENT ASSETS, LOANS AND ADVANCES</u>					
Inventories	`7'	23.93	111,108.64	15.77	48,123.25
Sundry Debtors	`8'	213.38	67,173.76	190.66	15,485.21
Cash and Bank Balances	`9'	431.68	17,168.72	1,602.73	10,344.65
Other Current Assets	`10'	3.81	703.89	10.33	1,219.76

Loans and Advances	'11'	620.37	18,587.13	332.69	11,512.23
		1,293.17	214,742.14	2,152.18	86,685.10
Less :					
CURRENT					
LIABILITIES AND					
PROVISIONS					
Current Liabilities	'12'	2,271.52	111,086.47	1,847.77	30,534.05
Provisions	'13'	20.39	60,950.13	27.88	13,576.15
		2,291.91	172,036.60	1,875.65	44,110.20
NET CURRENT					
ASSETS		(998.74)	42,705.54	276.53	42,574.90
MISCELLANEOUS					
EXPENDITURE	'14'	0.26	9.81	-	42.40
(to the extent not written off or adjusted)					
TOTAL		8,808.24	562,674.27	5,663.76	232,891.67

**Significant
Accounting Policies
and Notes on
Accounts**

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

'20'

For and on behalf of the Board
Kumar Mangalam Birla – (Chairman)
D. Bhattacharya (Managing Director)
M. M. Bhagat (Director)
S. Talukdar(*Executive President & CFO*)
Anil Malik (Company Secretary)

RAJIV SINGHI

Partner

Membership No. 53518

Camp: Mumbai

Dated: The 20th day of June, 2008

HINDALCO INDUSTRIES LIMITED
Consolidated Profit and Loss Account for the year ended 31st March, 2008

		<u>Year ended 31st March,</u> <u>2008</u>		<u>Year ended 31st March,</u> <u>2007</u>	
		Share in <u>Joint</u> <u>Ventures</u>	<u>Consolidated</u>	Share in <u>Joint</u> <u>Ventures</u>	<u>Consolidated</u>
	<u>Schedule</u>				
<u>INCOME</u>					
Gross Sales and Operating Revenues	`15'	5,825.54	618,408.55	3,845.27	209,312.17
Less: Excise Duty		-	18,280.32	-	16,151.09
Net Sales and Operating Revenues		5,825.54	600,128.23	3,845.27	193,161.08
Other Income	`16'	110.28	6,560.33	25.25	4,090.63
		5,935.82	606,688.56	3,870.52	197,251.71
<u>EXPENDITURE</u>					
(Increase)/ Decrease in Stocks	`17'	-	(1,457.20)	1.05	(4,501.25)
Trade Purchases		0.01	357.55	3.50	233.69
Manufacturing and Other Expenses	`18'	3,858.57	534,877.35	2,535.81	153,122.84
Interest and Finance Charges	`19'	351.59	18,490.97	290.05	3,134.70
Depreciation		759.71	24,510.46	591.63	7,793.13
Impairment		-	54.73	-	852.40
		4,969.88	576,833.86	3,422.04	160,635.51
<u>PROFIT BEFORE TAX</u>					
Provision for Current Tax		0.05	9,713.25	0.04	9,942.42
Provision for Deferred Tax		56.36	(738.21)	0.93	(478.46)
Provision for Fringe Benefit Tax		6.42	122.63	5.23	120.71
Tax adjustment for earlier years (Net)		-	(5,480.92)	-	1.18
<u>PROFIT BEFORE MINORITY INTERESTS</u>		903.11	26,237.95	442.28	27,030.35
Minority Interest		-	2,206.18	-	161.28
Share in (Profit)/ Loss of Associates (Net)		-	158.53	-	11.54
<u>NET PROFIT</u>		903.11	23,873.24	442.28	26,857.53
Balance brought forward from Previous year		(2,157.79)	(1,063.91)	(1,726.83)	(1,317.99)

Adjustment for change in holding in a Joint Venture	34.79	34.79	222.00	222.00
Adjustment of Exploration and Evaluation Expenditure	-	(101.86)	-	-
Accumulated Losses on Amalgamation	-	-	(1,084.44)	(1,084.44)
Transfer to General Reserve on Consolidation	-	-	-	559.52
Adjustment for Employees Benefits	-	-	(10.80)	(10.94)
Transfer from Debenture Redemption Reserve	-	1,721.70	-	1,450.00
BALANCE AVAILABLE FOR APPROPRIATIONS	(1,219.89)	24,463.96	(2,157.79)	26,675.68
APPROPRIATIONS				
Debenture Redemption Reserve	-	50.00	-	186.84
Special Reserve	-	9.40	-	12.73
Dividend on Preference Shares	-	0.24	-	-
Dividend Tax on Preference Shares	-	0.04	-	-
Interim Dividend on Equity Shares	-	-	-	1,773.44
Tax on Interim Dividend	-	-	-	248.73
Proposed Dividend on Equity Shares	-	2,284.84	-	15.91
Tax on Proposed Dividend	-	391.56	-	5.96
Transfer to General Reserve	-	25,629.05	-	25,495.98
Balance Carried to Balance Sheet	(1,219.89)	(3,901.17)	(2,157.79)	(1,063.91)
	(1,219.89)	24,463.96	(2,157.79)	26,675.68
Earnings per Share (EPS):				
Basic EPS (in Rs.)		20.45		26.73
Diluted EPS (in Rs.)		20.34		26.73
Basic EPS before Tax adjustment for earlier years (in Rs.)		15.76		26.73
Diluted EPS before Tax adjustment for earlier years (in Rs.)		15.67		26.73
Significant Accounting Policies and Notes on Accounts				
As per our report annexed.				
For SINGHI & CO.				
Chartered Accountants				
				<i>For and on behalf of the Board</i>
				Kumar Mangalam Birla – (Chairman)
				D. Bhattacharya (Managing Director)
				M. M. Bhagat (Director)
				S. Talukdar (Executive President & CFO)
				Anil Malik (Company Secretary)
RAJIV SINGHI				
Partner				

`20'

Membership No. 53518
Camp: Mumbai
Dated: The 20th day of June, 2008

HINDALCO INDUSTRIES LIMITED

Schedules forming part of the Consolidated Financial Statements

(in Rs. million)

		<u>As at 31st March, 2008</u>			
	<u>Nos</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '1'</u>					
<u>SHARE CAPITAL</u>					
Equity Share Capital:					
Equity Shares of Re.1/- each fully paid-up	1,227,190,692	2,307.15	1,227.19	2,283.40	927.81
Equity Shares of Re.1/- each (Called & paid-up of Re. 0.50 each)	-	-	-	-	115.76
		2,307.15	1,227.19	2,283.40	1,043.57
Less: Face value of Shares forfeited	60,500	-	0.06	-	0.06
		2,307.15	1,227.13	2,283.40	1,043.51
Add: Forfeited Shares Account (Amount Paid-up)		-	0.03	-	0.03
		2,307.15	1,227.16	2,283.40	1,043.54
Less: Calls-in-Arrears		-	0.68	-	0.29
		2,307.15	1,226.48	2,283.40	1,043.25
<u>SCHEDULE '2'</u>					
<u>RESERVES AND SURPLUS</u>					
Capital Reserve		122.56	2,976.68	124.57	3,048.53
Capital Redemption Reserve		-	1,011.59	-	1,011.59
Securities Premium Reserve		1,826.11	44,507.34	1,612.76	21,631.06
Debenture Redemption Reserve		-	825.00	-	2,496.70
Employees Stock Options		3.26	24.55	-	-
Special Reserve		-	71.31	-	61.91
Foreign Currency Translation Reserve		-	705.08	-	1,041.42
Hedging Reserve		-	11.03	-	(113.48)
Amalgamation Reserve		55.76	55.76	56.68	56.68

<u>As at 31st March, 2008</u>				
<u>Nos</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
General Reserve	-	124,562.22	-	98,966.18
Profit & Loss				
Account Balance	(1,219.89)	(3,901.17)	(2,157.79)	(1,063.91)
	787.80	170,849.39	(363.78)	127,136.68
<u>SCHEDULE '3'</u>				
<u>SECURED</u>				
<u>LOANS</u>				
Debentures	-	3,500.00	-	10,386.80
Loans from Banks	4,084.30	104,657.28	2,270.60	60,969.23
Other Loans	642.07	872.73	846.70	1,233.03
	4,726.37	109,030.01	3,117.30	72,589.06
<u>SCHEDULE '4'</u>				
<u>UNSECURED</u>				
<u>LOANS</u>				
Fixed Deposits	-	30.89	-	117.52
Debentures/ Senior				
Notes	-	58,684.93	-	-
Short Term Loans:				
From Banks	766.45	25,814.54	471.15	8,841.79
From Others	0.18	91.02	-	-
Other Loans:				
From Banks	-	127,365.84	-	2,243.56
From Others	163.02	2,507.10	154.76	637.47
	929.65	214,494.32	625.91	11,840.34

Hindalco Industries Limited																	
Schedules forming part of the Consolidated Financial Statement																	
SCHEDULE '5'																	
FIXED ASSETS																	(Rs. In Million)
		ORIGINAL COST				DEPRECIATION				IMPAIRMENT				NET BOOK VALUE			
		As at 31st March, 2008		As at 31st March, 2007		As at 31st March, 2008		As at 31st March, 2007		As at 31st March, 2008		As at 31st March, 2007		As at 31st March, 2008		As at 31st March, 2007	
		Share in		Share in		Share in		Share in		Share in		Share in		Share in		Share in	
		Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated
A	Tangible Assets																
	Mining Rights	-	11,198.87	-	8,391.04	-	3,410.45	-	1,866.21	-	-	-	-	-	7,788.42	-	6,524.83
	Leasehold Land	18.22	886.19	25.36	881.22	5.89	75.28	11.30	70.49	-	-	-	-	12.33	810.91	14.06	810.73
	Freehold Land	6.74	10,637.54	6.01	452.76	-	18.27	-	2.15	-	13.54	-	13.54	6.74	10,605.73	6.01	437.07
	Buildings	54.34	44,912.39	49.56	10,793.86	16.56	5,191.91	11.91	2,169.52	-	170.75	-	218.99	37.78	39,549.73	37.65	8,405.35
	Plant and Machinery	9,296.62	225,575.32	6,011.70	113,466.86	2,590.58	56,774.71	2,223.60	40,924.54	-	1,493.39	-	1,663.48	6,706.04	167,307.22	3,788.10	70,878.84
	Vehicles and Aircraft	46.02	1,641.75	31.33	1,581.83	16.58	683.47	8.47	609.97	-	-	-	-	29.44	958.28	22.86	971.86
	Furniture and Fittings	122.45	4,676.76	95.78	2,311.26	77.55	1,834.71	67.19	1,386.40	-	-	-	-	44.90	2,842.05	28.59	924.86
	Railway Sidings	-	171.23	-	171.23	-	66.51	-	57.40	-	-	-	-	-	104.72	-	113.83
	Live Stock	-	0.58	-	0.69	-	-	-	-	-	-	-	-	-	0.58	-	0.69
						-				-							
B	Intangible Assets									-							
	Goodwill	5.30	88,328.74	5.39	1,594.20	-	-	-	-	-	-	-	-	5.30	88,328.74	5.39	1,594.20
	Rehabilitation Assets	-	596.29	-	579.34	-	222.40	-	106.69	-	-	-	-	-	373.89	-	472.65
	Technology	-	7,063.66	-	297.02	-	586.44	-	154.53	-	-	-	-	-	6,477.22	-	142.49
	Computer Software	97.25	1,166.91	70.36	355.41	62.09	471.18	41.75	286.40	-	0.20	-	0.20	35.16	695.53	28.61	68.81
	Trade Marks	-				-	249.73	-	-	-	-	-	-	-	5,833.70	-	-

Hindalco Industries Limited																	
Schedules forming part of the Consolidated Financial Statement																	
SCHEDULE '5'																	
FIXED ASSETS																	(Rs. In Million)
		ORIGINAL COST				DEPRECIATION				IMPAIRMENT				NET BOOK VALUE			
		As at 31st March, 2008		As at 31st March, 2007		As at 31st March, 2008		As at 31st March, 2007		As at 31st March, 2008		As at 31st March, 2007		As at 31st March, 2008		As at 31st March, 2007	
		Share in		Share in		Share in		Share in		Share in		Share in		Share in		Share in	
		Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated	Joint Ventures	Consolidated
			6,083.43	-	-												
	Entry/ Licence Fees	2,395.95				888.08	888.08	815.06	815.06	-	-	-	-	1,507.87	1,507.87	1,008.48	1,017.28
			2,395.95	1,823.54	1,832.34												
	Customer Relationship	-				-	812.25	-	-	-	-	-	-	-	18,499.09	-	-
			19,311.34	-	-												
	Favorable Contracts	-				-	769.02	-	-	-	-	-	-	-	4,774.60	-	-
			5,543.62	-	-												
	Others	8.15				0.90	0.90	-	-	-	-	-	-	7.25	7.25	-	-
			8.15	-	-												
		12,051.04			142,709.06	3,658.23	72,055.31	3,179.28	48,449.36	-	1,677.88	-	1,896.21	8,392.81	356,465.53	4,939.75	92,363.49
			430,198.72	8,119.03													
C	Capital Work-in-Progress													932.17	24,571.14	446.40	19,169.47
.																	
														9,324.98	381,036.67	5,386.15	111,532.96

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Consolidated Financial Statements

(Rs. in Million)

	<u>As at 31st March, 2008</u>		<u>As at 31st March, 2007</u>	
	<u>Share in Joint Ventures</u>	<u>Consolidated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '6'</u>				
<u>INVESTMENTS</u>				
A. Long Term Investments:				
Government Securities	-	373.35	-	52.58
Shares in Associates				
Share in Net Assets	-	5,744.15	-	86.46
Goodwill/ Capital Reserve (Net)	-	30,997.99	-	-
Shares, Debentures, Bonds, Units of Mutual Funds and Others	-	5,118.80	-	4,817.32
B. Current Investments:				
Shares, Debentures, Bonds, Units of Mutual Funds and Others	481.74	96,687.96	1.08	73,785.05
	481.74	138,922.25	1.08	78,741.41
<u>SCHEDULE '7'</u>				
<u>INVENTORIES</u>				
Stores and Spare-parts	23.89	6,254.76	15.73	2,966.96
Coal and Fuel	-	955.76	-	947.85
Raw Materials	-	37,112.52	-	17,974.62
Work-in-Process	-	49,797.17	-	24,270.04
Finished Goods	0.04	16,703.39	0.04	1,730.56
Excise Duty on Stock	-	285.04	-	233.22
	23.93	111,108.64	15.77	48,123.25
<u>SCHEDULE '8'</u>				
<u>SUNDRY DEBTORS</u>				
Considered Good	213.38	67,173.76	190.66	15,485.21
Considered Doubtful	213.42	446.82	196.01	395.94
	426.80	67,620.58	386.67	15,881.15
Less: Provision for doubtful debts	213.42	446.82	196.01	395.94
	213.38	67,173.76	190.66	15,485.21

	<u>As at 31st March, 2008</u>		<u>As at 31st March, 2007</u>	
	<u>Share in Joint Ventures</u>	<u>Consolidated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '9'</u>				
<u>CASH AND BANK</u>				
<u>BALANCES</u>				
Cash balance on hand	-	9.95	-	3.79
Cheques and Drafts in hand	25.73	284.74	20.19	756.13
Balance with Scheduled Banks:				
In Current Accounts	103.08	9,746.84	88.00	1,955.09
In Call Account	-	12.31	-	2.42
In Deposit Account	302.87	6,501.82	1,494.54	7,404.11
Balance with Others:				
In Current Accounts	-	613.06	-	223.11
	431.68	17,168.72	1,602.73	10,344.65

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Consolidated Financial Statements

	(Rs. in Million)			
	<u>As at 31st March, 2008</u>		<u>As at 31st March, 2007</u>	
	<u>Share in</u>		<u>Share in</u>	
	<u>Joint</u>		<u>Joint</u>	
	<u>Ventures</u>	<u>Consolidated</u>	<u>Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '10'</u>				
<u>OTHER CURRENT ASSETS</u>				
Accrued Interest				
On Investments	-	20.48	-	13.54
On Inter Corporate Deposits and				
Deposit in Banks	3.81	98.57	-	192.77
On Others	-	49.77	10.33	54.77
Accrued Export and other Incentives	-	535.07	-	958.68
	3.81	703.89	10.33	1,219.76
<u>SCHEDULE '11'</u>				
<u>LOANS AND ADVANCES</u>				
Advances recoverable in cash or in kind				
or for value to be received/adjusted	599.36	16,199.29	323.02	9,229.76
Balance with Customs, Port Trusts,				
Excise etc.	21.01	1,522.07	9.67	1,069.47
Inter Corporate Deposits	-	521.25	-	868.48
Trident Trust	-	344.52	-	344.52
	620.37	18,587.13	332.69	11,512.23
<u>SCHEDULE '12'</u>				
<u>CURRENT LIABILITIES</u>				
Sundry Creditors	1,770.38	105,520.71	1,527.36	27,174.19
Customers' Credit Balances and				
Advances against orders	351.29	3,140.28	225.92	1,768.70
Investor Education and Protection Fund				
shall be credited by the following:				
Unpaid Dividends	-	70.88	-	239.37
Unpaid Application/Call Money due				
for Refund	-	3.45	-	4.01
Unpaid Matured Deposits	-	0.35	-	0.47
Interest accrued on above	-	0.18	-	0.70
Other Liabilities	141.82	1,395.26	92.94	735.30
Interest accrued but not due on				
Debentures, Loans and Deposits	8.03	955.36	1.55	611.31
	2,271.52	111,086.47	1,847.77	30,534.05

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Consolidated Financial Statements

(Rs. in Million)

	<u>As at 31st March, 2008</u>		<u>As at 31st March, 2007</u>	
	<u>Share in</u>		<u>Share in</u>	
	<u>Joint</u>		<u>Joint</u>	
	<u>Ventures</u>	<u>Consolidated</u>	<u>Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '13'</u>				
<u>PROVISIONS</u>				
Provision for Taxation (Net)	(50.05)	7,945.59	(19.53)	10,672.75
Dividends	-	2,285.08	-	15.91
Dividend Tax	-	391.60	-	5.96
Employee Benefits	29.41	21,111.61	25.11	1,949.86
Other Provisions	41.03	29,216.25	22.30	931.67
	20.39	60,950.13	27.88	13,576.15
<u>SCHEDULE '14'</u>				
<u>MISCELLANEOUS EXPENDITURE</u>				
(To the extent not written off or adjusted)				
Compensation under VRS	-	5.37	-	34.70
Others	0.26	4.44	-	7.70
	0.26	9.81	-	42.40

HINDALCO INDUSTRIES LIMITED
Schedules forming part of the Consolidated Financial Statements

(Rs. In Million)

	<u>Year ended 31st March, 2008</u>		<u>Year ended 31st March, 2007</u>	
	<u>Share in Joint Ventures</u>	<u>Consolidated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '15'</u>				
<u>GROSS SALES AND OPERATING REVENUES</u>				
A. Sales and Services				
Net Sales	5,822.52	596,962.99	3,845.27	190,589.35
Excise Duty	-	18,280.32	-	16,151.09
Gross Sales	5,822.52	615,243.31	3,845.27	206,740.44
B. Operating Revenues				
Export and other Incentives	-	2,137.06	-	2,183.08
Miscellaneous Receipts and Claims	3.02	1,028.18	-	388.65
	3.02	3,165.24	-	2,571.73
	5,825.54	618,408.55	3,845.27	209,312.17
<u>SCHEDULE '16'</u>				
<u>OTHER INCOME</u>				
Rent Received	-	54.65	-	45.68
Profit/(Loss) on Fixed Assets sold/discard (Net)	(0.77)	(47.06)	0.17	227.15
Income from Current Investments:				
Dividend	-	3,307.27	-	1,329.78
Profit/(Loss) on sale of Investments (Net)	37.43	247.51	7.16	333.69
Change in carrying amount of Investments (Net)	-	(126.23)	-	6.29
Income from Long Term Investments:				
Interest	-	107.26	-	81.25
Dividend	-	107.36	-	381.28
Profit/(Loss) on sale of Investments (Net)	-	461.40	-	234.92
(Diminution)/ write back in carrying cost of Investments (Net)	-	4.05	-	(2.51)
Interest from Inter Corporate Deposits and Deposit in Banks	73.62	245.01	-	259.99
Interest from Others	-	1,715.52	15.06	1,019.07
Miscellaneous Income	-	483.59	2.86	174.04
	110.28	6,560.33	25.25	4,090.63

SCHEDULE '17'
(INCREASE)/ DECREASE IN
STOCKS

Opening Stocks:

Work-in-Process	-	24,270.04	-	20,119.08
Finished Goods	0.04	1,963.78	1.09	1,600.28

**Opening Stocks of acquired
Subsidiary**

Work-in-Process	-	25,599.05	-	-
Finished Goods	-	14,324.24	-	-
	0.04	66,157.11	1.09	21,719.36

Less: Closing Stocks:

Work-in-Process	-	49,797.17	-	24,270.04
Finished Goods	0.04	16,988.43	0.04	1,963.78
	0.04	66,785.60	0.04	26,233.82
	-	(628.49)	1.05	(4,514.46)
Less: Change in Excise Duty on Stock	-	(51.82)	-	(13.21)
Less: Currency Translation Adjustment	-	880.53	-	-
	-	(1,457.20)	1.05	(4,501.25)

HINDALCO INDUSTRIES LIMITED

Schedules forming part of the Consolidated Financial Statements

(Rs. In Million)

	<u>Year ended 31st March, 2008</u>		<u>Year ended 31st March, 2007</u>	
	<u>Share in Joint Ventures</u>	<u>Consoli-dated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
<u>SCHEDULE '18'</u>				
<u>MANUFACTURING AND OTHER EXPENSES</u>				
Raw Materials Consumed	-	404,429.80	-	113,813.75
Power and Fuel (including cost of own generation)	204.01	31,166.81	103.66	18,584.94
Payments to and Provisions for Employees				
Salaries, Wages and Bonus	265.19	34,228.04	198.47	4,599.82
Contribution to Provident and other Funds	13.03	1,404.88	11.20	462.88
Employees Welfare	13.75	7,782.28	20.07	653.01
Other Expenses				
Consumption of Stores and Spare-parts	46.18	13,910.87	23.65	3,681.85
Repairs to Buildings	1.49	1,605.88	1.46	207.20
Repairs to Machinery	115.27	5,281.07	103.07	1,237.31
Rates and Taxes	601.72	1,348.56	252.99	380.06
Rent	101.32	1,126.94	56.33	242.74
Insurance	4.12	1,042.98	3.43	402.16
Auditors' Remuneration	1.93	391.58	1.26	34.80
Research and Development	-	1,887.78	-	38.48
Discount on Sales	-	140.37	-	125.06
Commission on Sales	391.31	965.58	276.13	572.92
Freight and Forwarding (Net)	-	15,001.51	-	2,646.55
Provision for doubtful debts/(written back)(Net)	21.22	54.94	28.60	75.68
Bad Debts written off	-	4.31	3.83	27.34
Donation	-	447.53	-	110.59
Directors' Fees	0.08	41.58	0.05	1.01
Directors' Commission	-	98.45	-	103.56
Miscellaneous Expenditure written off	-	50.48	-	51.27
Liability no longer required written back (Net)	(12.11)	(603.00)	(15.41)	(123.18)
Miscellaneous	2,090.06	13,068.13	1,467.02	5,193.04
	3,858.57	534,877.35	2,535.81	153,122.84

<u>SCHEDULE '19'</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>	<u>Share in Joint Ventures</u>	<u>Consolidated</u>
<u>INTEREST AND FINANCE CHARGES</u>				
Interest on Debentures and other Fixed Loans	376.80	18,297.80	268.51	3,541.88
Interest on Others	2.82	1,313.36	15.15	670.86
Other Finance Charges	(28.03)	2,477.41	6.39	672.72
	351.59	22,088.57	290.05	4,885.46
Less: Interest Capitalized	-	3,597.60	-	1,750.76
	351.59	18,490.97	290.05	3,134.70

HINDALCO INDUSTRIES LIMITED
Consolidated Cash Flow Statement for the year ended 31st March, 2008

		(Rs. In Million)
	For the year ended 31st March, 2008	For the year ended 31st March, 2007
A. <u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Profit before Tax	29,854.70	36,616.20
Adjustment For:		
Interest and Finance Charges	18,490.97	3,134.70
Depreciation	24,510.46	7,793.13
Impairment	54.73	852.40
Unrealized Exchange (Gain)/ Loss (Net)	164.98	957.00
Employees Stock Option	24.55	-
Provisions/ Provisions written-back (Net)	(519.13)	(17.23)
Miscellaneous Expenditure written-off	50.48	51.27
Write-off and amortization of fair value adjustments	(9,482.08)	-
Impact of Foreign Exchange translation (Net)	(1,332.32)	-
Investing Activities (Net)	<u>(6,029.93)</u>	<u>(3,867.19)</u>
Operating Profit before Working Capital changes	55,787.41	45,520.28
Change in Working Capital:		
Inventories	3,456.88	(3,149.38)
Trade and other Receivables	8,104.16	(3,673.12)
Trade Payables	<u>(3,978.58)</u>	<u>1,475.11</u>
Cash generation from Operation	63,369.87	40,172.89
Payment of Miscellaneous Expenditure	(17.12)	(14.34)
Payment of Direct Taxes	<u>(9,353.60)</u>	<u>(5,898.98)</u>
Net Cash generated/ (used) – Operating Activities	<u>53,999.15</u>	<u>34,259.57</u>
B. <u>CASH FLOW FROM INVESTMENT ACTIVITIES</u>		
Purchase of Fixed Assets	(27,857.47)	(28,808.69)
Sale of Fixed Assets	350.93	6,903.38
Acquisitions of Subsidiaries	(139,024.65)	-
Purchase/ Sale of Investments (Net)	(21,502.67)	(46,198.00)
Interest Received	2,362.89	1,735.81
Dividend Received	<u>4,947.04</u>	<u>2,427.12</u>
Net Cash generated/ (used) – Investing Activities	<u>(180,723.93)</u>	<u>(63,940.38)</u>
C. <u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Proceeds from Shares issued (Net of Expenses)	25,242.05	18,039.52
Proceeds/ Repayments of Long Term Borrowings (Net)	126,162.28	32,997.57
Proceeds/ Repayments of Short Term Borrowings (Net)	960.36	(10,976.84)
Interest and Finance Charges	(23,118.06)	(6,505.50)
Dividend Paid (including Dividend Tax)	<u>(101.31)</u>	<u>(4,523.57)</u>
Net Cash generated/ (used) - Financing Activities	<u>129,145.32</u>	<u>29,031.18</u>

HINDALCO INDUSTRIES LIMITED
Consolidated Cash Flow Statement for the year ended 31st March, 2008

	(Rs. In Million)	
	For the year ended 31st March, 2008	For the year ended 31st March, 2007
Net Increase/(Decrease) in Cash and Cash Equivalents	2,420.53	(649.63)
Add: Opening Cash and Cash Equivalents	10,101.39	10,757.52
Add: Cash and Cash Equivalents taken over on acquisition	4,063.79	0.20
Add: Adjustment for change in holding in a Joint Venture	(25.86)	(6.70)
Add: Exchange variation on Cash and Cash Equivalents	<u>532.22</u>	-
Closing Cash and Cash Equivalents	<u>17,092.07</u>	<u>10,101.39</u>

Notes:

1. Closing cash & cash equivalents represents Cash and Bank Balances except Rs. 76.65 million (Previous year Rs. 243.26 million) 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 20th day of June, 2008

For and on behalf of the Board
Kumar Mangalam Birla – (Chairman)
D. Bhattacharya (Managing Director)
M. M. Bhagat (Director)
S. Talukdar (*Executive President & CFO*)
Anil Malik (Company Secretary)

HINDALCO INDUSTRIES LIMITED
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 unrealized 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 recognized 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 recognized 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.
- (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.

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 employment 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.

11 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.

12 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.

13 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

During the year the Company has acquired Novelis Inc. Generally accepted accounting principles in India (Indian GAAP) does not provide any specific guidance on accounting for business combination. Hence the Company has adopted the principles of International Financial Reporting Standards 3 (IFRS 3 - Accounting for Business Combinations).

14 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

15 Research and Development

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

16 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.

17 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.

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%
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%
Tubed Coal Mines Limited	Subsidiary	India	60.00%
East Cost 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	Netherland	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	Joint Venture	India	8.66%
Mahan Coal Limited	Joint Venture	India	50.00%
Aditya Birla Science & Technology Company Limited	Associate	India	49.00%

- 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 2008 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.

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%

- c) For the purpose of consolidation, the consolidated financial statements of Novelis Inc. reflecting consolidation for following entities as at 31st March 2008 have been prepared in accordance with

Generally Accepted Accounting Principles in India and other recognized 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%
Alcom Nikkei Specialty Coatings Sdn Berhad	Subsidiary	Malaysia	100.00%
Aluminum Company of Malaysia 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%
#	Group's proportion of Voting Power is 100%.		
#	Subsidiary on account of management control.		

d) Disclosure in respect of foreign subsidiaries are given to the extent of available information

HINDALCO INDUSTRIES LIMITED

Schedules forming part of Consolidated Financial Statements

2. The CFS for the year ended 31st March, 2007 were drawn up after taking into consideration un audited accounts of IDEA Cellular Limited (Consolidated) and Aditya Birla Science & Technology Company Limited as available then. Since audited accounts of both these companies are now available, the consolidated figures for the year ended 31st March, 2007 included in this CFS have been restated as under:

		(Rs. in Million)
<u>BALANCE SHEET:</u>	<u>Restated</u>	<u>Original</u>
Reserves and Surplus	127,136.68	128,179.21
Deferred Tax Liability (Net)	11,715.50	11,714.57
Gross Block	142,709.06	143,744.29
Capital Work-in-Progress	19,169.47	19,166.36
Investments	78,741.41	78,747.78
Sundry Debtors	15,485.21	15,485.18
Cash and Bank Balances	10,344.65	10,344.67
Loans and Advances	11,512.23	11,511.54
Current Liabilities	30,534.05	30,529.70
Provisions	13,576.15	13,576.69
<u>PROFIT AND LOSS ACCOUNT:</u>		
Other Income	4,090.63	4,090.45
(Increase)/ Decrease in Stocks	(4,501.25)	(4,501.23)
Trade Purchases	233.69	233.67
Manufacturing and Other Expenses	153,122.84	153,122.88
Interest and Finance Charges	3,134.70	3,134.48
Provision for Deferred Tax	(478.46)	(479.39)
Profit before Minority Interest	27,030.35	27,031.28
Share in Profit/ Loss of Associates (Net)	11.54	5.17
Net Profit	26,857.53	26,864.83

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. In view of different sets of environment in which Australian subsidiaries namely Aditya Birla (a). 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 Million		Proportion	
	Parent	Subsidiary	2007-08	2006-07	2007-08	2006-07

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.	596.29	729.79	100.00	100.00

- (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.
- (c) During the period Aditya Birla Minerals Limited, one of the subsidiaries of the Company, has changed its accounting policy in respect of Exploration and Evaluation Expenditure of Mines with retrospective effect from 01st April 2006. As per changed accounting policy such expenditure is charged against revenue as incurred instead of hitherto followed practice of generally being carried forward based on management estimation of recovery of such cost from future operation, The impact of Rs.101.86 million (net of Minority Interest of Rs. 97.86 million) up to 31st March 2007 has been adjusted against opening Profit and Loss Account Balance.
- 5) Construction work-in-progress of a subsidiary company include Rs.3.40 million (Previous year Rs. 3.40 million) being tax paid on behalf of the then CEO and Whole-time Director on his remuneration for the period from 1st July, 2000 to 31st January, 2002 in accordance with Section 10(5B) of the Income Tax Act, 1961. It has been legally advised that provisions of Section 10(5B) of the Income Tax Act, 1961 has an overriding effect on the provisions of Section 200 of the Companies Act, 1956 and accordingly it believes that the Central Government's approval is not required for the purpose.
- 6) (a) On 15th May, 2007, the Company has acquired Novelis Inc. (Novelis), the world's largest aluminium rolled product manufacturer through wholly-owned subsidiary A V Metals Inc. (Acquisition Sub) pursuant to a plan of arrangement (Arrangement) entered into on 10th February, 2007 and approved by the Ontario Superior Court of Justice on 14th May, 2007. As a result of the Arrangement, Acquisition Sub acquired all of Novelis' outstanding common shares at a price of USD 44.93 per share in exchange for cash payments. The aggregate purchase price for Novelis' common shares was USD 3.4 billion and the consideration and transaction costs paid by the Company has been allocated to the assets acquired and liabilities assumed in accordance with principles of IFRS 3 as under:

	<u>USD in Million</u>
Consideration	
Purchase of all outstanding 75,415,536 shares at \$ 44.93 per share	3,388
Direct transaction costs incurred by Hindalco	17
Total Consideration	<u>3,405</u>
Allocation	
Assets acquired:	
Current assets	3,210

	<u>USD in Million</u>
Property, plant and equipment	3,451
Goodwill	2,157
Intangible assets	913
Investment in and advances to non-consolidated affiliates	927
Fair value of derivative instruments - net of current portion	3
Deferred income tax assets	117
Other long-term assets	<u>109</u>
Total assets acquired	<u>10,887</u>
Liabilities assumed:	
Accounts payable	1,612
Accrued expenses and other current liabilities	750
Debt, including current portion and short-term borrowings	2,824
Deferred income tax liabilities, including current portion	1,038
Accrued postretirement benefits	382
Other long-term liabilities	723
Minority interests in equity of consolidated affiliates	<u>153</u>
Total liabilities assumed	<u>7,482</u>
Total Consideration	<u>3,405</u>

The purchase price allocation shown above includes a total of USD 685 million for the fair value of liabilities associated with unfavorable sales contracts. Of this amount, USD 655 million relates to unfavorable sales contracts in North America. These contracts include a ceiling over which metal prices cannot contractually be passed through to certain customers, unless adjusted. Subsequent to the Arrangement, the fair values of these liabilities are credited to Net sales over the remaining lives of the underlying contracts. The reduction of these liabilities does not affect the Company's cash flows.

Intangible assets include USD 124 million for a favorable energy supply contract in North America, recorded at its estimated fair value and USD 15 million for other favorable supply contracts in Europe. The goodwill resulting from the Arrangement reflects the value of our in-place workforce, deferred income taxes associated with the fair value adjustments and potential synergies. The valuation and the useful lives of tangible and intangible assets were based on the fair values arrived by independent professionals. To estimate fair values, the Company considered a number of factors, including the application of multiples to discounted cash flow estimates. There are considerable judgment with respect to cash flow estimates and appropriate multiples used in determining fair value.

- (b). The CFS of the Company for the year ended 31st March, 2008 include Rs. 399,089.85 million in Net Sales and Operating Revenues, Rs. 330.01 million of loss in Net Profit and Rs. 140,498.50 million in Net Assets being the effect of acquisition of Novelis from 16th May, 2007.
7. During April 2007, the Company received a notice dated 24th March, 2007 from collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of Rs. 2,529.59 million 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.

8. (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, 2008 stood at Rs. 220 million, 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 derivative 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 intends to go for early adoption of AS 30 on Financial Instruments: Recognition and Measurement which will take some time on account of associated complexities and documentation requirements. Pending adoption of AS 30, the Company has not provided for the losses on mark to market basis. The foreign subsidiaries account for derivative transactions under IFRS or US GAAP which comply with the requirements prescribed by the Institute for similar transactions.
- (b). The Company has entered into various derivative contracts for hedging foreign exchange exposures. The transactions outstanding as on 31st March 2008 are as under:

(Rs. in Million)			
Category	Nature	Outstanding Amount	MTM Gain/(Loss)
Commodity	Forward Cover, Option etc.	25,892.99	(140.00)
Foreign Exchange, Currency etc.	Forward Cover, Option etc.	12,193.42	(80.00)

9. Additional Information:

(Rs. in Million)			
	Share in	<u>2007-08</u>	<u>2006-07</u>
	<u>Joint Ventures</u>	<u>Consolidated</u>	<u>Consolidated</u>
(a). Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	1,767.57	22,238.69	13,898.51
(b). Contingent liabilities not provided for in respect of:			
i). Claims against the Company not acknowledged as debts	242.52	7,531.91	2,012.43
ii). Bills discounted with Banks	-	765.88	1,004.16
iii). Corporate Guarantees outstanding	-	936.55	506.40
iv). Custom duty on Capital goods and Raw Materials imported under Advance License/ EPCG Scheme against which Export obligations to be fulfilled	6.03	1,926.30	1,836.72

10. Major components of Deferred Tax arising on account of temporary timing differences are as under:

Deferred Tax Liability:

Depreciation	64,128.50	14,148.18
Others	<u>11,679.17</u>	<u>807.08</u>
	<u>75,807.67</u>	<u>14,955.26</u>

Deferred Tax Assets:

Un-amortized Expenditure	12,741.72	149.40
Brought forward Business Loss	6,664.11	1,710.86
Others	<u>6,888.32</u>	<u>1,379.50</u>
	<u>26,294.15</u>	<u>3,239.76</u>

Deferred Tax Liability (Net)	<u>49,513.52</u>	<u>11,715.50</u>

11. Exchange gain/ (loss) has been adjusted with the following heads of Account:

	(in Rs. million)	
	2007-08	2006-07
Sales & Operating Revenues	1,131.23	179.96)
Manufacturing and Other Expenses	2,545.06	1,037.44
Interest & Finance Cost	(399.78)	(552.33)
Total	<u>3,276.51</u>	<u>305.15</u>

12 (a). Future obligation under non-cancelable operating leases are as under:

	(Rs. in Million)	
Period	2007-08	2006-07
Not later than one year	1,406.83	298.02
Later than one year and not later than five years	3,057.80	662.55
Later than five years	1,555.40	114.60

(b). Future obligation towards minimum lease payments under the finance leases taken on or after 1st April, 2001 are as under:

	(Rs. in Million)			
	2007-08		2006-07	
Period	Payment	Present Value	Payment	Present Value
Not later than one year	382.16	370.35	60.09	55.88
Later than one year and not later than five years	1376.81	991.47	235.86	184.68
Later than five years	1878.59	1279.16	-	-

13. Segment Reporting:

(a) Primary Segment (by Business Segment):

- i) The Company 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:

in Rs. million

Particulars	2007-08				2006-07			
	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total
REVENUE								
External Sales	470,338.20	123,344.92	6,445.11	600,128.23	73,672.92	115,270.19	4,217.97	193,161.08
Inter-segment transfers	201.12	58.93	1,129.13	1,389.18	28.20	61.35	1,067.51	1,157.06
	470,539.32	123,403.85	7,574.24	601,517.41	73,701.12	115,331.54	5,285.48	194,318.14
Less: Inter Segment Adjustment	201.12	58.93	1,129.13	1,389.18	28.20	61.35	1,067.51	1,157.06
Total Revenue	470,338.20	123,344.92	6,445.11	600,128.23	73,672.92	115,270.19	4,217.97	193,161.08
RESULTS								
Segment Results	32,137.60	9,314.19	1,863.93	43,315.72	29,265.40	5,877.07	1,336.09	36,478.56
Un-allocable Income (Net)				2,665.24				3,099.52
Interest Expenses				(18,490.97)				(3,134.70)
Provision for Taxes				(3,616.75)				(9,585.85)
				23,873.24				26,857.53
Net Profit								
OTHER INFORMATION								
Assets:								
Segment Assets	478,103.66	91,347.00	13,528.14	582,978.80	87,629.66	85,237.48	10,095.50	182,962.64
Un-allocable Assets				151,722.26				93,996.83
Total Assets				734,701.06				276,959.47
Liabilities:								
Segment Liabilities	139,338.14	17,754.20	2,746.98	159,839.32	11,608.88	20,127.27	7,426.09	39,162.24
Un-allocable Liabilities				401,400.65				109,659.70
Total Liabilities				561,239.97				148,821.94
Capital Expenditure	22,469.26	4,035.88	3,349.32		15,943.50	6,877.83	654.71	
Non-Cash Expenses:								
Depreciation	19,621.08	3,894.41	936.79		3,852.84	3,127.88	753.34	
Impairment	54.73	-	-		125.24	727.16	-	

HINDALCO INDUSTRIES LIMITED
Schedules forming part of Consolidated Financial Statements

SCHEDULE '20' (Cont'd...)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Cont'd...)

(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 Million)

Particulars	2007-08			2006-07		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	133,697.40	466,430.83	600,128.23	117,786.14	75,374.94	193,161.08
Segment Assets	183,340.04	399,638.76	582,978.80	162,826.34	20,136.30	182,962.64
Capital Expenditure	17,501.29	12,353.17	29,854.46	17,828.73	5,647.31	23,476.04

14. Disclosure in respect of Related Party pursuant to Accounting Standard 18:

(a) Related Parties with whom transactions have taken place during the year:

i) **Associates:**

Aditya Birla Science and Technology Company Limited
Aluminium Norf GmbH
Consortio Candonga
MiniMRF LLC
Deutsche Aluminium Verpackung Recycling GmbH
France Aluminium Recyclage SA

ii) **Joint Ventures:**

IDEA Cellular Limited
Mahan Coal Limited

iii) **Trust:**

Trident Trust

iv) **Key Managerial Personnel:**

Mr. Debu 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 Million)

Particulars	2008		2007	
	Associates	Joint Ventures	Associates	Joint Ventures
Transactions during the year ended 31st March:				
Service Received	11,156.48	0.40	5.16	0.39
Interest and Dividend Received	32.88	-	0.72	-
Investments, Deposits, Loans and Advances given	1,038.02	9.50	45.35	25.15
Investments, Deposits, Loans and Advances received	706.31	-	-	-
Balance as at 31st March:				
Debit Balance	0.01	0.05	-	-
Credit Balance	2,211.97	-	4.18	-
Investments, Deposits, Loans and Advances	39,746.95	2,318.05	143.59	2,309.94

ii) **Trust:**

Beneficiary Interest in Trust

2007-08

344.52

2006-07

344.52

iii) **Key Managerial Personnel:**

Managerial Remuneration (including perquisites) *

82.37

49.40

* Excluding gratuity, leave encashment provisions and employee compensation under Employee Stock Option Scheme.

15. Earnings Per Share (EPS):

2007-08

2006-07

Net Profit

23,873.24

26,857.53

Less: Dividend on Preference Shares (including Dividend Tax)

(0.28)

-

Net Profit attributable to Equity Shareholders

23,872.96

26,857.53

Less: Tax adjustment for earlier years

(5,480.92)

1.18

Profit before Tax adjustment for earlier years

18,392.04

26,858.71

Weighted average number of Basic Equity Shares outstanding

1,167,151,498

1,004,921,647

Weighted average number of Diluted Equity Shares outstanding

1,173,519,744

1,004,921,647

Face value of Equity Shares (in Re.)

1.00

1.00

Earnings per Share (EPS):

Basic EPS (in Rs.)

20.45

26.73

Diluted EPS (in Rs.)	20.34	26.73
Basic EPS before Tax adjustment for earlier years (in Rs.)	15.76	26.73
Diluted EPS before Tax adjustment for earlier Years (in Rs.)	15.67	26.73

- 16 (a). Figures of previous year have been regrouped/ rearranged wherever necessary.
 (b). Consequent upon acquisition of Novelis Inc and incorporation of other subsidiaries, figures of current year are not comparable with those of the previous year.

As per our report annexed
For SINGHI & CO.

Chartered Accountants
RAJIV SINGHI

For and on behalf of the Board
 Kumar Mangalam Birla – (Chairman)
 D. Bhattacharya (Managing Director)
 M. M. Bhagat (Director)
 S. Talukdar(*Executive President & CFO*)
 Anil Malik (Company Secretary)

Partner
 Membership No. 53518
 Camp: Mumbai
 Dated: The 20th day of June, 2008

HINDALCO INDUSTRIES LIMITED
AUDITORS REPORT ON 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 ASSOCIATE

- 1) We have audited the attached Consolidated Balance Sheet of HINDALCO INDUSTRIES LIMITED, its subsidiaries, joint ventures and associate as at 31st March, 2007, 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 HINDALCO INDUSTRIES LIMITED'S management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. a) We did not audit the financial statements of Indian subsidiaries whose financial statements reflect total assets of Rs. 8,056.12 million as at 31st March, 2007 and total revenue of Rs. 2,333.00 million and net cash flow amounting to Rs. 831.87 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other Auditors.

b) The Consolidated Financial Statements of M/s Aditya Birla Minerals Ltd. and financial statement of Birla Resources Pty. Ltd, foreign subsidiaries, are audited by other auditors as per requirement of Australian Equivalent International Financial Reporting Standard. These financial statements have been converted as per requirement of Indian GAAP and reflect total assets of Rs. 22,924.44 million as at 31st March, 2007 and total revenue Rs. 15,891.02 million and net cash flow amounting to Rs. 78.33 million for the year then ended.

c) The consolidated financial statement of AV Metals Inc, a foreign subsidiary is unaudited and have been certified and converted by the management as per the requirement of Indian GAAP and reflect total assets of Rs.124.54 millions as at 31st March 2007 and total revenue of Rs. NIL and net cash flow of Rs. 4.64 millions for the year ended on that date.

d) These consolidated financial statements include total assets of Rs. 8,570.83 million as at 31st March, 2007 and total revenue of Rs. 3,870.34 million and net cash flow amounting to Rs 1,471.11 million for the year then ended being proportionate share in the joint venture, Idea Cellular Limited, is based on un-audited financial statements, reviewed by the Statutory Auditors.

e) These consolidated financial statements includes total assets of Rs 1988.7 millions as at 31st March 2007 and total revenue of Rs 626.66 millions and net cash flow amounting to Rs 219.06 millions for the year then ended, which are based on the financial statement of a subsidiary and a joint venture audited by us.

f) The company's share of loss in associate aggregating to Rs. 5.17 million for the year ended 31st March 2007, have been accounted based on unaudited financial results which have been certified by the management of the associate.

- g) Our opinion, in so far as it relates to the amounts included in respect of subsidiaries referred to in (a) and (b) above are based solely on the reports of the other auditors, in respect of joint venture referred to in (d) is based on review report of other auditor and in respect of subsidiaries referred to in (c) and in respect of associate referred to in (f) above are based on the certificates of the management.
- 4) 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", 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 except for the matter referred in paragraph 3 above.
- 5) On the basis of the information and explanations given to us and on the consideration of the separate audit reports on the individual audited financial statements of HINDALCO INDUSTRIES LIMITED, its subsidiaries, joint ventures and certification of management in respect of subsidiaries, and associate referred to in 3 (c) and (f) above and read with other notes of Schedule No. 22, subject to Note 11 (a) and (b) of Schedule 22, we are of the opinion that:
- (a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs as at 31st March, 2007;
- (b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operation for the year ended; and
- (c) the consolidated Cash Flow Statement gives a true and fair view, of the Cash Flows for the year ended on that date.

Camp: Mumbai
Dated: The 23rd day of June, 2007

1B, Old Post Office Street
Kolkata, 700 001

For Singhi & Co.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

HINDALCO INDUSTRIES LIMITED

Consolidated Balance Sheet as at 31st March 2007

				(Rs. in Million)	
	Schedule	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	'1'	1,043.25	2,307.15	1,043.25	1,473.76
Reserves and Surplus	'2'	127,512.00	672.38	128,179.21	92,383.33
		128,555.25	2,979.53	129,222.46	93,857.09
LOAN FUNDS					
Secured Loans	'3'	69,471.77	3,117.29	72,589.06	31,178.07
Unsecured Loans	'4'	11,306.83	627.16	11,933.99	31,611.93
		80,778.60	3,744.45	84,523.05	62,790.00
MINORITY INTEREST		8,566.84	-	8,566.84	1,295.19
DEFERRED TAX LIABILITY (NET)		11,714.57	-	11,714.57	12,281.36
TOTAL		229,615.26	6,723.98	234,026.92	170,223.64
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	'5'	134,589.43	9,154.86	143,744.29	134,432.59
Less : Depreciation		45,269.97	3,179.39	48,449.36	44,957.73
Less : Impairment		1,896.21	-	1,896.21	1,043.81
Net Block		87,423.25	5,975.47	93,398.72	88,431.05
Capital Work-in-Progress		18,699.49	466.87	19,166.36	10,402.80
		106,122.74	6,442.34	112,565.08	98,833.85
INVESTMENTS	'6'	81,059.02	1.08	78,747.78	31,632.07
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	'7'	48,107.48	15.77	48,123.25	44,975.37
Sundry Debtors	'8'	15,294.55	190.63	15,485.18	13,056.55
Cash and Bank Balances	'9'	8,740.03	1,604.64	10,344.67	10,423.42
Other Current Assets	'10'	1,209.43	10.33	1,219.76	2,445.41
Loans and Advances	'11'	11,179.39	332.15	11,511.54	7,880.90
		84,530.88	2,153.52	86,684.40	78,781.65
Less :					
CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	'12'	28,591.26	1,844.79	30,436.05	28,861.18
Provisions	'13'	13,548.26	28.43	13,576.69	10,249.60
		42,139.52	1,873.22	44,012.74	39,110.78
NET CURRENT ASSETS		42,391.36	280.30	42,671.66	39,670.87
MISCELLANEOUS EXPENDITURE	'14'	42.14	0.26	42.40	86.85
(to the extent not written off or adjusted)					
TOTAL		229,615.26	6,723.98	234,026.92	170,223.64
Notes on Accounts	'22'				

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

RAJIV SINGHI
Partner
Membership No. 53518
Camp: Mumbai
Dated: The 23rd day of June, 2007

For and on behalf of the Board
C. M. Maniar (Director)
D. Bhattacharya (Managing Director)
M. M. Bhagat (Director)
S. Talukdar (*President & CFO*)
Anil Malik (Company Secretary)

HINDALCO INDUSTRIES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

	Schedule	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
INCOME					
Gross Sales and Operating Revenues	'15'	205,466.90	3,845.27	209,312.17	132,089.39
Less: Excise Duty		16,151.09	-	16,151.09	10,892.69
Net Sales and Operating Revenues		189,315.81	3,845.27	193,161.08	121,196.70
Other Income	'16'	4,065.38	25.07	4,090.45	2,805.44
		193,381.19	3,870.34	197,251.53	124,002.14
EXPENDITURE					
(Increase)/ Decrease in Stocks	'17'	(4,502.30)	1.07	(4,501.23)	(10,111.91)
Raw Materials Consumed	'18'	113,247.95	-	113,247.95	67,971.78
Goods Purchased		230.19	3.48	233.67	211.62
Payments to and Provision for Employees	'19'	5,485.97	228.77	5,714.74	5,028.16
Other Operating Expenses	'20'	31,853.11	2,307.08	34,160.19	29,648.16
Interest and Finance Charges	'21'	2,844.64	289.84	3,134.48	3,013.69
Depreciation		7,201.50	591.63	7,793.13	7,914.85
Impairment		852.40	-	852.40	44.54
		157,213.46	3,421.87	160,635.33	103,720.89
PROFIT BEFORE EXTRAORDINARY ITEM AND TAX		36,167.73	448.47	36,616.20	20,281.25
Extraordinary Items (Net)		-	-	-	(22.72)
PROFIT BEFORE TAX		36,167.73	448.47	36,616.20	20,303.97
Provision for Current Tax		9,942.38	0.04	9,942.42	3,315.00
Provision for Deferred Tax		(479.39)	-	(479.39)	979.74
Provision for Fringe Benefit Tax		115.48	5.23	120.71	108.54
Adjustment of Taxation for earlier years		1.18	-	1.18	(1.17)
NET PROFIT BEFORE MINORITY INTEREST		26,588.08	443.20	27,031.28	15,901.86
Minority Interest		161.28	-	161.28	106.09
Share of Profit/ Loss of Associates		-	-	5.17	-
NET PROFIT		26,426.80	443.20	26,864.83	15,795.77
Balance brought forward from Previous year		88.21	(1,726.83)	(1,638.62)	(1,192.41)
Adjustment for change in holding in a Joint Venture		-	222.00	222.00	-
Transfer from Debenture Redemption Reserve		1,450.00	-	1,450.00	1,152.83
Adjustment for Employees Benefits		(0.14)	(10.80)	(10.94)	-
BALANCE AVAILABLE FOR APPROPRIATIONS		27,964.87	(1,072.43)	26,887.27	15,756.19
APPROPRIATIONS					
Debenture Redemption Reserve		186.84	-	186.84	750.51
Special Reserve		12.73	-	12.73	3.79
Interim Dividend on Equity Shares		1,773.44	-	1,773.44	-
Tax on Interim Dividend		248.73	-	248.73	-
Proposed Dividend on Equity Shares		15.91	-	15.91	2,178.99
Tax on Proposed Dividend		5.96	-	5.96	307.40
Transfer to General Reserve		24,411.56	-	24,406.39	14,154.12
Balance Carried to Balance Sheet		1,309.70	(1,072.43)	237.27	(1,638.62)
		27,964.87	(1,072.43)	26,887.27	15,756.19
Basic and Diluted Earnings per Share (in Rupees)				26.73	16.02

Notes on Accounts

As per our report annexed

For SINGHI & CO.

Chartered Accountants

‘22’

For and on behalf of the Board

C. M. Maniar (Director)

D. Bhattacharya (Managing Director)

M. M. Bhagat (Director)

S. Talukdar (*President & CFO*)

Anil Malik (Company Secretary)

RAJIV SINGHI

Partner

Membership No. 53518

Camp: Mumbai

Dated: The 23rd day of June, 2007

HINDALCO INDUSTRIES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

				(Rs. in Million)	
	Nos	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
SCHEDULE '1'					
SHARE CAPITAL					
Equity Share Capital:					
Equity Shares of Re.1/- each fully paid-up	927,808,470	927.81	2,307.15	927.81	927.81
Equity Shares of Re.1/- each (Called & paid-up of Re. 0.25 each)	-	-	-	-	57.88
Equity Shares of Re.1/- each (Called & paid-up of Re. 0.50 each)	231,521,031	115.76	-	115.76	-
		1,043.57	2,307.15	1,043.57	985.69
Less: Face value of Shares forfeited	60,500	0.06	-	0.06	0.06
		1,043.51	2,307.15	1,043.51	985.63
Add: Forfeited Shares Account (Amount Paid-up)		0.03	-	0.03	0.03
		1,043.54	2,307.15	1,043.54	985.66
Less: Calls-in-Arrears		0.29	-	0.29	-
		1,043.25	2,307.15	1,043.25	985.66
Preference Share Capital:					
11% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 10 million each of Idea Cellular Limited		-	-	-	488.10
		1,043.25	2,307.15	1,043.25	1,473.76
SCHEDULE '2'					
RESERVES AND SURPLUS					
Capital Reserve		2,923.96	44.11	2,968.07	396.45
Capital Redemption Reserve		1,011.59	-	1,011.59	1,011.59
Securities Premium Reserve		20,018.29	1,612.77	21,631.06	14,547.19
Debenture Redemption Reserve		2,496.70	-	2,496.70	3,759.88
Special Reserve		61.91	-	61.91	49.18
Foreign Currency Translation Reserve		1,041.42	-	1,041.42	821.45
Hedging Reserve		(222.51)	-	(222.51)	(1,513.55)
Amalgamation Reserve		-	87.93	87.93	100.90
General Reserve		98,974.25	-	98,969.08	75,353.28
Profit & Loss Account Balance		1,309.70	(1,072.43)	237.27	(1,638.62)
		127,615.31	672.38	128,282.52	92,887.75
Less: Minority Interest		(104.63)	-	(104.63)	291.40
Less: Goodwill/ Capital reserve		207.94	-	207.94	213.02
		127,512.00	672.38	128,179.21	92,383.33

HINDALCO INDUSTRIES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)

	Hindalco & Subsidiaries	Consolidated Share in Joint Ventures	Consolidated 31st March, 2007	31st March, 2006
SCHEDULE '3'				
SECURED LOANS				
Redeemable Non-Convertible Debentures	10,386.80	-	10,386.80	13,686.80
Loans from Banks:				
Cash Credit and Export Credit Accounts	5,496.65	0.04	5,496.69	1,743.15
Rupee Term Loans	49,657.00	2,270.55	51,927.55	10,797.04
Foreign Currency Term Loans	3,544.99	-	3,544.99	3,117.79
Other Loans:				
Term Loan from Government of UP under SHSIW	0.35	-	0.35	0.54
Rupee Term Loans from Financial Institutions	47.64	829.33	876.97	1,632.61
Foreign Currency Term Loans from Financial Institutions	97.78	-	97.78	200.14
Term Loans from Others	240.56	17.37	257.93	-
	69,471.77	3,117.29	72,589.06	31,178.07
SCHEDULE '4'				
UNSECURED LOANS				
Employees' and other Deposits	211.17	-	211.17	261.49
Short Term Loans:				
Rupee Loans from Banks	-	471.15	471.15	1,761.51
Foreign Currency Loans from Banks	2,477.92	-	2,477.92	13,031.73
Buyers' Credit	4,453.80	-	4,453.80	13,911.39
Others	1,438.92	-	1,438.92	-
Other Loans:				
Foreign Currency Term Loans from Banks	2,243.56	-	2,243.56	2,243.56
Sales Tax Deferral	204.83	-	204.83	224.66
Others	276.63	156.01	432.64	177.59
	11,306.83	627.16	11,933.99	31,611.93

HINDALCO INDUSTRIES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE '5' FIXED ASSETS

(Rs. in Million)

	ORIGINAL COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE						
	As at 31st March, 2007			As at 31st March, 2007			As at 31st March, 2007			As at 31st March, 2007						
	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated	As at 31st March, 2006	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated	As at 31st March, 2006	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated	As at 31st March, 2006	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated	
A.Tangible Assets																
Mining Rights	8,391.04	-	8,391.04	9,170.76	1,866.21	-	1,866.21	4,290.58	-	-	-	-	6,524.83	-	6,524.83	4,880.18
Leasehold Land	855.85	15.82	871.67	856.55	59.18	10.95	70.13	61.31	-	-	-	-	796.67	4.87	801.54	795.24
Freehold Land	446.75	6.03	452.78	448.99	2.15	-	2.15	1.86	13.54	-	13.54	10.64	431.06	6.03	437.09	436.49
Buildings	10,744.29	88.51	10,832.80	9,760.79	2,157.60	15.51	2,173.11	1,905.83	218.99	-	218.99	157.83	8,367.70	73.00	8,440.70	7,697.13
Plant & Machinery	107,504.55	5,982.47	113,487.02	105,006.22	38,738.85	2,220.47	40,959.32	35,628.82	1,663.48	-	1,663.48	875.14	67,102.22	3,762.00	70,864.22	68,502.26
Vehicles & Aircraft	1,550.50	31.33	1,581.83	1,521.97	601.50	8.37	609.87	563.81	-	-	-	-	949.00	22.96	971.96	958.16
Furniture & Fittings	2,165.49	96.20	2,261.69	2,127.20	1,281.20	67.29	1,348.49	1,237.95	-	-	-	-	884.29	28.91	913.20	889.25
Railway Sidings	171.23	-	171.23	136.18	57.40	-	57.40	50.57	-	-	-	-	113.83	-	113.83	85.61
Live Stock	0.69	-	0.69	0.72	-	-	-	-	-	-	-	-	0.69	-	0.69	0.72
B.Intangible Assets																
Goodwill	1,588.82	1,040.61	2,629.43	2,634.06	-	-	-	-	-	-	-	-	1,588.82	1,040.61	2,629.43	2,634.06
Rehabilitation Assets	579.34	-	579.34	326.41	106.69	-	106.69	28.74	-	-	-	-	472.65	-	472.65	297.67
Entry/ Licence Fees	305.83	1,832.34	2,138.17	2,110.62	154.54	815.05	969.59	914.16	-	-	-	-	151.29	1,017.29	1,168.58	1,196.46
Computer Software	285.05	61.55	346.60	332.12	244.65	41.75	286.40	274.10	0.20	-	0.20	0.20	40.20	19.80	60.00	57.82
	134,589.43	9,154.86	143,744.29	134,432.59	45,269.97	3,179.39	48,449.36	44,957.73	1,896.21	-	1,896.21	1,043.81	87,423.25	5,975.47	93,398.72	88,431.05
C. Capital Work-in-Progress																
													18,699.49	466.87	19,166.36	10,402.80
													106,122.74	6,442.34	112,565.08	98,833.85

HINDALCO INDUSTRIES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)

	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
SCHEDULE '6'				
INVESTMENTS				
A. Long Term Investments:				
Government Securities	52.58	-	52.58	55.09
Shares, Debentures, Bonds and Others	7,068.86	-	4,761.71	3,590.06
Shares in Associates	98.00	-	92.83	0.25
Units of Mutual Funds	55.61	-	55.61	17.99
B. Current Investments:				
Units of Debt Schemes of various Mutual Funds	73,783.97	1.08	73,785.05	27,968.68
	81,059.02	1.08	78,747.78	31,632.07
SCHEDULE '7'				
INVENTORIES				
Stores and Spare-parts	2,951.23	15.75	2,966.98	2,690.17
Coal and Fuel	947.85	-	947.85	612.77
Raw Materials	17,974.62	-	17,974.62	19,952.91
Work-in-Process	24,270.04	-	24,270.04	20,119.08
Finished Goods	1,730.52	0.02	1,730.54	1,380.43
Excise Duty on Stock	233.22	-	233.22	220.01
	48,107.48	15.77	48,123.25	44,975.37
SCHEDULE '8'				
SUNDRY DEBTORS				
Exceeding six months:				
Good	724.01	2.32	726.33	842.75
Doubtful	199.93	183.28	383.21	345.98
Others:				
Good	14,570.54	188.31	14,758.85	12,213.80
Doubtful	-	12.73	12.73	-
	15,494.48	386.64	15,881.12	13,402.53
Less: Provision for doubtful debts	199.93	196.01	395.94	345.98
	15,294.55	190.63	15,485.18	13,056.55
SCHEDULE '9'				
CASH AND BANK BALANCES				
Cash balance on hand	3.77	0.02	3.79	4.76
Cheques and Drafts in hand	735.94	23.37	759.31	1,837.79
Balance with Scheduled Banks:				
In Current Accounts	1,865.22	86.70	1,951.92	897.80
In Call Account	2.42	-	2.42	-
In Deposit Account	5,909.57	1,494.55	7,404.12	7,385.95
Balance with Non-Scheduled Banks	0.20	-	0.20	0.48
Balance with Foreign Banks	222.91	-	222.91	296.64
	8,740.03	1,604.64	10,344.67	10,423.42

HINDALCO INDUSTRIES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

			(Rs. in Million)	
	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
SCHEDULE '10'				
OTHER CURRENT ASSETS				
Accrued Interest				
On Investments	13.54	-	13.54	8.49
On Inter Corporate Deposits and deposit in banks	182.44	10.33	192.77	82.19
On Others	54.77	-	54.77	29.61
Accrued Exports Incentives	958.68	-	958.68	2,325.12
	1,209.43	10.33	1,219.76	2,445.41
SCHEDULE '11'				
LOANS AND ADVANCES				
Inter Corporate Deposits	868.48	-	868.48	589.24
Advances recoverable in cash or in kind or for value to be received/adjusted	7,314.54	295.01	7,609.55	5,305.19
Balance with Customs, Port Trusts, Excise etc.	1,040.08	28.43	1,068.51	688.06
Security and other Deposits	1,611.77	8.71	1,620.48	953.89
Trident Trust	344.52	-	344.52	344.52
	11,179.39	332.15	11,511.54	7,880.90
SCHEDULE '12'				
CURRENT LIABILITIES				
Sundry Creditors	25,364.81	1,478.02	26,842.83	26,195.90
Customers' Credit Balances and Advances against orders	1,542.78	226.29	1,769.07	667.77
Security Deposits Refundable	187.18	73.66	260.84	562.36
Investor Education and Protection Fund shall be credited by the following:				
Unpaid Dividends	239.37	-	239.37	62.86
Unpaid Application/Call Money due for Refund	4.01	-	4.01	30.72
Unpaid Matured Deposits	0.47	-	0.47	0.56
Interest accrued on above	0.70	-	0.70	0.70
Other Liabilities	642.18	65.12	707.30	733.23
Interest accrued but not due on Debentures, Loans and Deposits	609.76	1.70	611.46	607.08
	28,591.26	1,844.79	30,436.05	28,861.18
SCHEDULE '13'				
PROVISIONS				
Provision for Taxation (Net)	10,692.27	(18.40)	10,673.87	6,484.97
Proposed Dividend	15.91	-	15.91	2,178.99
Tax on Proposed Dividend	5.96	-	5.96	307.40
Post-retiral Benefits	1,924.75	24.53	1,949.28	514.13
Other Provisions	909.37	22.30	931.67	764.11
	13,548.26	28.43	13,576.69	10,249.60
SCHEDULE '14'				
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)				
Compensation under Voluntary Retirement Scheme	34.70	-	34.70	63.07
Others	7.44	0.26	7.70	23.78
	42.14	0.26	42.40	86.85

HINDALCO INDUSTRIES LIMITED
SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

			(Rs. in Million)	
	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
SCHEDULE '15'				
GROSS SALES AND OPERATING REVENUES				
A. Sales and Services				
Net Sales	186,744.08	3,845.27	190,589.35	118,020.94
Excise Duty	16,151.09	-	16,151.09	10,892.69
Gross Sales	202,895.17	3,845.27	206,740.44	128,913.63
B. Operating Revenues				
Export and other Incentives	2,183.08	-	2,183.08	2,746.31
Miscellaneous Receipts and Claims	388.65	-	388.65	429.45
	2,571.73	-	2,571.73	3,175.76
	205,466.90	3,845.27	209,312.17	132,089.39
SCHEDULE '16'				
OTHER INCOME				
Rent Received	45.68	-	45.68	38.96
Profit/(Loss) on Fixed Assets sold/discard (Net)	226.97	(0.42)	226.55	255.92
Income from Investments:				
Income from Current Investments:				
Dividend	1,329.78	-	1,329.78	946.60
Profit/(Loss) on sale of Investments (Net)	326.53	7.21	333.74	93.40
Diminution in carrying cost of Investments	6.29	-	6.29	(10.86)
Income from Long Term Investments:				
Interest	81.25	-	81.25	13.15
Dividend	381.28	-	381.28	162.37
Profit/(Loss) on sale of Investments (Net)	234.92	-	234.92	515.38
Diminution in carrying cost of Investments/written back (Net)	(2.51)	-	(2.51)	(6.63)
Interest on Inter Corporate Deposits and Deposit in Banks	259.99	-	259.99	144.64
Interest from Others	1,004.01	15.06	1,019.07	457.08
Miscellaneous Income	171.19	3.22	174.41	195.43
	4,065.38	25.07	4,090.45	2,805.44
SCHEDULE '17'				
(INCREASE)/DECREASE IN STOCKS				
Closing Stocks:				
Work-in-Process	24,270.04	-	24,270.04	20,119.08
Finished/ Traded Goods	1,963.74	0.02	1,963.76	1,600.44
	26,233.78	0.02	26,233.80	21,719.52
Less: Opening Stocks:				
Work-in-Process	20,119.08	-	20,119.08	9,652.40
Finished/ Traded Goods *	1,599.19	1.09	1,600.28	1,930.64
	21,718.27	1.09	21,719.36	11,583.04
Add: (Increase)/Decrease in Excise Duty on Stock	(13.21)	-	(13.21)	(24.57)
	(4,502.30)	1.07	(4,501.23)	(10,111.91)

* Adjustment of Rs. 0.16 million for change in holding in a Joint Venture during the year.

HINDALCO INDUSTRIES LIMITED
SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

			(Rs. in Million)	
	Hindalco & Subsidiaries	Share in Joint Ventures	Consolidated 31st March, 2007	Consolidated 31st March, 2006
SCHEDULE '18'				
RAW MATERIALS CONSUMED				
Raw Materials Consumed	113,247.95	-	113,247.95	67,971.78
	113,247.95	-	113,247.95	67,971.78
SCHEDULE '19'				
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES				
Salaries, Wages and Bonus	4,401.35	197.50	4,598.85	3,843.70
Contribution to Provident and other Funds	395.29	11.37	406.66	379.35
Provision/ Contribution to Gratuity Fund	56.39	-	56.39	219.37
Employees Welfare	632.94	19.90	652.84	585.74
	5,485.97	228.77	5,714.74	5,028.16
SCHEDULE '20'				
OTHER OPERATING EXPENSES				
Consumption of Stores and Spare-parts	3,658.20	23.43	3,681.63	3,192.54
Power and Fuel (including cost of own generation)18,481.28	104.46	18,585.74	18,049.92	
Processing and Operation	1,148.60	1,011.83	2,160.43	1,755.89
Repairs, Renewals and Replacements:				
To Buildings	205.74	1.78	207.52	205.60
To Machinery	1,134.24	104.41	1,238.65	977.11
To Others	259.51	4.95	264.46	255.26
Rates and Taxes	127.07	252.99	380.06	85.56
Rent	186.41	54.91	241.32	190.74
Insurance	398.73	3.43	402.16	390.15
Travelling & Conveyance	409.06	29.22	438.28	367.21
Auditors' Remuneration	33.54	1.24	34.78	22.77
Royalty	63.77	-	63.77	32.26
Research and Development	38.48	-	38.48	26.14
Discount on Sales	125.06	-	125.06	80.47
Commission on Sales	296.79	277.23	574.02	539.28
Freight and Forwarding (Net)	2,646.55	-	2,646.55	2,263.29
Provision for doubtful debts/ (written back) (Net)	47.08	29.91	76.99	65.56
Bad Debts written off	23.52	2.51	26.03	13.40
Donation	110.59	-	110.59	87.55
Directors' Fees	0.96	0.05	1.01	0.69
Directors' Commission	103.56	-	103.56	37.04
Miscellaneous Expenditure written off	51.27	-	51.27	67.93
Liability no longer required written back (Net)	(107.77)	(15.48)	(123.25)	(451.53)
Miscellaneous	2,410.87	420.21	2,831.08	1,393.33
	31,853.11	2,307.08	34,160.19	29,648.16
SCHEDULE '21'				
INTEREST AND FINANCE CHARGES				
Interest on Debentures and other Fixed Loans	3,273.37	266.07	3,539.44	2,403.33
Interest on Others	655.71	18.39	674.10	799.10
Other Finance Charges	666.32	5.38	671.70	322.57
	4,595.40	289.84	4,885.24	3,525.00
Less: Interest Capitalised	1,750.76	-	1,750.76	511.31
	2,844.64	289.84	3,134.48	3,013.69

HINDALCO INDUSTRIES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE '22'

NOTES ON ACCOUNTS

1.Principles of Consolidation:

- (a) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements". These relate to Hindalco Industries Limited (the Company), its Subsidiaries (the Group) and its interest in Joint Ventures and Associates and are prepared on the following basis:
- i) 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 year end inventories.
 - ii) 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.
 - iii) 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:
 - The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.
 - The minorities' share of movement in equity since the date parent- subsidiary relationship came into existence.
 - The losses attributable to the minorities are adjusted against the minority interest in the equity of the subsidiary.
 - The excess of loss over the minority interest in the equity, is adjusted against General Reserve of the Company.
 - iv) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are converted at the average rates prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the "Foreign Currency Translation Reserve".
 - v) Interest in jointly controlled entities are accounted for using proportionate consolidation in accordance with Accounting Standard 27 on "Financial reporting of interests in Joint Ventures". The Company's share in each of the assets, liabilities, income and expenses of jointly controlled entities are reported in separate column . 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 recognised in the consolidated financial statements as Goodwill or Capital Reserve as the case may be.
 - vi) Investment in Associates are accounted for using equity method in accordance with Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements". 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.
 - vii) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.
- (b) Accounting Policies and Notes on Accounts of the Financial Statements of the Company and all the subsidiaries are set out in their respective Financial Statements.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE '22' (Contd.)

NOTES ON ACCOUNTS (Contd.)

2. (a) The Subsidiaries, Joint Ventures and Associates considered in the Consolidated Financial Statements are as under:

Name of the Company	Relationship	Country of Incorporation	Proportion Ownership Interest	Reporting Date

Indian Aluminium Company, Limited	Subsidiary	India	97.06%	31.03.2007
Indal Exports Limited	Subsidiary	India	100.00%	31.03.2007
Minerals & Minerals Limited	Subsidiary	India	100.00%	31.03.2007
Bihar Caustic & Chemicals Limited	Subsidiary	India	54.65%	31.03.2007
Utkal Alumina International Limited *	Subsidiary	India	55.00%	31.03.2007
Suvas Holdings Limited	Subsidiary	India	51.00%	31.03.2007
Renukeshwar Investments & Finance Limited	Subsidiary	India	100.00%	31.03.2007
Renuka Investments & Finance Limited	Subsidiary	India	100.00%	31.03.2007
Dahej Harbour and Infrastructure Limited	Subsidiary	India	100.00%	31.03.2007
Lucknow Finance Company Limited	Subsidiary	India	100.00%	31.03.2007
Aditya Birla Minerals Limited \$	Subsidiary	Australia	51.00%	31.03.2007
Birla Maroochydore Pty Limited #	Subsidiary	Australia	51.00%	31.03.2007
Birla (Nifty) Pty Limited #	Subsidiary	Australia	51.00%	31.03.2007
Birla Mt Gordon Pty Limited #	Subsidiary	Australia	51.00%	31.03.2007
Birla Resources Pty Limited	Subsidiary	Australia	100.00%	31.03.2007
AV Metals Inc	Subsidiary	Canada	100.00%	31.03.2007
AV Aluminum Inc @	Subsidiary	Canada	100.00%	31.03.2007
Hindalco-Almex Aerospace Limited *	Subsidiary	India	70.00%	31.03.2007
IDEA Cellular Limited \$\$	Joint Venture	India	8.81%	31.03.2007
Mahan Coal Limited	Joint Venture	India	50.00%	31.03.2007
Aditya Birla Science & Technology Company Limited	Associate	India	49.00%	31.03.2007

* Joint Ventures in which holding is more than 50%, hence considered as Subsidiary for consolidation purpose.

Subsidiaries of Aditya Birla Minerals Limited.

@ Subsidiary of AV Metals Inc.

\$ By virtue of a public issue of shares made by Aditya Birla Minerals Limited in April, 2006 it has become a 51% subsidiary from 100% subsidiary of Hindalco Industries Limited, w.e.f. 12th May, 2006.

\$\$ By virtue of a public issue of equity shares made by IDEA Cellular Limited during the year, the Company's interest has become 8.81% from 10.11%.

(b) i) For the purpose of consolidation, the Consolidated Financial Statements of Aditya Birla Minerals Limited which reflects the consolidation of Birla (Nifty) Pty Limited, Birla Mt Gordon Pty Limited and Birla Maroochydore Pty Limited as at 31st March, 2007 have been prepared. In order to consolidate the audited consolidated financial statements of Aditya Birla Minerals Limited have been restated, where considered material, to comply with Generally Accepted Accounting Principles in India.

ii) Profit for the year attributable to Minority has been calculated proportionately from the date of issue of shares by Aditya Birla Minerals Limited.

ii) Disclosure requirement in respect of foreign subsidiaries are given to the extent of available information.

(Rs. in Million)				
		2006-07		2005-06
	Hindalco &	Share in		
	Subsidiaries	Joint Ventures	Consolidated	Consolidated
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	12,985.48	913.03	13,898.51	14,399.12

	Hindalco & Subsidiaries	2006-07 Share in Joint Ventures	Consolidated	<u>2005-06</u> <u>Conso</u> <u>lidate</u> <u>d</u>
4. Major components of Deferred Tax arising on account of temporary timing differences are as under:				
Deferred Assets Liability:				
Depreciation	14,147.25	-	14,147.25	12,241.80
Others	<u>807.08</u>	<u>-</u>	<u>807.08</u>	<u>3,123.86</u>
	<u>14,954.33</u>	<u>-</u>	<u>14,954.33</u>	<u>15,365.66</u>
Deferred Assets Tax:				
Un-amortised Expenditure	149.40	-	149.40	-
Brought forward Business Loss	1,710.86	-	1,710.86	66.88
Others	<u>1,379.50</u>	<u>-</u>	<u>1,379.50</u>	<u>3,017.42</u>
	<u>3,239.76</u>	<u>-</u>	<u>3,239.76</u>	<u>3,084.30</u>
Deferred Tax Liability (Net)	<u>11,714.57</u>	<u>-</u>	<u>11,714.57</u>	<u>12,281.36</u>
5. (a). Contingent Liabilities not provided for in respect of:				
i). Claims against the Company not acknowledged as debts	1,883.33	129.10	2,012.43	4,510.13
ii). Bills discounted with Banks	1,004.16	-	1,004.16	622.93
iii). Letters of Credit Outstanding	1,034.49	289.56	1,324.05	513.60
iv). Bank Guarantees & Bonds	2,168.12	548.21	2,716.33	750.04
v). Corporate Guarantees outstanding	506.40	-	506.40	10,541.99
vi). Custom duty on Capital goods and Raw Materials imported under Advance License/ EPCG Scheme against which Export obligations to be fulfilled	1,833.40	3.32	1,836.72	1,380.11

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE '22' (Contd.)

NOTES ON ACCOUNTS (Contd.)

- (b) Balance in provision for income tax account is after netting-off the payments made and refunds received since the appeals filed by the Company and the Department are pending before appellate authorities.
- (c) The Company has given undertakings to various Financial Institutions and Banks, as relevant, for:
- i) Non disposal of 12,004,987 equity shares of Rs. 10/- each of Bihar Caustic & Chemicals Limited 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 shares of IDEA Cellular Limited till the Institutional loans are repaid in full.
6. As per the terms of the Rights Offer, the Company has sent First Call Money Notice to the shareholders for payment of "First Call" at the rate of Rs. 24/- per share on 231,521,031 shares amounting to Rs. 5,557 million. The last date for payment was 1st December, 2006. The Board of Directors has subsequently extended the last date up to 10th January, 2007. The Company has received total Rs. 5,529 million up to 31st March, 2007 towards call payment. Basic and diluted EPS have been calculated taking into account the effect of this rights issue. The proceeds of the rights issue aggregating to Rs. 11,086 million (up to first call) have been utilized for the purpose of defraying issue related expenses of Rs. 366 million (during previous year) and subscription to shares of a subsidiary company to the extent of Rs. 1,443 million till 31st March, 2007 while the balance amount is temporarily invested in short term liquid securities.
7. (a) The project activities in Utkal Alumina International Limited, a subsidiary of the Company with 55% stake is progressing well. The Company has invested a total amount of Rs. 2,095.14 million till 31st March, 2007.
- (b) The Company has entered into a joint venture agreement with Essar Power M.P. Limited by virtue of which it holds 50% stake in Mahan Coal Limited, a new company formed for mining of coal, a part of which being the entitlement of the Company as per the agreement will be used for generating power to be captively consumed in proposed greenfield aluminium smelter in Madhya Pradesh.
- (c) The Company has entered into a joint venture partnership with Almex USA Inc. (Almex), for the manufacture of high strength aluminium alloys for applications in the aerospace, sporting goods and surface transport industries. The joint venture has been named Hindalco-Almex Aerospace Limited. The Company has 70 percent equity participation, with Almex holding the balance 30 per cent in the JV. The Company has made an equity contribution of Rs. 70.00 million till 31st March, 2007.
- (d) During the quarter ended 31st March, 2007 the Company has incorporated a new wholly owned subsidiary in Canada by the name AV Metals Inc. This company has incorporated a company by the name 6703534 Canada Limited, as wholly owned subsidiary, the name of which has later been changed to AV Aluminum Inc. Another company by the name AV Minerals (Netherlands) B.V. has been incorporated in Netherlands as a wholly owned subsidiary of the Company in April 2007.
- (e) The Company has entered into a definitive agreement with Novelis Inc. on 10th Feb, 2007 for acquiring all outstanding common shares @ USD 44.93 per share in cash for a total consideration of approximately USD 3.5 billion. For this purpose the Company has secured firm commitments of USD 3.1 billion bridge loan of 18 months against the corporate guarantee of the Company and the balance of USD 450 million will be financed by the Company by way of infusing equity / preferred stock / other securities in its wholly owned subsidiaries. The acquisition will be effected through one or more of its wholly owned subsidiaries. The acquisition is subject to various customary approvals including shareholders and Canadian Court approval. The acquisition marks a synergistic extension to the Company's upstream business by way of expanding the Company's business activities to multiple downstream business, by optimization of operating assets of Novelis located in different geographical markets catering to a larger consumer base. Consistent with this acquisition, the expenses aggregating to Rs. 650 million, relating to this transaction, have been charged and included under appropriate account heads.

HINDALCO INDUSTRIES LIMITED
Schedules forming part of Consolidated Financial Statements

SCHEDULE '22' (Contd..)

NOTES ON ACCOUNTS (Contd..)

8. 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, Birla Maroochydore 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 mentioned in Schedule 22 of the Financial statements of the Parent Unit :

Particulars	Accounting Policies		2006-07		2005-06	
	Company	Subsidiaries	Amount	Proportion	Amount	Proportion
(a). Assets taken on Finance Lease	In respect of assets taken on finance lease prior to 01.04.2001, the element of lease rental applicable to the cost of assets has been charged to the profit and loss account over the estimated life of the assets and financing cost has been allocated over the life of the lease on an appropriate basis.	Assets taken on finance lease have been treated as part of the fixed assets recording them initially at lower of fair value and at the present value depreciating over the shorter of the estimated useful life of asset or the lease term.	Nil	Nil	Nil	Nil
(b). Depreciation and Amortisation	a). Depreciation is charged on the basis of rates and manner specified for each class of assets in Schedule XIV of the Companies Act, 1956. b) In case of Amortization of Mining Properties, same are amortized over lease period.	a) Depreciation on mining plant and equipment is provided on unit production based on economically recoverable reserve. In respect of other plant & Machineries, depreciation rates used are based on balance useful life of assets (ranging from 10% - 50%) on straight basis depending on the item of plant. b) Same are amortised on the basis of production.	1402.97	44.72%	1987.96	55.12%
(c). Foreign Currencies Transaction	Exchange differences relating to amounts payable and receivable in foreign currencies are accounted for as exchange gains or losses in the profit and loss account, except for amount relating to liabilities incurred for purchase of imported fixed assets, the	Exchange differences relating to amounts payable and receivable in foreign currencies are accounted for as exchange gains or losses in the statement of financial	Nil	Nil	(9.93)	25.85%

(Rs. in Million)

Particulars	Accounting Policies		2006-07		2005-06	
	Company	Subsidiaries	Amount	Proportion	Amount	Proportion
	difference thereof is adjusted in the carrying amount of the fixed assets.	statement				
(d). Environment and 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.	729.79	100.00%	581.75	100.00%
(e). Derivative financial instrument and hedging	Hedging loss / gain are recognized in income statement on accrual basis. Forward cover and options are not Marked- to – Market at year-end.	Hedging loss / gains are recognized in income statement based on nature of hedging i.e. fair value hedged or cash flow hedge. Forward rate agreement and options are marked – to – Market at year-end and same is carried forward and recognized in income statement when underlying hedge transactions are recognized.	298.03	100.00%	2711.46	100.00%
(f). Exploration and Evaluation Expenditure	Such cost is treated as raw material cost when it is incurred.	Such cost is generally carried forward based on management estimation of recovery of such cost from future operation	731.70	100.00%	520.43	100.00%
g). Deferred Mining Cost	Mining cost is treated as raw material cost when incurred	Mining cost for striping of waste in connection with future economically recoverable ore to be mined are capitalized and such cost are amortized based on estimated waste to ore ratio.	Nil	Nil	264.48	100.00%

Particulars					(Rs. in Million)	
	Accounting Policies		2006-07		2005-06	
	Company	Subsidiaries	Amount	Proportion	Amount	Proportion
h). Unwinding Cost	No provision for treatment of Annual increase in the provision relating to change in the net present value of provisions pertaining to Restoration & and Environment Cost	Such Cost are accounted for in income Statement as Borrowing cost	44.42	100.00%	6.04	100.00%

9 Earnings Per Share

	<u>2006-07</u>	<u>2005-06</u>
Profits after taxation (Rs. in Million)	26,864.83	15,795.77
Weighted average number of Basic and Diluted Equity Shares outstanding (including partly paid-up shares)	1,004,921,647	986,116,213
Face Value of Equity Shares (in Re.)	1.00	1.00
Basic and Diluted Earnings per share (in Rupees)	<u>26.73</u>	<u>16.02</u>

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Disclosure in respect of Related Party pursuant to Accounting Standard 18:

(a). Related Parties with whom transactions have taken place during the year:

i). **Associates:**

Aditya Birla Science & Technology Company Limited

ii). **Joint Ventures:**

IDEA Cellular Limited

Mahan Coal Limited

ii). **Trust:**

Trident Trust

iv). **Key Managerial Personnel:**

Mr. Debu 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

Million)

Particulars	2007		2006	
	Associates	Joint Ventures	Associates	Joint Ventures
Transaction during the year ender 31st March:				
Sales and Conversion	-	-	-	1.98
Service Received	5.16	0.39	-	-
Interest and Dividend Received	0.72	-	-	-
Investments, Deposits, Loans and Advances given	45.35	1.40	98.25	-
Balance as at 31st March:				
Debit Balance	-	-	-	0.06
Credit Balance	4.18	-	-	-
Investments, Deposits, Loans and Advances given	143.59	2.79	98.25	-

ii).	Trust:		
	Beneficiary Interest in Trust	344.52	344.52
iii).	Key Managerial Personnel:		
	Managerial Remuneration (including perquisites)	49.40	37.81

11. (a). Construction work-in-progress of a subsidiary company include Rs.3.40 million being tax paid on behalf of the then CEO and Whole-time Director on his remuneration for the period from 1st July, 2000 to 31st January, 2002 in accordance with Section 10(5B) of the Income-tax Act, 1961. It has been legally advised that provisions of Section 10(5B) of the Income-tax Act, 1961 has an overriding effect on the provisions of Section 200 of the Companies Act, 1956 and accordingly it believes that the Central Government's approval is not required for the purpose.

- (b). Appointment and payment of remuneration of Rs.1.39 million to CEO and Manager, subsequently designated as CEO and Managing Director of a subsidiary company is awaiting the approval of the Central Government for which necessary application has been made by the Company. Further appointment of CEO and Managing Director is also awaiting the approval of Shareholders.
12. (a). Final price payable on purchase of copper concentrate for which quotational period, price and quantity was not finalized in previous year, were realigned at year end rate based on monthly average rate for Copper and Precious Metal quoted at LME & LMBA respectively and accordingly an additional provision for Rs.782.71 million was made. During the year final price payable was settled at Rs.3,846.54 million and additional liabilities of Rs.3,063.84 million has been charged to raw material consumption. Further, an additional provisions for Rs. 546.82 millions was made on realignment of such class of liabilities as on 31st March 2007. Actual outflow is expected on finalization of quotational period price and quantity in the next financial year.
- (b). Final Price receivable from sale of Copper for which quational price is not finalized in previous year were realigned at year end rate and additional sales for Rs. 44.83 million were accounted for. During the Year final price was settled at Rs.204.27 million and credit for further sales for Rs.159.44 million was taken into account. Further credit for sales Rs. 1.06 million was taken on realignment of such type of sales. Actual inflow is expected on finalization of price in the next financial year.
13. During April 2007, the Company received a notice dated 24th March 2007 from collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of Rs. 2,529.59 million 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 provision for levy of stamp duty on court order under the provisions of Uttar Pradesh Stamp Act. The Company is filing a writ petition before the Hon' able High Court of Allahabad on the ground, inter alia, that the properties in question are located in the state of Gujarat and thus the collector has no territorial jurisdiction.

14. Segment Reporting:

- (a). Primary Segment (by Business Segment):
- i). The Company 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 Million)			
Particulars	2006-07				2005-06			
	Aluminium	Copper	Others	Total	Aluminium	Copper	Others	Total
REVENUE								
External Sales	73,672.92	115,270.19	4,217.97	193,161.08	60,641.62	57,015.60	3,539.48	121,196.70
Inter-segment transfers	28.20	61.35	1,067.51	1,157.06	0.79	-	648.92	649.71
	73,701.12	115,331.54	5,285.48	194,318.14	60,642.41	57,015.60	4,188.40	121,846.41
Less: Inter Segment Adjustment	28.20	61.35	1,067.51	1,157.06	0.79	-	648.92	649.71
Total Revenue	73,672.92	115,270.19	4,217.97	193,161.08	60,641.62	57,015.60	3,539.48	121,196.70
RESULTS								
Segment Results	29,265.40	5,877.07	1,336.09	36,478.56	21,305.30	(866.84)	1,053.68	21,492.14
Un-allocable Income (Net)				3,105.67				1,696.71
Interest Expenses				(3,134.48)				(3,013.69)
Non Recurring Expenses				-				22.72
Provision for Taxes				(9,584.92)				(4,402.11)
Net Profit				26,864.83				15,795.77
OTHER INFORMATION								
Assets:								
Segment Assets	87,629.66	85,237.48	10,095.50	182,962.64	73,095.66	84,872.23	9,163.37	167,131.26
Un-allocable Assets				95,034.62				42,116.31
Total Assets				277,997.26				209,247.57
Liabilities:								
Segment Liabilities	11,608.88	20,127.27	7,426.09	39,162.24	5,679.47	22,160.03	1,796.78	29,636.28
Un-allocable Liabilities				109,654.96				85,841.05
Total Liabilities				148,817.20				115,477.33
Capital Expenditure	15,943.50	6,877.83	654.71		10,236.38	5,368.93	1,689.82	

Non-Cash Expenses:								
Depreciation	3,852.84	3,127.88	753.34		3,638.65	3,596.53	652.74	
Impairment	125.24	727.16	-		44.54	-	-	

(b) Secondary Segment (by Geographical demarcation):

iii) The secondary segment is based on geographical demarcation i.e India and Rest of the World.

iv) Information about Secondary Segment are follows:

v)

Particulars	2006-07			2005-06		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	117,786.14	75,374.94	193,161.08	84,647.73	36,548.97	121,196.70
Segment Assets	162,826.34	20,136.30	182,962.64	146,197.36	20,933.90	167,131.26
Capital Expenditure	17,828.73	5,647.31	23,476.04	12,031.22	5,263.91	17,295.13

15. Figures of the 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 23rd day of June, 2007

For and on behalf of the Board

C. M. Maniar (Director)

D. Bhattacharya (Managing Director)

M. M. Bhagat (Director)

S. Talukdar (*President & CFO*)

Anil Malik (Company Secretary)

HINDALCO INDUSTRIES LIMITED
Consolidated Cash Flow Statement for the Year ended 31st March, 2007

(Rs. In Million)

	<u>Hindalco & Subsidiaries</u>	<u>2006-07 Share in Joint Ventures</u>	<u>Consolidated</u>	<u>2005-06 Consolidated</u>
A. <u>CASH FLOW FROM OPERATING ACTIVITIES</u>				
Net Profit before Tax and Extraordinary items	36,167.73	448.47	36,616.20	20,281.25
Adjustment For:				
Interest and Finance Charges	2,844.64	289.84	3,134.48	3,013.69
Depreciation	7,201.50	591.63	7,793.13	7,914.85
Impairment	852.40	-	852.40	44.54
Unrealised Foreign Exchange Gain/ Loss (Net)	957.00	-	957.00	23.09
Miscellaneous Expenditure written-off	51.27	-	51.27	67.93
Provisions/ Provisions written-back (Net)	(36.43)	19.20	(17.23)	(1,475.57)
Investing Activities (Net)	<u>(3,845.32)</u>	<u>(21.85)</u>	<u>(3,867.17)</u>	<u>(2,495.64)</u>
Operating Profit before Working Capital changes	44,192.79	1,327.29	45,520.08	27,374.14
Change in Working Capital:				
Inventories	(3,143.69)	(5.69)	(3,149.38)	(18,037.33)
Trade & Other Receivables	(3,412.41)	(260.71)	(3,673.12)	(9,044.75)
Trade Payables	<u>1,024.00</u>	<u>451.11</u>	<u>1,475.11</u>	<u>14,925.99</u>
Cash Generation from Operation	38,660.69	1,512.00	40,172.69	15,218.05
Payment of Miscellaneous Expenditure	(14.08)	(0.26)	(14.34)	(31.65)
Payment of Direct Taxes	<u>(5,892.90)</u>	<u>(6.08)</u>	<u>(5,898.98)</u>	<u>(3,059.45)</u>

HINDALCO INDUSTRIES LIMITED
Consolidated Cash Flow Statement for the Year ended 31st March, 2007

(Rs. In Million)

	<u>Hindalco & Subsidiaries</u>	<u>2006-07 Share in Joint Ventures</u>	<u>Consolidated</u>	<u>2005-06 Consolidated</u>
Net Cash Generated/ (Used) – Operating Activities	<u>32,753.71</u>	<u>1,505.66</u>	<u>34,259.37</u>	<u>12,126.95</u>
B. <u>CASH FLOW FROM INVESTMENT ACTIVITIES</u>				
Purchase of Fixed Assets	(26,707.48)	(2,101.21)	(28,808.69)	(27,286.58)
Sale of Fixed Assets	6,902.50	0.88	6,903.38	7,755.97
Acquisaitons of Subsidiaries	-	-	-	(2.29)
Purchase/ Sale of Investments (Net)	(46,196.25)	(1.75)	(46,198.00)	(1,475.53)
Interest Received	1,731.03	4.78	1,735.81	442.03
Dividend Received	2,427.12	-	2,427.12	1,108.97
Extraordinary Item (Net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>22.72</u>
Net Cash Generated/ (Used) – Investing Activities	<u>(61,843.08)</u>	<u>(2,097.30)</u>	<u>(63,940.38)</u>	<u>(19,434.71)</u>
C. <u>CASH FLOW FROM FINANCING ACTIVITIES</u>				
Proceeds from Equity Shares issued (Net of Expenses)	16,534.81	2,170.77	18,705.58	5,512.77
Repayment of Prefernce Share Capital	-	(666.06)	(666.06)	-
Proceeds from State Capital Subsidy	-	-	-	21.57
Proceeds/ Repayments of Long Term Borrowings (Net)	31,262.06	1,735.51	32,997.57	787.66
Proceeds/ Repayments of Short Term Borrowings (Net)	(10,090.05)	(886.79)	(10,976.84)	11,927.02
Interest and Finance Charges	(6,216.49)	(288.79)	(6,505.28)	(3,169.19)
Dividend Paid (including Dividend Tax)	<u>(4,523.57)</u>	<u>-</u>	<u>(4,523.57)</u>	

HINDALCO INDUSTRIES LIMITED
Consolidated Cash Flow Statement for the Year ended 31st March, 2007

(Rs. In Million)

	<u>Hindalco & Subsidiaries</u>	<u>2006-07 Share in Joint Ventures</u>	<u>Consolidated</u>	<u>2005-06 Consolidated (2,126.96)</u>
Net Cash Generated/ (Used) - Financing Activities	<u>26,966.76</u>	<u>2,064.64</u>	<u>29,031.40</u>	<u>12,952.87</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,122.61)	1,473.00	(649.61)	5,645.11
Add: Opening Cash & Cash Equivalents	10,619.38	138.14	10,757.52	5,112.41
Add: Cash & Cash Equivalents taken over on acquisition	-	0.20	0.20	-
Less: Adjustment for change in holding in a Joint Venture	<u>-</u>	<u>(6.70)</u>	<u>(6.70)</u>	<u>-</u>
Closing Cash & Cash Equivalents	<u>8,496.77</u>	<u>1,604.64</u>	<u>10,101.41</u>	<u>10,757.52</u>

Notes:

1. Closing cash & cash equivalents represents "Cash and Bank Balances" except Rs. 243.26 million 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 necessary.

As per our report annexed

For SINGHI & CO.
Chartered Accountants

For and on behalf of the Board
C. M. Maniar (Director)
D. Bhattacharya (Managing Director)
M. M. Bhagat (Director)
S. Talukdar (President & CFO)
Anil Malik (Company Secretary)

RAJIV SINGHI

Partner

Membership No. 53518

Camp: Mumbai

Dated: The 23rd day of June, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Novelis Inc.:

In our opinion, the accompanying consolidated balance sheet as of March 31, 2008 and the related consolidated statements of operations and comprehensive income (loss), shareholder's equity and of cash flows for the period from May 16, 2007 to March 31, 2008 present fairly, in all material respects, the financial position of Novelis Inc. and its subsidiaries (Successor) at March 31, 2008, and the results of their operations and their cash flows for the period from May 16, 2007 to March 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Management and we previously concluded that the Company maintained effective internal control over financial reporting as of March 31, 2008. However, management has subsequently determined that a material weakness in internal control over financial reporting with respect to the application of purchase accounting for an equity method investee including related income tax accounts existed as of that date. Accordingly, management's report has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report. In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of March 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting with respect to the application of purchase accounting for an equity method investee including related income tax accounts existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control over Financial Reporting appearing in Recent Developments. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company restated its 2008 (Successor) consolidated financial statements.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Atlanta, GA

June 19, 2008, except for the restatement described in Note 2 to the consolidated financial statements and the matter described in the penultimate paragraph of Management's Report on Internal Control Over Financial Reporting, as to which the date is August 11, 2008.

AUDITED FINANCIAL STATEMENTS OF NOVELIS INC

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Novelis Inc.:

In our opinion, the accompanying consolidated balance sheet as of March 31, 2007 and the related consolidated and combined statements of operations and comprehensive income (loss), shareholder's/invested equity and of cash flows for the periods from April 1, 2007 to May 15, 2007, and January 1, 2007 to March 31, 2007, and the years ended December 31, 2006 and 2005 present fairly, in all material respects, the financial position of Novelis Inc. and its subsidiaries (Predecessor) at March 31, 2007 and, the results of their operations and their cash flows for the periods from April 1, 2007 to May 15, 2007, and January 1, 2007 to March 31, 2007, and for the years ended December 31, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated and combined financial statements, the Company changed the manner in which it accounts for defined benefit pension and other postretirement plans effective December 31, 2006.

PricewaterhouseCoopers LLP

Atlanta, GA
June 19, 2008

Novelis Inc.

**CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)**
(In millions, except per share amounts)

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor 2005 Predecessor	
Net sales	\$ 9,965	\$ 1,281	\$ 2,630	\$ 9,849	\$ 8,363
Cost of goods sold (exclusive of depreciation and amortization shown below).....	9,042	1,205	2,447	9,317	7,570
Selling, general and administrative expenses	319	95	99	410	352
Depreciation and amortization	375	28	58	233	230
Research and development expenses....	46	6	8	40	41
Interest expense and amortization of debt issuance costs — net.....	173	26	50	206	194
(Gain) loss on change in fair value of derivative instruments — net	(22)	(20)	(30)	(63)	(269)
Equity in net (income) loss of non- consolidated affiliates.....	(25)	(1)	(3)	(16)	(6)
Sale transaction fees	—	32	32	—	—
Litigation settlement — net of insurance recoveries	—	—	—	—	40
Other (income) expenses — net.....	—	4	24	—	(13)
	<u>9,908</u>	<u>1,375</u>	<u>2,685</u>	<u>10,127</u>	<u>8,139</u>
Income (loss) before provision (benefit) for taxes on income (loss), minority interests' share and cumulative effect of accounting change	57	(94)	(55)	(278)	224
Provision (benefit) for taxes on income (loss)	<u>73</u>	<u>4</u>	<u>7</u>	<u>(4)</u>	<u>107</u>
Income (loss) before minority interests' share and cumulative effect of accounting change	(16)	(98)	(62)	(274)	117
Minority interests' share	<u>(4)</u>	<u>1</u>	<u>(2)</u>	<u>(1)</u>	<u>(21)</u>
Net income (loss) before cumulative effect of accounting change	(20)	(97)	(64)	(275)	96
Cumulative effect of accounting change — net of tax.....	—	—	—	—	(6)
Net income (loss)	<u>(20)</u>	<u>(97)</u>	<u>(64)</u>	<u>(275)</u>	<u>90</u>

(Continued)

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, <u>2006</u> <u>2005</u> Predecessor Predecessor	
Other comprehensive income (loss) — net of tax Currency translation adjustment.....	59	35	11	168	(155)
Change in fair value of effective portion of hedges — net	—	(1)	3	(46)	—
Postretirement benefit plans:					
Amortization of net actuarial loss	—	(1)	1	—	—
Change in pension and other benefits	(13)	—	—	—	—
Change in minimum pension liability	—	—	—	12	(17)
Other comprehensive income (loss) — net of tax.....	<u>46</u>	<u>33</u>	<u>15</u>	<u>134</u>	<u>(172)</u>
Comprehensive income (loss).....	<u>\$ 26</u>	<u>\$ (64)</u>	<u>\$ (49)</u>	<u>\$ (141)</u>	<u>\$ (82)</u>
Dividends per common share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.20</u>	<u>\$ 0.36</u>
Supplemental information for 2005 only:					
Net income attributable to the consolidated and combined results of Novelis from January 6 to December 31, 2005 — increase to Retained earnings					\$ 119
Net loss attributable to the combined results of Novelis from January 1 to January 5, 2005 — decrease to Owner's net investment					(29)
Net income.....					<u>\$ 90</u>

The accompanying notes to the consolidated and combined financial statements are an integral part of these statements.

Novelis Inc.
CONSOLIDATED BALANCE SHEETS
(In millions, except number of shares)

	2008 Successor	As of March 31, (Restated)	2007 Predecessor
ASSETS			
Current assets			
Cash and cash equivalents	\$	326	\$ 128
Accounts receivable (net of allowances of \$1 and \$29 as of March 31, 2008 and 2007, respectively)			
— third parties		1,248	1,350
— related parties		31	25
Inventories		1,455	1,483
Prepaid expenses and other current assets		58	39
Current portion of fair value of derivative instruments		203	92
Deferred income tax assets		<u>125</u>	<u>19</u>
Total current assets		3,446	3,136
Property, plant and equipment — net		3,357	2,106
Goodwill		1,869	239
Intangible assets — net		888	20
Investment in and advances to non-consolidated affiliates		946	153
Fair value of derivative instruments — net of current portion		21	55
Deferred income tax assets		12	102
Other long-term assets			
— third parties		102	105
— related parties		<u>41</u>	<u>54</u>
Total assets	<u>\$</u>	<u>10,682</u>	<u>\$ 5,970</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Current portion of long-term debt	\$	15	\$ 143
Short-term borrowings		115	245
Accounts payable			
— third parties		1,582	1,614
— related parties		55	49
Accrued expenses and other current liabilities		850	480
Deferred income tax liabilities		<u>39</u>	<u>73</u>
Total current liabilities		2,656	2,604
Long-term debt — net of current portion		2,560	2,157
Deferred income tax liabilities		701	103
Accrued postretirement benefits		421	427
Other long-term liabilities		<u>672</u>	<u>352</u>
		<u>7,010</u>	<u>5,643</u>
Commitments and contingencies			
Minority interests in equity of consolidated affiliates		<u>149</u>	<u>152</u>
Shareholder's equity			
Common stock, no par value; unlimited number of shares authorized; 77,459,658 and 75,357,660 shares issued and outstanding as of March 31, 2008 and 2007, respectively		—	—
Additional paid-in capital		3,497	428
Retained earnings (Accumulated deficit)		(20)	(263)
Accumulated other comprehensive income (loss)		<u>46</u>	<u>10</u>
Total shareholder's equity		3,523	175
Total liabilities and shareholder's equity	<u>\$</u>	<u>10,682</u>	<u>\$ 5,970</u>

The accompanying notes to the consolidated and combined financial statements
are an integral part of these statements.

Novelis Inc.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(In millions)

	May 16, 2007 Through March 31, 2008	April 1, 2007 Through May 15, 2007	Three Months Ended March 31, 2007	Year Ended December 31,	
	(Restated) Successor	Predecessor	Predecessor	2006 Predecessor	2005 Predecessor
OPERATING ACTIVITIES					
Net income (loss).....	\$ (20)	\$ (97)	\$ (64)	\$ (275)	\$ 90
Adjustments to determine net cash provided by (used in) operating activities:					
Cumulative effect of accounting change — net of tax.....	—	—	—	—	6
Depreciation and amortization.....	375	28	58	233	230
(Gain) loss on change in fair value of derivative instruments —					
Net.....	(22)	(20)	(30)	(63)	(269)
Litigation settlement — net of insurance recoveries	—	—	—	—	40
Deferred income taxes	(5)	(18)	(9)	(77)	30
Amortization of debt issuance costs	10	1	2	13	17
Write-off and amortization of fair value adjustments — net.....	(221)	—	—	—	—
Provision for uncollectible accounts receivable.....	1	—	—	4	3
Equity in net (income) loss of non-consolidated affiliates.....	(25)	(1)	(3)	(16)	(6)
Dividends from non-consolidated affiliates	—	4	—	5	—
Minority interests' share.....	4	(1)	2	1	21
Impairment charges on long-lived assets.....	1	—	8	—	7
Share-based compensation	—	—	2	9	3
(Gain) loss on sales of businesses, investments, and assets — net.....	—	—	—	(6)	(17)
Changes in assets and liabilities (net of effects from acquisitions and divestitures):					
Accounts receivable					
— third parties	182	(21)	(25)	(142)	(91)
— related parties.....	(1)	—	—	1	(1)
Inventories	208	(76)	(95)	(206)	52
Prepaid expenses and other current assets	(8)	(7)	3	25	18
Other long-term assets	(30)	(1)	(5)	6	(13)
Accounts payable					
— third parties	(11)	(62)	73	519	181
— related parties.....	(7)	—	5	4	2
Accrued expenses and other current liabilities	(68)	42	(22)	(64)	134
Accrued postretirement benefits ...	23	1	4	(24)	13
Other long-term liabilities	19	(2)	9	69	(1)
Net cash provided by (used in) operating activities	405	(230)	(87)	16	449

(Continued)

	May 16, 2007 Through March 31, 2008	April 1, 2007 Through May 15, 2007	Three Months Ended March 31, 2007	Year Ended December 31,	
	(Restated) Successor	Predecessor	Predecessor	2006	2005
INVESTING ACTIVITIES					
Capital expenditures	(185)	(17)	(24)	(116)	(178)
Disposal of business — net	—	—	—	(7)	—
Proceeds from sales of assets	8	—	—	38	19
Changes to investment in and advances to non-consolidated Affiliates	24	1	1	3	—
Proceeds from loans receivable — net					
— third parties	—	—	—	—	19
— related parties	18	—	1	37	374
Net proceeds from settlement of derivative instruments	37	18	24	238	91
Net cash provided by (used in) investing activities	(98)	2	2	193	325
FINANCING ACTIVITIES					
Proceeds from issuance of common stock	92	—	—	—	—
Proceeds from issuance of debt	1,100	150	—	41	2,779
Principal repayments					
— third parties	(1,009)	(1)	(1)	(353)	(1,822)
— related parties	—	—	—	—	(1,180)
Short-term borrowings — net					
— third parties	(241)	60	113	103	(145)
— related parties	—	—	—	—	(302)
Dividends					
— common shareholders	—	—	—	(15)	(27)
— minority interests	(1)	(7)	—	(15)	(7)
Net receipts from Alcan	—	—	—	5	72
Debt issuance costs	(37)	(2)	—	(11)	(71)
Proceeds from the exercise of stock options	—	1	27	2	—
Windfall tax benefit on share- based compensation	—	—	1	—	—
Net cash provided by (used in) financing activities	(96)	201	140	(243)	(703)
Net increase (decrease) in cash and cash equivalents	211	(27)	55	(34)	71
Effect of exchange rate changes on cash balances held in foreign currencies					
Cash and cash equivalents — beginning of period	102	128	73	100	31
Cash and cash equivalents — end of period	\$ 326	\$ 102	\$ 128	\$ 73	\$ 100

(Continued)

	May 16, 2007 Through March 31, 2008	April 1, 2007 Through May 15, 2007	Three Months Ended March 31, 2007	Year Ended December 31,	
	(Restated) Successor	Predecessor	Predecessor	2006	2005
Supplemental disclosures of cash flow information:					
Interest paid	\$ 200	\$ 13	\$ 84	\$ 201	\$ 153
Income taxes paid	64	9	18	68	39
Supplemental schedule of non-cash investing and financing activities related to the Acquisition of Novelis Common Stock (Note 3):					
Property, plant and equipment	\$ (1,344)				
Goodwill	(1,625)				
Intangible assets	(893)				
Investment in and advances to non-consolidated affiliates	(776)				
Debt	66				
Supplemental schedule of non-cash investing and financing activities related to the 2005 spin-off transaction from Alcan and post-closing adjustments:					
Other receivables					\$ 433
Short-term borrowings — related parties					(57)
Debt — related parties					32
Capital lease obligation					52
Additional paid-in capital				\$ (43)	(109)
Supplemental schedule of non-cash transaction — final purchase price allocation adjustment from Alcan related to the 2004 Pechiney acquisition:					
Assets					\$ 8
Liabilities					<u>—</u>
Adjustment to net assets allocated to us from Alcan					<u>\$ 8</u>

The accompanying notes to the consolidated and combined financial statements are an integral part of these statements.

Novelis Inc.

CONSOLIDATED AND COMBINED STATEMENTS OF SHAREHOLDER'S/INVESTED EQUITY
(In millions, except number of shares)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings/ (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Owner's Net Investment</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					
<i>Predecessor:</i>							
Balance as of December 31, 2004.....	—	\$ —	\$ —	\$ —	\$ 88	\$ 467	\$ 555
2005 Activity:							
January 1 to January 5, 2005 — Net income (loss)	—	—	—	—	—	(29)	(29)
Adjusted Invested equity at spin-off date — January 6, 2005	—	—	—	—	88	438	526
Issuance of common stock in connection with the spin-off.....	73,988,933	—	438	—	—	(438)	—
Spin-off settlement and post-closing adjustments	—	—	(6)	—	—	—	(6)
Issuance of common stock in connection with stock plans	16,716	—	—	—	—	—	—
January 6 to December 31, 2005 — Net income (loss).....	—	—	—	119	—	—	119
Currency translation adjustment	—	—	—	—	(155)	—	(155)
Postretirement benefit plans:							
Change in minimum pension liability	—	—	—	—	(17)	—	(17)
Dividends on common shares	—	—	—	(27)	—	—	(27)
Dividends on preferred shares of consolidated affiliates	—	—	(7)	—	—	—	(7)
Balance as of December 31, 2005.....	74,005,649	—	425	92	(84)	—	433
2006 Activity:							
Net income (loss).....	—	—	—	(275)	—	—	(275)
Issuance of common stock in connection with stock plans	134,686	—	2	—	—	—	2
Spin-off settlement and post-closing adjustments	—	—	(38)	—	—	—	(38)
Share-based compensation.....	—	—	9	—	—	—	9
Currency translation adjustment	—	—	—	—	168	—	168

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings/ (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Owner's Net Investment</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					
Change in fair value of effective portion of hedges — net	—	—	—	—	(46)	—	(46)
Postretirement benefit plans:							
Change in minimum pension liability	—	—	—	—	12	—	12
Initial impact of adopting Financial Accounting Standards Board Statement No. 158	—	—	—	—	(55)	—	(55)
Dividends on common shares	—	—	—	(15)	—	—	(15)
Balance as of December 31, 2006.....	74,140,335	—	398	(198)	(5)	—	195
Activity for Three Months Ended March 31, 2007:							
Adjustment for uncertain tax positions	—	—	—	(1)	—	—	(1)
Net income (loss)	—	—	—	(64)	—	—	(64)
Issuance of common stock from the exercise of stock options	1,217,325	—	27	—	—	—	27
Share-based compensation	—	—	2	—	—	—	2
Windfall tax benefit on share-based compensation	—	—	1	—	—	—	1
Currency translation adjustment	—	—	—	—	11	—	11
Change in fair value of effective portion of hedges — net	—	—	—	—	3	—	3
Postretirement benefit plans:							
Amortization of net actuarial loss	—	—	—	—	1	—	1
Balance as of March 31, 2007.....	75,357,660	—	428	(263)	10	—	175

	Common Stock		Additional	Retained	Accumulated	
	Shares	Amount	Paid-in	Earnings/ (Accumulated Deficit)	Other Comprehensive Income (Loss)	Total
Predecessor:						
Activity April 1, 2007 through May 15, 2007:						
Net income (loss)	—	—	—	(97)	—	(97)
Issuance of common stock from the exercise of stock options.....	57,876	—	1	—	—	1
Conversion of share-based compensation plans from equity-based plans to liability-based plans	—	—	(7)	—	—	(7)
Currency translation adjustment	—	—	—	—	35	35
Change in fair value of effective portion of hedges — net	—	—	—	—	(1)	(1)
Postretirement benefit plans:						
Amortization of net actuarial loss	—	—	—	—	(1)	(1)
Balance as of May 15, 2007.....	<u>75,415,536</u>	<u>\$ —</u>	<u>\$ 422</u>	<u>\$ (360)</u>	<u>\$ 43</u>	<u>\$ 105</u>
Successor:						
Balance as of May 16, 2007.....	75,415,536	\$ —	\$ 3,405	\$ —	\$ —	\$ 3,405
Activity May 16, 2007 through March 31, 2008 (Restated) :						
Net income (loss)	—	—	—	(20)	—	(20)
Issuance of additional common stock	2,044,122	—	92	—	—	92
Currency translation adjustment	—	—	—	—	59	59
Postretirement benefit plans:						
Pension and other benefits adjustment, net of tax effect of \$(4).....	—	—	—	—	(13)	(13)
Balance as of March 31, 2008 (Restated)	<u>77,459,658</u>	<u>\$ —</u>	<u>\$ 3,497</u>	<u>\$ (20)</u>	<u>\$ 46</u>	<u>\$ 3,523</u>

The accompanying notes to the consolidated and combined financial statements are an integral part of these statements.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to “Novelis,” the “Company,” “we,” “our,” or “us” refer to Novelis Inc. and its subsidiaries unless the context specifically indicates otherwise. References herein to “Hindalco” refer to Hindalco Industries Limited. In October 2007, the Rio Tinto Group purchased all the outstanding shares of Alcan, Inc. References herein to “Alcan” refer to Rio Tinto Alcan Inc.

Organization and Description of Business

Novelis Inc., formed in Canada on September 21, 2004, and its subsidiaries, is the world’s leading aluminum rolled products producer based on shipment volume. We produce aluminum sheet and light gauge products where the end-use destination of the products includes the construction and industrial, beverage and food cans, foil products and transportation markets. As of March 31, 2008, we had operations on four continents: North America; South America; Asia; and Europe, through 33 operating plants and four research facilities in 11 countries. In addition to aluminum rolled products plants, our South American businesses include bauxite mining, alumina refining, primary aluminum smelting and power generation facilities that are integrated with our rolling plants in Brazil.

On May 18, 2004, Alcan announced its intention to transfer its rolled products businesses into a separate company and to pursue a spin-off of that company to its shareholders. The rolled products businesses were managed under two separate operating segments within Alcan — Rolled Products Americas and Asia, and Rolled Products Europe. On January 6, 2005, Alcan and its subsidiaries contributed and transferred to Novelis substantially all of the aluminum rolled products businesses operated by Alcan, together with some of Alcan’s alumina and primary metal-related businesses in Brazil, which are fully integrated with the rolled products operations there, as well as four rolling facilities in Europe whose end-use markets and customers were similar.

The spin-off occurred on January 6, 2005, following approval by Alcan’s board of directors and shareholders, and legal and regulatory approvals. Alcan shareholders received one Novelis common share for every five Alcan common shares held. Our common shares began trading on a “when issued” basis on the Toronto (TSX) and New York (NYSE) stock exchanges on January 6, 2005, with a distribution record date of January 11, 2005. “Regular Way” trading began on the TSX on January 7, 2005, and on the NYSE on January 19, 2005.

Prior to January 6, 2005, Alcan was considered a related party due to its parent-subsidiary relationship with the Novelis entities. Following the spin-off, Alcan is no longer a related party as defined in Financial Accounting Standards Board (FASB) Statement No. 57, *Related Party Disclosures*.

Post-Transaction Adjustments

The agreements giving effect to the spin-off provide for various post-transaction adjustments and the resolution of outstanding matters. On November 8, 2006, we executed a settlement agreement with Alcan resolving the working capital and cash balance adjustments to our opening balance sheet and issues relating to the transfer of U.S. pension assets and liabilities from Alcan to Novelis. In October 2007, we completed the transfer of U.K. plan assets and liabilities. As of March 31, 2008, there remained an outstanding matter related to pension plans in Canada for those employees who elected to transfer their past service to Novelis. We expect the transfer of pension assets and liabilities in Canada to be completed by June 30, 2008, and we expect that the plan assets transferred will approximate the liabilities assumed. To the extent that differences between transferred plan assets and liabilities exist, we will record an adjustment to goodwill.

Agreements between Novelis and Alcan

At the spin-off, we entered into various agreements with Alcan including the use of transitional and technical services, the supply from Alcan of metal and alumina, the licensing of certain of Alcan’s patents, trademarks and other intellectual property rights, and the use of certain buildings, machinery and equipment, technology and employees at certain facilities retained by Alcan, but required in our

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS **(Continued)**

business. The terms and conditions of the agreements were determined primarily by Alcan and may not reflect what two unaffiliated parties might have agreed to. Had these agreements been negotiated with unaffiliated third parties, their terms may have been more favorable, or less favorable to us.

Acquisition of Novelis Common Stock and Predecessor and Successor Reporting

On May 15, 2007, the Company was acquired by Hindalco through its indirect wholly-owned subsidiary AV Metals Inc. (Acquisition Sub) pursuant to a plan of arrangement (the Arrangement) entered into on February 10, 2007 and approved by the Ontario Superior Court of Justice on May 14, 2007 (see Note 3 — Acquisition of Novelis Common Stock).

Subsequent to completion of the Arrangement on May 15, 2007, all of our common shares were indirectly held by Hindalco. We are a domestic issuer for purposes of the Securities Exchange Act of 1934, as amended, because our 7.25% senior unsecured debt securities are registered with the Securities and Exchange Commission.

Our acquisition by Hindalco was recorded in accordance with Staff Accounting Bulletin (SAB) No. 103, *Push Down Basis of Accounting Required in Certain Limited Circumstances* (SAB No. 103). Accordingly, in the accompanying March 31, 2008 consolidated balance sheet, the consideration and related costs paid by Hindalco in connection with the acquisition have been “pushed down” to us and have been allocated to the assets acquired and liabilities assumed in accordance with FASB Statement No. 141, *Business Combinations*. Due to the impact of push down accounting, the Company’s consolidated financial statements and certain note presentations for our fiscal year ended March 31, 2008 are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented: (1) the period up to, and including, the acquisition date (April 1, 2007 through May 15, 2007, labeled “Predecessor”) and (2) the period after that date (May 16, 2007 through March 31, 2008, labeled “Successor”). All periods including and prior to the three months ended March 31, 2007 are also labeled “Predecessor.” The accompanying consolidated and combined financial statements include a black line division which indicates that the Predecessor and Successor reporting entities shown are not comparable.

To estimate fair values for the allocation of assets acquired and liabilities assumed, we considered a number of factors, including the application of multiples to discounted cash flow estimates. There is considerable management judgment with respect to cash flow estimates and appropriate multiples used in determining fair value.

Change in Fiscal Year End

On June 26, 2007, our board of directors approved the change of our fiscal year end to March 31 from December 31. On June 28, 2007, we filed a Transition Report on Form 10-Q for the three month period ended March 31, 2007 with the United States Securities and Exchange Commission (SEC) pursuant to Rule 13a-10 under the Securities Exchange Act of 1934 for transition period reporting. Accordingly, these consolidated and combined financial statements present our financial position as of March 31, 2008 and 2007, and the results of our operations, cash flows and changes in shareholder’s/invested equity for the periods from May 16, 2007 through March 31, 2008 and from April 1, 2007 through May 15, 2007, the three months ended March 31, 2007 and the years ended December 31, 2006 and 2005.

Change in Impairment Testing Date

During the quarter ended December 31, 2007, we changed our method of applying FASB Statement No. 142, *Goodwill and Other Intangible Assets* by changing the date of our annual testing for goodwill impairment from October 31 to the last day in February of each year. We believe the change is preferable in the circumstances due to (1) the change in our fiscal year end from December 31 to March 31 and (2) our normal business process for updating the Company’s annual and strategic plans, which we finalize each year during our fourth fiscal quarter. This change had no impact on our consolidated financial position, results of operations or cash flows.

Basis of Presentation, Consolidation and Combination: Year Ended December 31, 2005

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Our consolidated and combined statements of operations, cash flows and shareholder's/invested equity for the year ended December 31, 2005 include the period from January 1, 2005 to January 5, 2005 (the pre-spin results), which represents our combined results of operations, cash flows and changes in shareholder's/invested equity on a carve-out accounting basis, prior to our spin-off from Alcan.

The pre-spin results were derived from the accounting records of Alcan using the historical results of operations and historical basis of assets and liabilities of the businesses subsequently transferred to us, and were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on a carve-out accounting basis. Management believes the assumptions underlying the pre-spin results are reasonable. Alcan's investment in the Novelis businesses, presented as *Owner's net investment* in the accompanying consolidated and combined financial statements, includes the accumulated earnings of the businesses as well as net cash transfers related to cash management functions performed by Alcan.

Our consolidated statements of operations, cash flows and shareholder's equity for the period from January 6, 2005 (the date of the spin-off) to December 31, 2005 represent our results of operations, cash flows and changes in shareholder's equity as a stand-alone entity.

Consolidation Policy

Beginning January 6, 2005, our consolidated and combined financial statements include the assets, liabilities, revenues and expenses of all wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control and entities in which we have a controlling financial interest.

As of March 31, 2008, we had investments in five partially-owned affiliates, which include two corporations, one public limited company, one limited liability company and one unincorporated joint venture, in which Novelis Inc. or one of our subsidiaries is a shareholder, general or limited partner, member or venturer, as applicable.

To determine if partially-owned affiliates should be consolidated, we evaluate them in accordance with the provisions of American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 78-9, *Accounting for Investments in Real Estate Ventures*, and Emerging Issues Task Force (EITF) Issue No. 98-6, *Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Approval or Veto Rights*, to determine whether the rights held by other investors constitute "important rights" as defined therein.

For general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements were modified on or subsequent to June 29, 2005, we evaluate partially owned subsidiaries and joint ventures held in partnership form using the guidance in EITF Issue No. 04-5, *Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights*, which includes a framework for evaluating whether a general partner or a group of general partners controls a limited partnership and therefore should include it in consolidation.

In January 2003, FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, was issued. It was revised in December 2003 by FASB Interpretation No. 46 (Revised), which addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. In 2004, we determined we were the primary beneficiary of Logan Aluminum Inc. (Logan), a variable interest entity. As a result, our consolidated and combined financial statements include the assets and liabilities and results of operations of Logan. Logan is a joint venture that manages a tolling (the conversion of customer-owned metal) arrangement for Novelis and a third party.

For partially-owned affiliates or joint ventures held in corporate form, we utilize the guidance of FASB Statement No. 94, *Consolidation of All Majority-Owned Subsidiaries*, and EITF Issue No. 96-16, *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but*

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(Continued)

the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights. To the extent that any minority investor has important rights in a partnership or participating rights in a corporation that inhibit our ability to control the corporation, including substantive veto rights, we will not include the entity in consolidation.

We use the equity method to account for our investments in entities that we do not control, but where we have the ability to exercise significant influence over operating and financial policies. Consolidated net income (loss) includes our share of the net earnings (losses) of these entities. The difference between consolidation and the equity method impacts certain of our financial ratios because of the presentation of the detailed line items reported in the consolidated and combined financial statements for consolidated entities, compared to a two-line presentation of equity method investments and net earnings (losses).

We use the cost method to account for our investments in entities that we do not control and for which we do not have the ability to exercise significant influence over operating and financial policies. These investments are recorded at the lower of their cost or fair value.

We eliminate all significant intercompany accounts and transactions from our financial statements.

Cumulative Effect of Accounting Change

On December 31, 2005, we adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. As a result of our adopting FASB Interpretation No. 47, we identified conditional retirement obligations primarily related to environmental contamination of equipment and buildings at certain of our plants and administrative sites in North America, South America, Asia and Europe. See Note 7 — Property, Plant and Equipment.

Use of Estimates and Assumptions

The preparation of our consolidated and combined financial statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but are not limited to: (1) fair value of derivative financial instruments; (2) asset impairments, including goodwill; (3) depreciable lives of assets; (4) useful lives of intangible assets; (5) economic lives and fair value of leased assets; (6) income tax reserves and valuation allowances; (7) fair value of share-based compensation awards; (8) actuarial assumptions related to pension and other postretirement benefit plans; (9) environmental cost reserves; (10) the determination and allocation of the fair value of assets acquired and liabilities assumed in connection with our acquisition by Hindalco and (11) litigation reserves. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated and combined financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Risks and Uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our financial position, results of operations, and cash flows.

Laws and regulations

We operate in an industry that is subject to a broad range of environmental, health and safety laws and regulations in the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS **(Continued)**

requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination and working conditions for our employees. Some environmental laws, such as the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, and comparable state laws, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct, on those persons who contributed to the release of a hazardous substance into the environment.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control facilities, have been, and in the future could be, significant. In addition, these laws and regulations may also result in substantial environmental liabilities associated with divested assets, third party locations and past activities. In certain instances, these costs and liabilities, as well as related action to be taken by us, could be accelerated or increased if we were to close, divest of or change the principal use of certain facilities with respect to which we may have environmental liabilities or remediation obligations. Currently, we are involved in a number of compliance efforts, remediation activities and legal proceedings concerning environmental matters, including certain activities and proceedings arising under U.S. Superfund and comparable laws in other jurisdictions where we have operations.

We have established reserves for environmental remediation activities and liabilities where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these reserves may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial position or results of operations or cash flows. Furthermore, the failure to comply with our obligations under the environmental laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions or other orders, including orders to cease operations. In addition, the presence of environmental contamination at our properties could adversely affect our ability to sell a property, receive full value for a property or use a property as collateral for a loan.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Environmental laws typically provide for participation in permitting decisions, site remediation decisions and other matters. Concern about environmental justice issues may affect our operations. Should such community objections be presented to government officials, the consequences of such a development may have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such developments may adversely affect our ability to expand or enter into new operations in such location or elsewhere and may also have an effect on the cost of our environmental remediation projects.

We use a variety of hazardous materials and chemicals in our rolling processes, as well as in our smelting operations in Brazil and in connection with maintenance work on our manufacturing facilities. Because of the nature of these substances or related residues, we may be liable for certain costs, including, among others, costs for health-related claims or removal or re-treatment of such substances. Certain of our current and former facilities incorporate asbestos-containing materials, a hazardous substance that has been the subject of health-related claims for occupation exposure. In addition, although we have developed environmental, health and safety programs for our employees, including measures to reduce employee exposure to hazardous substances, and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances at

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

our current or former facilities. It is not possible to predict the ultimate outcome of these claims and lawsuits due to the unpredictable nature of personal injury litigation. If these claims and lawsuits, individually or in the aggregate, were finally resolved against us, our financial position, results of operations and cash flows could be adversely affected.

Materials and labor

In the aluminum rolled products industry, our raw materials are subject to continuous price volatility. We may not be able to pass on the entire cost of the increases to our customers or offset fully the effects of higher raw material costs, other than metal, through productivity improvements, which may cause our profitability to decline. In addition, there is a potential time lag between changes in prices under our purchase contracts and the point when we can implement a corresponding change under our sales contracts with our customers. As a result, we could be exposed to fluctuations in raw materials prices, including metal, since, during the time lag period, we may have to temporarily bear the additional cost of the change under our purchase contracts, which could have a material adverse effect on our financial position, results of operations and cash flows. Significant price increases may result in our customers' substituting other materials, such as plastic or glass, for aluminum or switch to another aluminum rolled products producer, which could have a material adverse effect on our financial position, results of operations and cash flows.

We consume substantial amounts of energy in our rolling operations, our cast house operations and our Brazilian smelting operations. The factors that affect our energy costs and supply reliability tend to be specific to each of our facilities. A number of factors could materially adversely affect our energy position including, but not limited to: (a) increases in the cost of natural gas; (b) increases in the cost of supplied electricity or fuel oil related to transportation; (c) interruptions in energy supply due to equipment failure or other causes and (d) the inability to extend energy supply contracts upon expiration on economical terms. A significant increase in energy costs or disruption of energy supplies or supply arrangements could have a material impact on our financial position, results of operations and cash flows.

Approximately three-quarters of our employees are represented by labor unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future, and any such work stoppage could have a material adverse effect on our financial position, results of operations and cash flows.

Geographic markets

We are, and will continue to be, subject to financial, political, economic and business risks in connection with our global operations. We have made investments and carry on production activities in various emerging markets, including Brazil, Korea and Malaysia, and we market our products in these countries, as well as China and certain other countries in Asia. While we anticipate higher growth or attractive production opportunities from these emerging markets, they also present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal and regulatory systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced. In addition, inflation, fluctuations in currency and interest rates, competitive factors, civil unrest and labor problems could affect our revenues, expenses and results of operations. Our operations could also be adversely affected by acts of war, terrorism or the threat of any of these events as well as government actions such as controls on imports, exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in which we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets could have a material adverse effect on our financial position, results of operations and cash flows.

Other risks and uncertainties

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

In addition, refer to Note 13 — Fair Value of Financial Instruments and Note 20 — Commitments and Contingencies for a discussion of financial instruments and commitments and contingencies.

Reclassifications

Certain reclassifications of the prior period amounts and presentation have been made to conform to the presentation adopted for the current periods. The following reclassifications and presentation changes were made to the prior periods' consolidated and combined statements of operations to conform to the current period presentation: (a) the amounts previously presented in *Restructuring charges — net* and *Impairment charges on long-lived assets* were reclassified to *Other (income) expenses — net* and (b) *(Gain) loss on change in fair value of derivative instruments — net* and *Sale transaction fees* were reclassified from *Other (income) expenses — net* to separate line items. These reclassifications have no effect on total assets, total shareholder's/invested equity, net income (loss) or cash flows as previously presented.

As a result of the acquisition by Hindalco, and based on the way our President and Chief Operating Officer (our chief operating decision-maker) reviews the results of segment operations, during the period from May 16, 2007 through March 31, 2008, we changed our segment performance measure to Segment Income, as defined in Note 21 — Segment, Geographical Area and Major Customer Information. All prior periods have been reclassified to conform to this new measure.

Revenue Recognition

We recognize sales when the revenue is realized or realizable, and has been earned. We record sales when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured.

We recognize product revenue, net of trade discounts and allowances, in the reporting period in which the products are shipped and the title and risk of ownership pass to the customer. We generally ship our product to our customers FOB (free on board) destination point. Our standard terms of delivery are included in our contracts of sale, order confirmation documents and invoices. We sell most of our products under contracts based on a "conversion premium," which is subject to periodic adjustments based on market factors. As a result, the aluminum price risk is largely absorbed by the customer. In situations where we offer customers fixed prices for future delivery of our products, we may enter into derivative instruments for all or a portion of the cost of metal inputs to protect our profit on the conversion of the product. In addition, certain of our sales contracts provide for a ceiling over which metal prices cannot contractually be passed through to our customers, unless adjusted. We partially mitigate the risk of this metal price exposure through the purchase of derivative instruments.

We record tolling revenue when the revenue is realized or realizable, and has been earned. Tolling refers to the process by which certain customers provide metal to us for conversion to rolled product. We do not take title to the metal and, after the conversion and return shipment of the rolled product to the customer, we charge them for the value-added conversion cost and record these amounts in *Net sales*.

Shipping and handling amounts we bill to our customers are included in *Net sales* and the related shipping and handling costs we incur are included in *Cost of goods sold*.

Cash and Cash Equivalents

Cash and cash equivalents includes investments that are highly liquid and have maturities of three months or less when purchased. The carrying values of cash and cash equivalents approximate their fair value due to the short-term nature of these instruments.

We maintain amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and we have not experienced any losses on such deposits.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Accounts Receivable

Our accounts receivable are geographically dispersed. We do not obtain collateral or other forms of security relating to our accounts receivable. We do not believe there are any significant concentrations of revenues from any particular customer or group of customers that would subject us to any significant credit risks in the collection of our accounts receivable. We report accounts receivable at the estimated net realizable amount we expect to collect from our customers.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. We write-off uncollectible accounts receivable against the allowance for doubtful accounts after exhausting collection efforts.

For each of the periods presented, we performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for doubtful accounts. In performing the analysis, the impact of any adverse changes in general economic conditions was considered, and for certain customers we reviewed a variety of factors including: past due receivables; macro-economic conditions; significant one-time events and historical experience. Specific reserves for individual accounts may be established due to a customer's inability to meet their financial obligations, such as in the case of bankruptcy filings or the deterioration in a customer's operating results or financial position. As circumstances related to customers change, we adjust our estimates of the recoverability of the accounts receivable.

Derivative Instruments

We utilize derivative instruments to manage our exposure to changes in foreign currency exchange rates, commodity prices and interest rates. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date. Changes in the fair value of these instruments are recognized as *(Gain) loss on change in fair value of derivative instruments — net* and included in our consolidated and combined statements of operations or included in *Accumulated other comprehensive income (loss)* (AOCI) on our consolidated balance sheet, depending on the nature or use of the derivative and whether it qualifies for hedge accounting treatment under the provisions of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

Gains and losses on derivative instruments qualifying as cash flow hedges are included, to the extent the hedges are effective, in AOCI, until the underlying transactions are recognized as gains or losses and included in our consolidated and combined statements of operations. Gains and losses on derivative instruments used as hedges of our net investment in foreign operations are included, net of taxes, to the extent the hedges are effective, in AOCI as part of the cumulative translation adjustment (CTA). The ineffective portions of cash flow hedges and hedges of net investments in foreign operations, if any, are recognized as gains or losses and included in our consolidated and combined statements of operations, in *(Gain) loss on change in fair value of derivative instruments — net* in the current period.

Inventories

We carry our inventories at the lower of their cost or market value, reduced by reserves for excess and obsolete items. We use both the "average cost" and "first-in /first-out" methods to determine cost.

Property, Plant and Equipment

We report land, buildings, leasehold improvements and machinery and equipment at cost. We report assets under capital lease obligations at the lower of their fair value or the present value of the aggregate future minimum lease payments as of the beginning of the lease term. We depreciate our assets using the straight-line method over the shorter of the estimated useful life of the assets or the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured. As a result

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

of the Arrangement, we report land, building, leasehold improvements and machinery and equipment as of May 16, 2007 at fair value (see Note 3 — Acquisition of Novelis Common Stock).

The ranges of estimated useful lives are as follows:

	<u>Years</u>
Buildings.....	30 to 40
Leasehold improvements	7 to 20
Machinery and equipment	5 to 25
Furniture, fixtures and equipment.....	3 to 10
Equipment under capital lease obligations.....	6 to 15

Maintenance and repairs of property and equipment are expensed as incurred. We capitalize replacements and improvements that increase the estimated useful life of an asset and we capitalize interest on major construction and development projects while in progress.

We retain fully depreciated assets in property and accumulated depreciation accounts until we remove them from service. In the case of sale, retirement or disposal, the asset cost and related accumulated depreciation balances are removed from the respective accounts, and the resulting net amount, less any proceeds, is included as a gain or loss in *Other (income) expenses — net* in our consolidated and combined statements of operations.

We account for operating leases under the provisions of FASB Statement No. 13, *Accounting for Leases*, and FASB Technical Bulletin No. 85-3, *Accounting for Operating Leases with Scheduled Rent Increases*. These pronouncements require us to recognize escalating rents, including any rent holidays, on a straight-line basis over the term of the lease for those lease agreements where we receive the right to control the use of the entire leased property at the beginning of the lease term.

Goodwill

We account for goodwill under the guidance in FASB Statement No. 141, *Business Combinations* and FASB Statement No. 142, *Goodwill and Other Intangible Assets*.

We test goodwill for impairment using a fair value approach at the reporting unit level. We use our operating segments as our reporting units. We test for impairment at least annually during the fourth quarter of each fiscal year, unless some triggering event occurs that would require an impairment assessment. During the quarter ended December 31, 2007, we changed our method of applying FASB Statement No. 142 by changing the date of our annual testing for goodwill impairment from October 31 to the last day in February of each year. We believe the change is preferable in the circumstances due to (1) the change in our fiscal year end from December 31 to March 31 and (2) our normal business process for updating the Company's annual and strategic plans, which we finalize each year during our fourth fiscal quarter. This change had no impact on our consolidated financial position, results of operations or cash flows.

We use the present value of estimated future cash flows to establish the estimated fair value of our reporting units as of the testing dates. This approach includes many assumptions related to future growth rates, discount factors and tax rates, among other considerations. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairment in future periods. When available and as appropriate, we use comparative market multiples to corroborate the estimated fair value. If the carrying amount of a reporting unit's goodwill were to exceed its estimated fair value, we would recognize an impairment charge in *Other (income) expenses — net* in our consolidated and combined statements of operations.

When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value methodology of FASB Statement No. 142.

Long-Lived Assets and Other Intangible Assets

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

In accordance with FASB Statement No. 142, we amortize the cost of intangible assets over their respective estimated useful lives to their estimated residual value.

Under the guidance in FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we assess the recoverability of long-lived assets (excluding goodwill) and definite-lived intangible assets, whenever events or changes in circumstances indicate that we may not be able to recover the asset's carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset (groups) to the expected, undiscounted future net cash flows to be generated by that asset (groups), or, for identifiable intangible assets, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. The amount of impairment of identifiable intangible assets is based on the present value of estimated future cash flows. We measure the amount of impairment of other long-lived assets (excluding goodwill) as the amount by which the carrying value of the asset exceeds the fair value of the asset, which is generally determined as the present value of estimated future cash flows or as the appraised value. If the carrying amount of an intangible asset were to exceed its fair value, we would recognize an impairment charge in *Other (income) expenses — net* in our consolidated and combined statements of operations.

We continue to amortize long-lived assets to be disposed of other than by sale. We carry long-lived assets to be disposed of by sale in our consolidated balance sheets at the lower of net book value or the fair value less cost to sell, and we cease depreciation.

Investment in and Advances to Non-Consolidated Affiliates

Investments in entities in which we have the ability to exercise significant influence over the operating and financial policies of the investee and are not the primary beneficiary are accounted for under the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize our proportionate share of the investees' net income or losses after the date of investment; additional contributions made and dividends or distributions received; and other than temporary impairment losses resulting from adjustments to net realizable value. We record equity method losses in excess of the carrying amount of an investment when we guarantee obligations or we are otherwise committed to provide further financial support to the affiliate.

We use the cost method to account for equity investments for which the equity securities do not have readily determinable fair values, for which we do not have the ability to exercise significant influence and for which we are not the primary beneficiary. Under the cost method of accounting, private equity investments are carried at cost and are adjusted only for other-than-temporary declines in fair value and additional investments.

Management assesses the potential for other-than-temporary impairment of our equity method and cost method investments. We consider all available information, including the recoverability of the investment, the earnings and near-term prospects of the affiliate, factors related to the industry, conditions of the affiliate, and our ability, if any, to influence the management of the affiliate. We assess fair value based on valuation methodologies, as appropriate, including the present value of estimated future cash flows, estimates of sales proceeds, and external appraisals. If an investment is considered to be impaired and the decline in value is other than temporary, we record an appropriate write-down.

Guarantees

We account for certain guarantees in accordance with FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FASB Interpretation No. 45 requires that a guarantor recognize a liability for the fair value of obligations undertaken at the inception of a guarantee.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Financing Costs and Interest Income

We amortize financing costs and premiums, and accrete discounts, over the remaining life of the related debt using the “effective interest amortization” and straight-line methods. The related income or expense is included in *Interest expense and amortization of debt issuance costs — net* in our consolidated and combined statements of operations. We record discounts or premiums as a direct deduction from, or addition to, the face amount of the financing.

We net interest income earned against interest expense and include both in *Interest expense and amortization of debt issuance costs — net* in our consolidated and combined statements of operations.

Fair Value of Financial Instruments

FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosures of the fair value of financial instruments. Our financial instruments include: cash and cash equivalents; certificates of deposit; accounts receivable; accounts payable; foreign currency, energy and interest rate derivative instruments; cross-currency swaps; metal option and forward contracts; related party notes receivable and payable; letters of credit; short-term borrowings and long-term debt.

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and current related party notes receivable and payable approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third party financial institutions. We determine the fair value of our short-term borrowings and long-term debt based on various factors including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or the present value of estimated future cash flows to determine fair value of short-term borrowings and long-term debt. When quoted market prices are not available for various types of financial instruments (such as currency, energy and interest rate derivative instruments, swaps, options and forward contracts), we use standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

Pensions and Postretirement Benefits

We account for our pensions and other postretirement benefits in accordance with FASB Statements No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, No. 87, *Employers' Accounting for Pensions*, and No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*. We adopted FASB Statement No. 158 for the year ended December 31, 2006. FASB Statement No. 158 requires us to recognize the funded status of our benefit plans as a net asset or liability, with an offsetting adjustment to AOCI in shareholder's equity. The funded status is calculated as the difference between the fair value of plan assets and the benefit obligation. Prior to and including the three months ended March 31, 2007, we used a December 31 measurement date for our pension and postretirement plans. As a result of our acquisition by Hindalco and the application of push down accounting, our pension and postretirement plans were remeasured as of May 16, 2007. For the period ended March 31, 2008, we used March 31, 2008 as the measurement date.

We use standard actuarial methods and assumptions to account for our pension and other postretirement benefit plans. Pension and postretirement benefit obligations are actuarially calculated using management's best estimates of expected service periods, salary increases and retirement ages of employees. Pension and postretirement benefit expense includes the actuarially computed cost of benefits earned during the current service period, the interest cost on accrued obligations, the expected return on plan assets based on fair market value and the straight-line amortization of net actuarial gains and losses and adjustments due to plan amendments. All net actuarial gains and losses are amortized over the expected average remaining service lives of plan participants.

Our pension obligations relate to funded defined benefit pension plans in the U.S., Canada and the U.K., unfunded pension plans in Germany, and unfunded lump sum indemnities in France, South Korea, Malaysia and Italy. Our other postretirement obligations include unfunded healthcare and life

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(Continued)

insurance benefits provided to retired employees in Canada, the U.S. and Brazil. These pension and other postretirement benefits are managed regionally and the plans' funded status and costs are included in our consolidated and combined financial statements.

Minority Interests in Consolidated Affiliates

Our consolidated and combined financial statements include all assets, liabilities, revenues and expenses of less-than-100%-owned affiliates that we control or for which we are the primary beneficiary. We record a minority interest for the allocable portion of income or loss to which the minority interest holders are entitled based upon their ownership share of the affiliate. Distributions made to the holders of minority interests are charged to the respective minority interest balance.

We suspend allocation of losses to minority interest holders when the minority interest balance for an affiliate is reduced to zero and the minority interest holder does not have an obligation to fund such losses. As of March 31, 2008, we have no such losses. Any excess loss above the minority interest balance is recognized by us in our statements of operations until the affiliate begins earning income again, at which time the minority interest holder's share of the income is offset against the previously unrecorded losses, and only cumulative income in excess of the previously unrecorded losses will be credited and/or distributed to the minority interest holder.

Environmental Liabilities

We record accruals for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. We adjust these accruals periodically as assessment and remediation efforts progress or as additional technical or legal information become available. Accruals for environmental liabilities are stated at undiscounted amounts and included in our consolidated balance sheets in both *Accrued expenses and other current liabilities* and *Other long-term liabilities*, depending on their short- or long-term nature. Any receivables for related insurance or other third party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in our consolidated balance sheets in *Prepaid expenses and other current assets*.

Costs related to environmental contamination treatment and clean-up are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued in the period in which such costs are determined to be probable and estimable.

Litigation Reserves

FASB Statement No. 5, *Accounting for Contingencies*, requires that we accrue for loss contingencies associated with outstanding litigation, claims and assessments for which management has determined it is probable that a loss contingency exists and the amount of loss can be reasonably estimated. We expense professional fees associated with litigation claims and assessments as incurred.

Income Taxes

We provide for income taxes using the asset and liability method as required by FASB Statement No. 109, *Accounting for Income Taxes*. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the consolidated and combined financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under FASB Statement No. 109, a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient future taxable income.

In connection with our spin-off from Alcan we entered into a tax sharing and disaffiliation agreement that provides indemnification if certain factual representations are breached or if certain transactions are undertaken or certain actions are taken that have the effect of negatively affecting the

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

tax treatment of the spin-off. It further governs the disaffiliation of the tax matters of Alcan and its subsidiaries or affiliates other than us, on the one hand, and us and our subsidiaries or affiliates, on the other hand. In this respect it allocates taxes accrued prior to the spin-off and after the spin-off as well as transfer taxes resulting therefrom. It also allocates obligations for filing tax returns and the management of certain pending or future tax contests and creates mutual collaboration obligations with respect to tax matters.

We are subject to income taxes in Canada and in numerous foreign jurisdictions.

Dividends

We record dividends as payable on their declaration date with a corresponding charge to retained earnings.

Share-Based Compensation

For the year ended December 31, 2005, we applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, using the retroactive restatement method described in FASB Statement No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*. Under the fair value recognition provisions of FASB Statement No. 123, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period.

On January 1, 2006, we adopted FASB Statement No. 123 (Revised), *Share-Based Payment* (FASB Statement No. 123(R)), which is a revision to FASB Statement No. 123. FASB Statement No. 123 (R) requires the recognition of compensation expense for a share-based award over an employee's requisite service period based on the award's grant date fair value, subject to adjustment.

We adopted FASB Statement No. 123(R) using the modified prospective method, which requires companies to record compensation cost beginning with the effective date based on the requirements of FASB Statement No. 123(R) for all share-based payments granted after the effective date. All awards granted to employees prior to the effective date of FASB Statement No. 123(R) that remain unvested at the adoption date will continue to be expensed over the remaining service period. Additionally, we determined that all of our compensation plans settled in cash are considered liability based awards. As such, liabilities for awards under these plans are required to be measured at each reporting date until the date of settlement. Various valuation methods were used to determine the fair value of these awards.

Prior to the adoption of FASB Statement No. 123(R), we presented all tax benefits of deductions resulting from the exercise of stock options within operating cash flows in the consolidated and combined statements of cash flows. Beginning on January 1, 2006, we changed our cash flow presentation in accordance with FASB Statement No. 123(R), which requires that the cash flows resulting from tax benefits for deductions in excess of compensation cost recognized be classified within financing cash flows.

Prior to January 1, 2006, we applied the intrinsic value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for stock-based compensation plans settled in cash. We incurred a liability when the vesting of the award became probable under the guidance provided by FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. When variable plan awards were granted, we measured compensation expense as the amount by which the quoted market value of the shares of our stock covered by the grant exceeded the option price or value specified, by reference to a market price or otherwise, subject to any appreciation limitations under the plan. Changes, either increases or decreases, in the quoted market value of those shares between the date of grant and the measurement date resulted in a prospective change in the measurement of compensation expense for the right or award.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Foreign Currency Translation

In accordance with FASB Statement No. 52, *Foreign Currency Translation*, the assets and liabilities of foreign operations, whose functional currency is other than the U.S. dollar (located principally in Europe and Asia), are remeasured to U.S. dollars at the period end exchange rates and revenues and expenses are remeasured at average exchange rates for the period. Differences arising from exchange rate changes are included in the CTA component of AOCI. If there is a reduction in our ownership in a foreign operation, the relevant portion of the CTA is recognized in *Other (income) expenses — net*. All other operations, including most of those in Canada and Brazil, have the U.S. dollar as the functional currency. For these operations, monetary items denominated in currencies other than the U.S. dollar are remeasured at period exchange rates and translation gains and losses are included in *Other (income) expenses — net* in our combined and consolidated statements of operations. Non-monetary items are translated at historical rates.

Research and Development

We incur costs in connection with research and development programs that are expected to contribute to future earnings, and charge such costs against income as incurred. Research and development costs consist primarily of salaries and administrative costs.

Restructuring Activities

We assess the need to record restructuring charges in accordance with FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which requires a company to recognize the liabilities for costs associated with exit or disposal activities when the liabilities are incurred. Examples of costs covered by FASB Statement No. 146 include lease termination costs and certain employee severance costs that are associated with restructuring activities, discontinued operations, facility closings or other exit or disposal activities.

We recognize liabilities that primarily include one-time termination benefits, or severance, and contract termination costs, primarily related to equipment and facility lease obligations. These amounts are based on the remaining amounts due under various contractual agreements, and are periodically adjusted for any anticipated or unanticipated events or changes in circumstances that would reduce or increase these obligations. The settlement of these liabilities could differ materially from recorded amounts.

Recently Issued Accounting Standards

In May 2008, the FASB issued Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. FASB Statement No. 162 defines the order in which accounting principles that are generally accepted should be followed. FASB Statement No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. We have not yet commenced evaluating the potential impact, if any, of the adoption of FASB Statement No. 162 on our consolidated financial position, results of operations and cash flows.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, an amendment of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. FASB Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. FASB Statement No. 161 permits, but does not require, comparative disclosures for earlier periods at initial adoption. We have not yet commenced

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

evaluating the potential impact, if any, of the adoption of FASB Statement No. 161 on our consolidated financial position, results of operations, cash flows or disclosures related to derivative instruments and hedging activities.

In January 2008, the FASB issued Statement No. 133 Implementation Issue No. E23, *Hedging — General: Issues Involving the Application of the Shortcut Method under Paragraph 68* (Issue No. E23). Issue No. E23 provides guidance on certain practice issues related to the application of the shortcut method by amending paragraph 68 of FASB Statement No. 133 with respect to the conditions that must be met in order to apply the shortcut method for assessing hedge effectiveness of interest rate swaps. The provisions of Issue No. E23 became effective for us for our hedging arrangements designated on or after January 1, 2008. Additionally, pre-existing hedging arrangements must be assessed on January 1, 2008 to determine whether the provisions of Issue No. E23 were met as of the inception of the hedging arrangement. We have evaluated the effects of the adoption of Issue No. E23 and have determined it to have no material impact on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued Statement No. 141 (Revised), *Business Combinations*, which establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FASB Statement No. 141(Revised) also requires acquirers to estimate the acquisition-date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. We will be required to apply this new standard prospectively to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FASB Statement No. 141(Revised) amends certain provisions of FASB Statement No. 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FASB Statement No. 141(Revised) would also apply the provisions of FASB Statement No. 141(Revised). Early adoption is prohibited. We are currently evaluating the effects that FASB Statement No. 141(Revised) may have on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which establishes accounting and reporting standards that require (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within shareholder's equity, but separate from the parent's equity, (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations, and (iii) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. FASB Statement No. 160 applies to fiscal years beginning after December 15, 2008. Earlier adoption is prohibited. We have not yet commenced evaluating the potential impact, if any, of the adoption of FASB Statement No. 160 on our consolidated financial position, results of operations and cash flows.

In April 2007, the FASB issued Staff Position (FSP) No. FIN 39-1, *Amendment of FASB Interpretation No. 39*, (FSP FIN 39-1). FSP FIN 39-1 amends FASB Statement No. 39, *Offsetting of Amounts Related to Certain Contracts*, by permitting entities that enter into master netting arrangements as part of their derivative transactions to offset in their financial statements net derivative positions against the fair value of amounts (or amounts that approximate fair value) recognized for the right to reclaim cash collateral or the obligation to return cash collateral under those arrangements. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. We have evaluated the effects of adoption of FSP FIN 39-1 and have determined the standard will have no material impact on our consolidated financial position, results of operations and cash flows.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS **(Continued)**

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which provides companies with an option to report selected financial assets and liabilities at fair value. The new standard also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. It also requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of a company's choice to use fair value on its earnings. The new standard also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. FASB Statement No. 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in FASB Statements No. 157, *Fair Value Measurements*, and No. 107, *Disclosures about Fair Value of Financial Instruments*. FASB Statement No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FASB Statement No. 157. We have evaluated the effects of adoption of FASB Statement No. 159 and have determined the standard will have no material impact on our consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. FASB Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are assessing the potential impact of adoption of FASB Statement No. 157 on our consolidated financial position, results of operations and cash flows.

We have determined that all other recently issued accounting pronouncements will not have a material impact on our consolidated financial position, results of operation and cash flows, or do not apply to our operations.

RESTATEMENT OF FINANCIAL STATEMENTS

The Company has restated herein its consolidated financial statements as of March 31, 2008 and for the period from May 16, 2007 through March 31, 2008 and its unaudited quarterly financial data for each of the interim periods of fiscal 2008 (collectively, the "Successor Periods"). This restatement corrects non-cash errors relating to our application of purchase accounting associated with an equity method investment which led to a misstatement of our provision for income taxes during the period we were finalizing our purchase accounting. We also corrected other miscellaneous adjustments that were deemed to be not material by management, either individually or in the aggregate. These adjustments do not have an impact on our compliance with the financial covenants under our 7.25% Senior Notes or under our New Senior Secured Credit Facilities (see Note 11 — Debt to our accompanying consolidated and combined financial statements).

These adjustments are discussed in more detail below. The tables that follow the discussion detail their impact on our consolidated statements of operations and comprehensive income (loss), balance sheets and statements of cash flows.

Deferred tax liabilities associated with an equity method investment

As a result of the Arrangement and subsequent allocation of fair value to the assets and liabilities of Novelis Inc., the recorded value of our 50% joint venture interest in Aluminium Norf GmbH (Norf) increased by approximately \$775 million. We established a deferred tax liability on this increase in basis by applying the statutory tax rate in Germany as of the May 15, 2007 closing date of the Arrangement.

We identified non-cash errors relating to the initial valuation of the deferred tax liability and subsequent remeasurement of that liability associated with the statutory tax rate reduction. We determined that a significant portion of this increase in basis reflected goodwill inside the Norf investment, which is not deductible for tax purposes, and that we had not properly measured the deferred tax liability for the inside and outside basis differences associated with our purchase accounting for this equity method investment. Additionally, we identified that the deferred tax accounting for the increase in fair value of our equity method investment was inappropriately presented as if Norf was a consolidated subsidiary.

As a result of these errors in our opening balance sheet, we overstated the tax benefits associated with the subsequent remeasurement of deferred tax liabilities due to the reduction of the German statutory tax rate.

We have corrected these non-cash errors by (i) reducing the deferred tax liability amount recorded in purchase accounting for our Norf investment by approximately \$287 million with an offsetting decrease to goodwill, (ii) reducing the income tax benefit that we recognized related to the reduction in statutory tax rate by approximately \$45 million in the quarters ended September 30, 2007 and December 31, 2007, (iii) reclassifying the remaining \$29 million of Norf deferred tax liability accretion, previously recognized in *Provision (benefit) for taxes on income (loss)*, to *Equity in net (income) loss on non-consolidated affiliates* and (iv) removing the \$33 million currency translation adjustment associated with the overstated portion of the deferred tax liability.

Other miscellaneous adjustments

The Company has also included in the appropriate periods in its restated consolidated financial statements other miscellaneous adjustments that were deemed to be not material by management, either individually or in the aggregate, and therefore were originally corrected in the period in which they were identified. Such adjustments impacted (i) the timing of expense items, including income taxes, (ii) the measurement of depreciation expense recognized for assets placed into service after completion of the Arrangement, (iii) remeasurement of cash and cash equivalents denominated in foreign currencies, and (iv) amortization of certain pension amounts. The net impact of correcting these items reduced net income for the Successor Period from May 16, 2007 through March 31, 2008 by approximately \$3 million.

	May 16, 2007 Through March 31, 2008		
	As Previously Reported Successor	Restatements Successor	As Restated Successor
Restatement effects on our consolidated statement of operations and comprehensive income (loss) (in millions):			
Net sales	\$ 9,965	\$ —	\$ 9,965
Cost of goods sold (exclusive of depreciation and amortization shown below)	9,042	—	9,042
Selling, general and administrative expenses	319	—	319
Depreciation and amortization	367	8	375
Research and development expenses	46	—	46
Interest expense and amortization of debt issuance costs — net	173	—	173
(Gain) loss on change in fair value of derivative instruments — net	(22)	—	(22)
Equity in net (income) loss of non-consolidated affiliates	4	(29)	(25)
Other (income) expenses — net	—	—	—
	<u>9,929</u>	<u>(21)</u>	<u>9,908</u>
Income (loss) before provision (benefit) for taxes on income (loss), minority interests' share and cumulative effect of accounting change	36	21	57
Provision (benefit) for taxes on income (loss)	<u>3</u>	<u>70</u>	<u>73</u>
Income (loss) before minority interests' share	33	(49)	(16)
Minority interests' share	<u>(5)</u>	<u>1</u>	<u>(4)</u>
Net income (loss)	<u>28</u>	<u>(48)</u>	<u>(20)</u>
Other comprehensive income (loss) — net of tax			
Currency translation adjustment	26	33	59
Postretirement benefit plans:			
Change in pension and other benefits	<u>(13)</u>	<u>—</u>	<u>(13)</u>
Other comprehensive income (loss) — net of tax	13	33	46
Comprehensive income (loss)	<u>\$ 41</u>	<u>\$ (15)</u>	<u>\$ 26</u>

As of March 31, 2008			
	As Previously Reported	Restatements	As Restated
	Successor	Successor	Successor
Restatement effects on our consolidated balance sheet (in millions, except number of shares):			
ASSETS			
Current assets			
Cash and cash equivalents	\$ 326	\$ —	\$ 326
Accounts receivable (net of allowances of \$1)			
--- third parties	1,248	—	1,248
---related parties	31	—	31
Inventories	1,455	—	1,455
Prepaid expenses and other current assets	58	—	58
Current portion of fair value of derivative instruments ...	203	—	203
Deferred income tax assets	125	—	125
Total current assets	<u>3,446</u>	<u>—</u>	<u>3,446</u>
Property, plant and equipment — net	3,365	(8)	3,357
Goodwill	2,157	(288)	1,869
Intangible assets — net	888	—	888
Investment in and advances to non-consolidated affiliates	917	29	946
Fair value of derivative instruments — net of current portion	21	—	21
Deferred income tax assets	9	3	12
Other long-term assets			
--- third parties	102	—	102
--- related parties	41	—	41
Total assets	<u>\$ 10,946</u>	<u>\$ (264)</u>	<u>\$ 10,682</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Current portion of long-term debt	\$ 15	\$ —	\$ 15
Short-term borrowings	115	—	115
Accounts payable			
--- third parties	1,582	—	1,582
--- related parties	55	—	55
Accrued expenses and other current liabilities	850	—	850
Deferred income tax liabilities	39	—	39
Total current liabilities	<u>2,656</u>	<u>—</u>	<u>2,656</u>
Long-term debt — net of current portion	2,560	—	2,560
Deferred income tax liabilities	952	(251)	701
Accrued postretirement benefits	421	—	421
Other long-term liabilities	670	2	672
	<u>7,259</u>	<u>(249)</u>	<u>7,010</u>
Commitments and contingencies			
Minority interests in equity of consolidated affiliates	149	—	149
Shareholder's equity			
Common stock, no par value; unlimited number of shares authorized; 77,459,658 shares issued and outstanding as of March 31, 2008	—	—	—
Additional paid-in capital	3,497	—	3,497
Retained earnings (Accumulated deficit)	28	(48)	(20)
Accumulated other comprehensive income (loss)	13	33	46
Total shareholder's equity	<u>3,538</u>	<u>(15)</u>	<u>3,523</u>
Total liabilities and shareholder's equity	<u>\$ 10,946</u>	<u>\$ (264)</u>	<u>\$ 10,682</u>

May 16, 2007 Through March 31, 2008			
	As Previously Reported	Restatements	As Restated
	Successor	Successor	Successor
Restatement effects on our consolidated statement of cash flows (in millions):			
OPERATING ACTIVITIES			
Net income (loss)	\$ 28	\$ (48)	\$ (20)
Adjustments to determine net cash provided by (used in) operating activities:			
Depreciation and amortization	367	8	375
(Gain) loss on change in fair value of derivative instruments — net	(22)	—	(22)
Deferred income taxes	(74)	69	(5)
Amortization of debt issuance costs	10	—	10
Write-off and amortization of fair value adjustments — net	(221)	—	(221)
Provision for uncollectible accounts receivable	1	—	1
Equity in net (income) loss of non-consolidated affiliates	4	(29)	(25)
Minority interests' share	5	(1)	4
Impairment charges on long-lived assets	1	—	1
Changes in assets and liabilities (net of effects from acquisitions and divestitures):			
Accounts receivable			
third parties	182	—	182
related parties	(1)	—	(1)
Inventories	208	—	208
Prepaid expenses and other current assets	(8)	—	(8)
Other long-term assets	(30)	—	(30)
Accounts payable			
third parties	(11)	—	(11)
related parties	(7)	—	(7)
Accrued expenses and other current liabilities	(68)	—	(68)
Accrued postretirement benefits	23	—	23
Other long-term liabilities	18	1	19
Net cash provided by (used in) operating activities	405	—	405
INVESTING ACTIVITIES			
Capital expenditures	(185)	—	(185)
Proceeds from sales of assets	8	—	8
Changes to investment in and advances to non-consolidated affiliates	24	—	24
Proceeds from loans receivable — net — related parties	18	—	18
Net proceeds from settlement of derivative instruments	37	—	37
Net cash provided by (used in) investing activities	(98)	—	(98)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	92	—	92
Proceeds from issuance of debt	1,100	—	1,100
Principal repayments			
third parties	(1,009)	—	(1,009)
Short-term borrowings — net			
third parties	(241)	—	(241)
Dividends — minority interests	(1)	—	(1)
Debt issuance costs	(37)	—	(37)

(Continued)

	May 16, 2007 Through March 31, 2008		
	As Previously Reported	Restatements	As Restated
	Successor	Successor	Successor
Net cash provided by (used in) financing activities	<u>(96)</u>	<u>—</u>	<u>(96)</u>
Net increase (decrease) in cash and cash equivalents.....	211	—	211
Effect of exchange rate changes on cash balances held in foreign currencies	13	—	13
Cash and cash equivalents — beginning of period.....	<u>102</u>	<u>—</u>	<u>102</u>
Cash and cash equivalents — end of period.....	<u>\$ 326</u>	<u>\$ —</u>	<u>\$ 326</u>
Supplemental disclosures of cash flow information:			
Interest paid	\$ 200	\$ —	\$ 200
Income taxes paid	64	—	64
Supplemental schedule of non-cash investing and financing activities related to the Acquisition of Novelis Common Stock (Note 3):			
Property, plant and equipment.....	\$ (1,344)	\$ —	\$ (1,344)
Goodwill.....	(1,913)	288	(1,625)
Intangible assets	(893)	—	(893)
Investment in and advances to non-consolidated affiliates	(776)	—	(776)
Debt	66	—	66

3. ACQUISITION OF NOVELIS COMMON STOCK

On May 15, 2007, the Company was acquired by Hindalco through Acquisition Sub pursuant to the Arrangement entered into on February 10, 2007 and approved by the Ontario Superior Court of Justice on May 14, 2007. As a result of the Arrangement, Acquisition Sub acquired all of the Company's outstanding common shares at a price of \$44.93 per share, and all outstanding stock options and other equity incentives were terminated in exchange for cash payments. The aggregate purchase price for the Company's common shares was \$3.4 billion and immediately following the Arrangement, the common shares of the Company were transferred from Acquisition Sub to its wholly-owned subsidiary AV Aluminum Inc. (AV Aluminum). Hindalco also assumed \$2.8 billion of Novelis' debt for a total transaction value of \$6.2 billion.

On June 22, 2007, we issued 2,044,122 additional common shares to AV Aluminum for \$44.93 per share resulting in an additional equity contribution of approximately \$92 million. This contribution was equal in amount to certain payments made by Novelis related to change in control compensation to certain employees and directors, lender fees and other transaction costs incurred by the Company. As this transaction was approved by the Company and executed subsequent to the Arrangement, the \$92 million is not included in the determination of total consideration.

Purchase Price Allocation and Goodwill

As a result of the Arrangement, the consideration and transaction costs paid by Hindalco in connection with the transaction have been "pushed down" to us and have been allocated to the assets acquired and liabilities assumed in accordance with FASB Statement No. 141. The following table summarizes total consideration paid under the Arrangement (in millions).

Purchase of all outstanding 75,415,536 common shares at \$44.93 per share.....	\$ 3,388
Direct transaction costs incurred by Hindalco.....	17
Total consideration.....	<u>\$ 3,405</u>

In accordance with FASB Statement No. 141, during our quarter ended June 30, 2007, we substantially allocated total consideration (\$3.405 billion) to the assets acquired and liabilities assumed based on our initial estimates of fair value using methodologies and assumptions that we believed were reasonable. During the three months ended March 31, 2008, we finalized the allocation of the total consideration to identifiable assets and liabilities. The final valuation decreased the amount allocated to goodwill by \$472 million (as restated) from our initial allocation. This is primarily due to the finalization of our assessment of the valuation of the acquired tangible and intangible assets, the allocation of fair value to our reporting units, remeasurement of postretirement benefits and the income tax implications of the new basis of accounting triggered by the Arrangement.

The following table presents a summary of our final (as restated) and initial (as restated) allocations of total consideration to assets acquired and liabilities assumed at the date of the Arrangement (in millions).

	<u>Final</u> <u>As Restated</u>	<u>Initial</u> <u>As Restated</u>
Assets acquired:		
Current assets	\$ 3,210	\$ 3,210
Property, plant and equipment.....	3,451	3,350
Goodwill	1,869	2,111
Intangible assets	913	879
Investment in and advances to non-consolidated affiliates.....	927	762
Fair value of derivative instruments — net of current portion	3	3
Deferred income tax assets.....	119	119
Other long-term assets.....	109	110
Total assets acquired	<u>10,601</u>	<u>10,544</u>
Liabilities assumed:		
Accounts payable	(1,612)	(1,612)
Accrued expenses and other current liabilities	(750)	(738)
Long-term debt, including current portion and short-term borrowings	(2,824)	(2,824)
Deferred income tax liabilities, including current portion.....	(751)	(645)
Accrued postretirement benefits.....	(382)	(430)
Other long-term liabilities	(724)	(737)
Minority interests in equity of consolidated affiliates	(153)	(153)
Total liabilities assumed.....	<u>(7,196)</u>	<u>(7,139)</u>
Total consideration.....	<u>\$ 3,405</u>	<u>\$ 3,405</u>

The goodwill resulting from the Arrangement reflects the value of our in-place workforce, deferred income taxes associated with the fair value adjustments and potential synergies. The majority of the push down adjustments, including goodwill, did not impact our cash flows and were not deductible for income tax purposes.

The final purchase price allocation shown above includes a total of \$685 million for the fair value of liabilities associated with unfavorable sales contracts (\$371 million included in *Other long-term liabilities* and \$314 million included in *Accrued expenses and other current liabilities*). Of this amount, \$655 million relates to unfavorable sales contracts in North America. These contracts include a ceiling over which metal prices cannot contractually be passed through to certain customers, unless adjusted. Subsequent to the Arrangement, the fair values of these liabilities are credited to *Net sales* over the remaining lives of the underlying contracts. The reduction of these liabilities does not affect our cash flows.

Intangible assets include (1) \$124 million for a favorable energy supply contract in North America, recorded at its estimated fair value, (2) \$15 million for other favorable supply contracts in Europe and (3) \$9 million for the estimated value of acquired in-process research and development projects that had not yet reached technological feasibility. In accordance with FASB Statement No. 141, the \$9 million of acquired in-process research and development was expensed upon acquisition and charged to *Research and development expenses* in the period from May 16, 2007 through March 31, 2008.

These final valuations and other studies were completed by Hindalco and Novelis during the three months ended March 31, 2008. To estimate fair values, we considered a number of factors, including the application of multiples to discounted cash flow estimates. There is considerable management judgment with respect to cash flow estimates and appropriate multiples used in determining fair value.

We incurred a total of \$64 million of fees and expenses related to the Arrangement, of which \$32 million was incurred in each of the periods from April 1, 2007 through May 15, 2007, and for the three months ended March 31, 2007. These fees and expenses are included in *Sale transaction fees* in our consolidated and combined statements of operations.

Unaudited Condensed Consolidated Pro Forma Results

The unaudited condensed consolidated pro forma results of operations provided below for the year ended March 31, 2008, the three months ended March 31, 2007 and the year ended December 31, 2006 are presented as though the Arrangement had occurred at the beginning of each of the respective periods, after giving effect to purchase accounting adjustments related to depreciation and amortization of the revalued assets and liabilities, interest expense and other acquisition related adjustments in connection with the Arrangement (in millions). The pro forma results include estimates and assumptions that management believes are reasonable. However, pro forma results are not necessarily indicative of the results that would have occurred if the acquisition had been in effect on the dates indicated, or which may result in future periods.

	Year Ended March 31, 2008 (Restated)	Three Months Ended March 31, 2007	Year Ended December 31, 2006
Net sales	\$ 11,280	\$ 2,721	\$ 10,164
Loss before provision (benefit) for taxes and minority interests' share	\$ (33)	\$ (60)	\$ (243)
Net loss	\$ (113)	\$ (69)	\$ (240)

4. RESTRUCTURING PROGRAMS

All restructuring provisions and recoveries are included in *Other (income) expenses — net* in the accompanying consolidated and combined statements of operations. The following table summarizes the activity in our restructuring liabilities (in millions).

	Severance Reserves				Other Exit Related Reserves		Total Restructuring Reserves
	Europe	North America	Corporate and Other	Total Severance	Europe	North America	
<i>Predecessor:</i>							
Balance as of December 31, 2006 ...	\$ 14	\$ —	\$ 1	\$ 15	\$ 19	\$ —	\$ 34
January 1, 2007 to March 31, 2007							
Activity:							
Provisions (recoveries) — net	9	—	—	9	—	—	9
Cash payments.....	(4)	—	(1)	(5)	(1)	—	(6)
Adjustments — other.....	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>(1)</u>
Balance as of March 31, 2007	18	—	—	18	18	—	36
April 1, 2007 to May 15, 2007							
Activity:							
Provisions (recoveries) — net	1	—	—	1	—	—	1
Cash payments.....	—	—	—	—	(1)	—	(1)
Adjustments — other.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Balance as of May 15, 2007.....	19	—	—	19	18	—	37
<i>Successor:</i>							
May 16, 2007 to March 31, 2008							
Activity:							
Provisions (recoveries) — net	1	3	—	4	1	1	6
Cash payments.....	(16)	—	—	(16)	(4)	—	(20)
Adjustments — other.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Balance as of March 31, 2008	\$ 4	\$ 3	\$ —	\$ 7	\$ 16	\$ 1	\$ 24

Year Ended March 31, 2008 Restructuring Activities

In March 2008, management approved the closure of our light gauge converter products facility in Louisville, Kentucky. The closure is intended to bring the capacity of our North American operations in line with local market demand. As a result of the closure, we recognized approximately \$5 million in restructuring charges during the quarter ended March 31, 2008. We expect the closing to be completed by December 2008.

Three Months Ended March 31, 2007 Restructuring Activities

In March 2007, management approved the proposed restructuring of our facilities in Bridgnorth, U.K. These proposed actions were intended to bring the capacity of our U.K. operations in line with local market demand and to reduce the cost of our U.K. operations. Certain production lines were shut down in the U.K. and volume was relocated to other European plants. For the three months ended March 31, 2007, we recognized approximately \$8 million each in impairment charges on long-lived assets in the U.K. that will no longer be used and severance costs.

Year Ended December 31, 2006 Restructuring Activities

In December 2006, we announced several restructuring actions at our facilities in the U.K., Germany, France and Italy. These actions are intended to streamline the management of these operations. We incurred \$2 million in severance-related costs through December 31, 2006 in connection with these programs. We incurred no additional costs related to these programs and we completed all actions by March 2008.

In December 2006, we announced the closing of our Montreal planning office. We incurred approximately \$1 million of severance-related costs through December 31, 2006. Through March 31, 2008, we completed this action and incurred no additional costs.

In August 2006, we announced a restructuring of our European central management and administration activities in Zurich, Switzerland to reduce overhead costs and streamline support functions. In addition, we are exiting our Neuhausen research and development center in Switzerland. These programs have begun and through December 31, 2006, we incurred costs of approximately \$4 million. Through March 31, 2008, we completed this action and incurred no additional costs.

In July 2006, we announced restructuring actions at our Goettingen facility in Germany to reduce overhead administrative costs and streamline functions. We incurred approximately \$5 million related primarily to severance costs through December 31, 2006. We do not anticipate future costs related to these programs to be significant and expect the restructuring to be completed by December 2009.

In March 2006, we announced the restructuring of our European operations, with the reorganization of our plants in Ohle and Ludenscheid, Germany, including the closing of two non-core business lines located within those facilities. In connection with the reorganization of our Ohle and Ludenscheid plants, we incurred costs of approximately \$5 million during the year ended December 31, 2006. We do not anticipate future costs related to these programs to be significant and expect all obligations to be fulfilled by December 2011.

Year Ended December 31, 2005 Restructuring Activities

In November 2005, we announced our intent to close our casting alloy facility in Borgofranco, Italy in March 2006. In 2005, we recognized charges of \$5 million for asset impairments and \$9 million for other exit related costs, including \$6 million for environmental remediation expenses relating to this plant closing. Through December 31, 2006, we have incurred additional costs of approximately \$2 million.

During the year ended December 31, 2005, we also recorded recoveries of (1) \$5 million relating to our 2004 restructuring program activities for the exit of certain operations of Pechiney in Flemalle, Belgium, which reduced the goodwill associated with the Pechiney acquisition, (2) \$1 million in connection with our 2004 restructuring program activities for our plant in Nachterstedt, Germany and (3) \$2 million in connection with our 2001 restructuring program activities in Rogerstone, Wales. In addition, we received \$7 million in proceeds from the sale of land at the closed rolling mill in Falkirk, Scotland in October 2005, resulting in a gain of \$7 million, which is included in *Other (income) expenses — net* in the accompanying consolidated and combined statement of operations.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following (in millions).

	As of March 31,	
	2008	2007
	Successor	Predecessor
Customer accounts receivable — third parties	\$ 1,160	\$ 1,283
Other accounts receivable:		
— third parties	89	96
— related parties	31	25
	<u>120</u>	<u>121</u>
Total accounts receivable — gross	1,280	1,404
Allowance for doubtful accounts — third parties	(1)	(29)
Accounts receivable — net	<u>\$ 1,279</u>	<u>\$ 1,375</u>

Allowance for Doubtful Accounts

The allowance for doubtful accounts is management's best estimate of probable losses inherent in the accounts receivable balance. Management determines the allowance based on known uncollectible accounts, historical experience and other currently available evidence. As of March 31, 2008 and 2007, our allowance for doubtful accounts represented approximately 0.1% and 2.1%, respectively, of gross accounts receivable.

Activity in the allowance for doubtful accounts is as follows (in millions).

	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Expense</u>	<u>Accounts Recovered/ (Written-Off)</u>	<u>Foreign Exchange and Other</u>	<u>Balance at End of Period</u>
<i>Predecessor:</i>					
Year Ended December 31, 2005.....	\$ 33	\$ 3	\$ (8)	\$ (2)	\$ 26
Year Ended December 31, 2006.....	\$ 26	\$ 4	\$ (4)	\$ 3	\$ 29
Three Months Ended March 31, 2007	\$ 29	\$ —	\$ —	\$ —	\$ 29
April 1, 2007 Through May 15, 2007.....	\$ 29	\$ —	\$ (2)	\$ 1	\$ 28
<i>Successor:</i>					
May 16, 2007 Through March 31, 2008	\$ —	\$ 1	\$ —	\$ —	\$ 1

Forfeiting of Trade Receivables

Novelis Korea Ltd. forfeits trade receivables in the ordinary course of business. These trade receivables are typically outstanding for 60 to 120 days. Forfeiting is a non-recourse method to manage credit and interest rate risks. Under this method, customers contract to pay a financial institution. The institution assumes the risk of non-payment and remits the invoice value (net of a fee) to us after presentation of a proof of delivery of goods to the customer. We do not retain a financial or legal interest in these receivables, and they are not included in the accompanying consolidated balance sheets. Forfeiting expenses are included in *Selling, general and administrative expenses* in our consolidated and combined statements of operations.

Factoring of Trade Receivables

Our Brazilian operations factor, without recourse, certain trade receivables that are unencumbered by pledge restrictions. Under this method, customers are directed to make payments on invoices to a financial institution, but are not contractually required to do so. The financial institution pays us any invoices it has approved for payment (net of a fee). We do not retain financial or legal interest in these receivables, and they are not included in the accompanying consolidated balance sheets. Factoring expenses are included in *Selling, general and administrative expenses* in our consolidated and combined statements of operations.

Summary Disclosures of Financial Amounts

The following tables summarize amounts relating to our forfeiting and factoring activities (in millions).

	<u>May 16, 2007 Through March 31, 2008</u>	<u>April 1, 2007 Through May 15, 2007</u>	<u>Three Months Ended March 31, 2007</u>	<u>Year Ended December 31,</u>	
	<u>Successor</u>	<u>Predecessor</u>	<u>Predecessor</u>	<u>2006</u>	<u>2005</u>
Receivables forfeited.....	\$ 507	\$ 51	\$ 68	\$ 424	\$ 285
Receivables factored.....	\$ 75	\$ —	\$ 18	\$ 71	\$ 94
Forfeiting expense.....	\$ 6	\$ 1	\$ 1	\$ 5	\$ 2
Factoring expense.....	\$ 1	\$ —	\$ —	\$ 1	\$ 1

	<u>As of March 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>Successor</u>	<u>Predecessor</u>
Forfeited receivables outstanding.....	\$ 149	\$ 75
Factored receivables outstanding	\$ —	\$ —

6. INVENTORIES

Inventories consist of the following (in millions).

	As of March 31,	
	2008	2007
	Successor	Predecessor
Finished goods.....	\$ 357	\$ 401
Work in process.....	638	556
Raw materials.....	386	428
Supplies.....	75	120
	<u>1,456</u>	<u>1,505</u>
Allowances.....	(1)	(22)
Inventories.....	<u>\$ 1,455</u>	<u>\$ 1,483</u>

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment — net, consists of the following (in millions).

	<u>As of March 31,</u>	
	<u>2008</u> (Restated) Successor	<u>2007</u> Predecessor
Land and property rights	\$ 258	\$ 97
Buildings	826	895
Machinery and equipment	<u>2,460</u>	<u>4,699</u>
	3,544	5,691
Accumulated depreciation and amortization	<u>(331)</u>	<u>(3,674)</u>
	3,213	2,017
Construction in progress	<u>144</u>	<u>89</u>
Property, plant and equipment — net	<u>\$ 3,357</u>	<u>\$ 2,106</u>

Due to the assignment of new fair values as a result of the Arrangement, we have no fully depreciated assets included in our consolidated balance sheet as of March 31, 2008. The amount of fully depreciated assets included in our consolidated balance sheet as of March 31, 2007 was \$1.2 billion.

Total depreciation expense is shown in the table below (in millions). We had no material interest capitalized on construction projects related to property, plant and equipment for the periods presented.

	<u>May 16, 2007</u> <u>Through</u> <u>March 31, 2008</u> (Restated) Successor	<u>April 1, 2007</u> <u>Through</u> <u>May 15, 2007</u> Predecessor	<u>Three Months</u> <u>Ended</u> <u>March 31, 2007</u> Predecessor	<u>Year Ended December 31,</u>	
				<u>2006</u> Predecessor	<u>2005</u> Predecessor
Depreciation expense related to property, plant and equipment	<u>\$ 338</u>	<u>\$ 28</u>	<u>\$ 58</u>	<u>\$ 231</u>	<u>\$ 228</u>

Asset impairments

During the period from May 16, 2007 through March 31, 2008, we recorded an impairment charge of \$1 million in Novelis Italy due to the obsolescence of certain production related fixed assets.

During the year ended December 31, 2005, in connection with the decision to close and sell our plant in Borgofranco, Italy, we recognized an impairment charge of \$5 million, included in *Other income (expenses) — net* in our consolidated and combined statements of operations, to reduce the net book value of the plant's fixed assets to zero. We based our estimate on third party offers and negotiations to sell the business.

During the year ended December 31, 2005, capital expenditures of \$2 million required to keep our Annecy plant operating were fully impaired as incurred and included in *Other income (expenses) — net* in our consolidated and combined statements of operations.

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2015, and we lease assets in Sierre, Switzerland including a 15-year capital lease through 2020 from Alcan. Operating leases generally have five to ten-year terms, with one or more renewal options, with terms to be negotiated at the time of renewal. Various facility leases include provisions for rent escalation to recognize increased operating costs or require us to pay certain maintenance and utility costs.

The following table summarizes rent expense included in our consolidated and combined statements of operations (in millions):

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor	2005 Predecessor
Rent expense	<u>\$ 27</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 22</u>	<u>\$ 21</u>

Future minimum lease payments as of March 31, 2008, for our operating and capital leases having an initial or remaining non-cancelable lease term in excess of one year are as follows (in millions). The future minimum lease payments for capital lease obligations exclude \$4 million of unamortized fair value adjustments recorded as a result of the Arrangement (see Note 11 — Debt in the accompanying consolidated and combined financial statements).

<u>Year Ending March 31,</u>	<u>Operating Leases</u>	<u>Capital Lease Obligations</u>
2009.....	\$ 23	\$ 8
2010.....	18	8
2011.....	16	8
2012.....	14	7
2013.....	12	7
Thereafter	36	47
Total minimum lease payments.....	<u>\$ 119</u>	<u>85</u>
Less: interest portion on capital leases		<u>(28)</u>
Principal obligation on capital leases		<u>\$ 57</u>

Assets and related accumulated amortization under capital lease obligations as of March 31, 2008 and 2007 are as follows (in millions).

	<u>As of March 31,</u>	
	<u>2008 Successor</u>	<u>2007 Predecessor</u>
Assets under capital lease obligations:		
Land.....	\$ —	\$ 1
Buildings	13	10
Machinery and equipment	<u>55</u>	<u>40</u>
	68	51
Accumulated amortization.....	<u>(17)</u>	<u>(10)</u>
	<u>\$ 51</u>	<u>\$ 41</u>

Sale of assets

During March 2008, we sold land at our Kingston facility in Ontario, Canada for \$5 million. No gain or loss was recognized on the sale.

During the year ended December 31, 2006, we sold our rights to develop and operate two hydroelectric power plants in South America and recorded a pre-tax gain of approximately \$11 million, included in *Other (income) expenses — net* in our consolidated and combined statements of operations.

During the year ended December 31, 2005, we sold land and a building in Malaysia and recorded a pre-tax gain of \$11 million, included in *Other (income) expenses — net*, in our consolidated and combined statements of operations.

Asset Retirement Obligations

On December 31, 2005, we adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). The interpretation clarifies that the term conditional asset retirement obligation, as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within an entity's control. FIN 47 also clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred, if fair value can be reasonably estimated. FIN 47 uses the same methodology as FASB Statement No. 143, which requires an entity to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the related long-lived asset. The liability is adjusted to its present value each period and the asset is depreciated over its useful life. A gain or loss may be incurred upon settlement of the liability.

As a result of our adoption of FIN 47, we identified conditional retirement obligations primarily related to environmental contamination of equipment and buildings at certain of our plants and administrative sites. Upon adoption, we recognized assets of \$6 million with offsetting accumulated depreciation of \$4 million, and an asset retirement obligation of \$11 million. We also recognized a pre-tax charge of \$9 million (\$6 million after tax), which is classified as a *Cumulative effect of accounting change — net of tax* in our accompanying consolidated and combined statement of operations for the year ended December 31, 2005.

The following is a summary of our asset retirement obligation activity. The period-end balances are included in *Other long-term liabilities* in our consolidated balance sheets (in millions).

Predecessor:

Asset retirement obligation as of January 1, 2006.....	\$ 11
Liability incurred.....	—
Liability settled.....	—
Accretion.....	<u>2</u>
Asset retirement obligation as of December 31, 2006.....	13
Liability incurred.....	1
Liability settled.....	—
Accretion.....	<u>—</u>
Asset retirement obligation as of March 31, 2007.....	14
Liability incurred.....	—
Liability settled.....	—
Accretion.....	—
Asset retirement obligation as of May 15, 2007.....	<u>14</u>

Successor:

Asset retirement obligation as of May 16, 2007.....	14
Liability incurred.....	—
Liability settled.....	—
Accretion.....	<u>2</u>
Asset retirement obligation as of March 31, 2008.....	<u>\$ 16</u>

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

We performed our annual impairment test during the fourth fiscal quarter of 2008 and determined that there was no impairment of goodwill. The following tables summarize the changes in our goodwill by operating segment (in millions).

Operating Segment (Successor)	Balance as of May 16, 2007	Adjustments(A) (Restated)	Balance as of March 31, 2008 (Restated)
North America.....	\$ 1,527	\$ (434)	\$ 1,093
Europe.....	389	126	515
Asia.....	162	(162)	—
South America.....	<u>263</u>	<u>(2)</u>	<u>261</u>
	<u>\$ 2,341</u>	<u>\$ (472)</u>	<u>\$ 1,869</u>

- (A) The adjustments of \$472 million represent the finalization of our estimates of fair value and allocation of the total consideration to assets acquired and liabilities assumed in connection with our acquisition by Hindalco, see Note 3 — Acquisition of Novelis Common Stock.

Operating Segment (Predecessor)	Balance as of December 31, 2006	Cumulative Translation Adjustment	Balance as of March 31, 2007	Cumulative Translation Adjustment	Balance as of May 15, 2007
North America.....	\$ —	\$ —	\$ —	\$ —	\$ —
Europe.....	236	3	239	5	244
Asia.....	—	—	—	—	—
South America.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 236</u>	<u>\$ 3</u>	<u>\$ 239</u>	<u>\$ 5</u>	<u>\$ 244</u>

Intangible Assets

The following is a summary of the components of intangible assets (in millions).

	As of March 31, 2008 — Successor				As of March 31, 2007 — Predecessor			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
Trademarks	\$ 152	\$ (6)	\$ 146	20 years	\$ 14	\$ (6)	\$ 8	15 years
Technology	169	(10)	159	15 years	20	(8)	12	15 years
Customer-related intangible assets....	484	(21)	463	20 years	—	—	—	
Favorable energy supply contracts...	124	(13)	111	9.5 years	—	—	—	
Other favorable contracts	15	(6)	9	3.3 years	—	—	—	
	<u>\$ 944</u>	<u>\$ (56)</u>	<u>\$ 888</u>	17.2 years	<u>\$ 34</u>	<u>\$ (14)</u>	<u>\$ 20</u>	15 years

Our favorable energy supply contract and other favorable contracts are amortized over their estimated useful lives using methods that reflect the pattern in which the economic benefits are expected to be consumed. All other intangible assets are amortized using the straight-line method.

Amortization expense related to intangible assets is as follows (in millions):

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor	Year Ended December 31, 2005 Predecessor
Total Amortization expense related to intangible assets....	\$ 56	\$ —	\$ —	\$ 2	\$ 2
Less: Amortization expense related to intangible assets included in <i>Cost of goods sold</i> (A).....	<u>19</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amortization expense related to intangible assets included in <i>Depreciation and amortization</i>	<u>\$ 37</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>

(A) Relates to amortization of favorable energy and other supply contracts.

Estimated total amortization expense related to intangible assets for each of the five succeeding fiscal years is as follows (in millions). Actual amounts may differ from these estimates due to such factors as customer turnover, raw material consumption patterns, impairments, additional intangible asset acquisitions and other events.

Fiscal Year Ending March 31,

2009	\$ 62
2010	60
2011	56
2012	55
2013	55

9. INVESTMENT IN AND ADVANCES TO NON-CONSOLIDATED AFFILIATES AND RELATED PARTY TRANSACTIONS

The following table summarizes the ownership structure and our ownership percentage of the non-consolidated affiliates in which we have an investment as of March 31, 2008, and which we account for using the equity method. We have no material investments that we account for using the cost method.

<u>Affiliate Name</u>	<u>Ownership Structure</u>	<u>Ownership Percentage</u>
Aluminium Norf GmbH	Corporation	50%
Consorcio Candonga	Unincorporated Joint Venture	50%
MiniMRF LLC	Limited Liability Company	50%
Deutsche Aluminium Verpackung Recycling GmbH.....	Corporation	30%
France Aluminium Recyclage S.A.	Public Limited Company	20%

In September 2007, we completed the dissolution of EuroNorca Partners, and we received approximately \$2 million in the completion of liquidation proceedings. No gain or loss was recognized on the liquidation.

In November 2006, we sold the common and preferred shares of our 25% interest in Petrocoque S.A. Industria e Comercio (Petrocoque) to the other shareholders of Petrocoque. Prior to the sale, we accounted for Petrocoque using the equity method of accounting. The results of operations of Petrocoque through the date of sale are included in the table below.

We do not control our non-consolidated affiliates, but have the ability to exercise significant influence over their operating and financial policies.

The following table summarizes the combined and condensed assets, liabilities and equity of our equity method affiliates (on a 100% basis, in millions) on a historical basis of accounting. The results do not include the unamortized fair value adjustments made to our non-consolidated affiliates due to the Arrangement. As of March 31, 2008, there were \$766 million (as restated) of unamortized fair value adjustments recorded in *Investment in and advances to non-consolidated affiliates*.

	<u>As of March 31,</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 192	\$ 152
Non-current assets	<u>677</u>	<u>638</u>
Total assets	<u>\$ 869</u>	<u>\$ 790</u>
Liabilities:		
Current liabilities	\$ 151	\$ 225
Non-current liabilities	<u>359</u>	<u>260</u>
Total liabilities	510	485
Equity:		
Novelis	180	153
Third parties	<u>179</u>	<u>152</u>
Total liabilities and equity	<u>\$ 869</u>	<u>\$ 790</u>

The following table summarizes the combined and condensed results of operations of our equity method affiliates (on a 100% basis, in millions) on a historical basis of accounting. These results do not include the incremental depreciation and amortization expense that we record in our equity method accounting, which arises as a result of the amortization of fair value adjustments we made to our investments in non-consolidated affiliates due to the Arrangement. For the period from May 16, 2007 through March 31, 2008, we recorded incremental depreciation and amortization expense of \$39 million, which was partially offset by \$29 million (as restated) of tax benefits associated with this amortization and a statutory tax rate change.

	May 16, 2007 Through March 31, 2008	April 1, 2007 Through May 15, 2007	Three Months Ended March 31, 2007	Year Ended December 31, 2006	2005
Net sales	\$ 564	\$ 45	\$ 127	\$ 558	\$ 497
Costs, expenses and income taxes.	495	43	122	521	479
Net income	<u>\$ 69</u>	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 37</u>	<u>\$ 18</u>

Included in the accompanying consolidated and combined financial statements are transactions and balances arising from business we conduct with these non-consolidated affiliates, which we classify as related party transactions and balances. The following table describes the nature and amounts of transactions that we had with related parties (in millions).

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor	2005 Predecessor
Purchases of tolling services, electricity and inventories					
Aluminium Norf GmbH(A)	\$ 253	\$ 21	\$ 61	\$ 227	\$ 205
Consortio Candonga(B)	24	1	3	14	8
Petrocoque S.A. Industria e Comercio(C).....	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>2</u>	<u>2</u>
Total purchases from related parties	<u>\$ 277</u>	<u>\$ 22</u>	<u>\$ 64</u>	<u>\$ 243</u>	<u>\$ 215</u>
Interest (income) expense					
Aluminium Norf GmbH(D)	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ 1</u>

(A) We purchase tolling services (the conversion of customer-owned metal) from Aluminium Norf GmbH.

(B) We purchase electricity from Consortio Candonga for our operations in South America.

(C) We purchased calcined-coke from Petrocoque for use in our smelting operations in South America. As previously discussed, we sold our interest in Petrocoque in November 2006. They are not considered a related party in periods subsequent to November 2006.

(D) We earn interest income on a loan due from Aluminium Norf GmbH.

n.a. not applicable — see (C).

The following table describes the period-end account balances that we have with these non-consolidated affiliates, shown as related party balances in the accompanying consolidated balance sheets (in millions). We have no other material related party balances.

	As of March 31,	
	2008 Successor	2007 Predecessor
Accounts receivable(A)	\$ 31	\$ 25
Other long-term receivables(A).....	\$ 41	\$ 54
Accounts payable(B)	\$ 55	\$ 49

(A) The balances represent current and non-current portions of a loan due from Aluminium Norf GmbH.

(B) We purchase tolling services from Aluminium Norf GmbH and electricity from Consortio Candonga.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following (in millions).

	As of March 31,	
	2008 Successor	2007 Predecessor
Accrued compensation and benefits.....	\$ 141	\$ 138
Accrued settlement of legal claim.....	39	39
Accrued interest payable.....	15	24
Accrued income taxes.....	35	9
Current portion of fair value of unfavorable sales contracts.....	242	—
Current portion of fair value of derivative instruments.....	148	33
Other current liabilities.....	230	237
Accrued expenses and other current liabilities.....	<u>\$ 850</u>	<u>\$ 480</u>

11. DEBT

Debt consists of the following (in millions).

As of March 31,					
		2008			2007
	Interest Rates(A)	Principal	Unamortized Fair Value Adjustments(B) Successor	Carrying Value	Principal/ Carrying Value Predecessor
Novelis Inc.					
7.25% Senior Notes, due February 2015	7.25%	\$ 1,399	\$ 67	\$ 1,466	\$ 1,400
Floating rate Term Loan facility, due July 2014	4.70%	298	—	298	—
Floating rate Term Loan B(D)	—	—	—	—	259
Novelis Corporation					
Floating rate Term Loan facility, due July 2014	4.70%(C)	655	—	655	—
Floating rate Term Loan B(D)	—	—	—	—	449
Novelis Switzerland S.A.					
Capital lease obligation, due January 2020 (Swiss francs (CHF) 54 million)....	7.50%	54	(4)	50	46
Capital lease obligation, due August 2011 (CHF 3 million)	2.49%	3	—	3	4
Novelis Korea Limited					
Bank loan, due October 2010	5.44%	100	—	100	—
Bank loan, due December 2007(F)	—	—	—	—	70
Bank loan (Korean won (KRW) 40 billion)(E)	—	—	—	—	42
Bank loan, due December 2007 (KRW 25 billion)(F)	—	—	—	—	27
Bank loans, due September 2008 through June 2011 (KRW 1 billion)	3.60%(G)	1	—	1	1
Other					
Other debt, due April 2008 through December 2012.....	1.99%(G)	2	—	2	2
Total debt		2,512	63	2,575	2,300
Less: current portion		(15)	—	(15)	(143)
Long-term debt — net of current portion		\$ 2,497	\$ 63	\$ 2,560	\$ 2,157

- (A) Interest rates are as of March 31, 2008 and exclude the effects of accretion/amortization of fair value adjustments as a result of the Arrangement.
- (B) Debt was recorded at fair value as a result of the Arrangement (see Note 3 — Acquisition of Novelis Common Stock).
- (C) Excludes the effect of any related interest rate swaps. See *New Senior Secured Credit Facilities*.
- (D) The Floating rate Term Loan B was refinanced in July 2007. See *New Senior Secured Credit Facilities*.

- (E) The Bank loan was refinanced in August 2007 with a short-term borrowing. See *Korean Bank Loans*.
- (F) These two Bank loans were refinanced in October 2007. See *Korean Bank Loans*.
- (G) Weighted average interest rate.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized fair value adjustments and using rates of exchange as of March 31, 2008 for our debt denominated in foreign currencies) are as follows (in millions).

<u>Year Ending March 31,</u>	<u>Amount</u>
2009	\$ 15
2010	14
2011	114
2012	14
2013	14
Thereafter	2,341
Total	<u>\$ 2,512</u>

New Senior Secured Credit Facilities

On May 25, 2007, we entered into a Bank and Bridge Facilities Commitment with affiliates of UBS and ABN AMRO, to provide backstop assurance for the refinancing of our existing indebtedness following the Arrangement. The commitments from UBS and ABN AMRO, provided by the banks on a 50%-50% basis, consisted of the following: (1) a senior secured term loan of up to \$1.06 billion; (2) a senior secured asset-based revolving credit facility of up to \$900 million and (3) a commitment to issue up to \$1.2 billion of unsecured senior notes, if necessary. The commitment contained terms and conditions customary for facilities of this nature.

In connection with these backstop commitments, we paid fees totaling \$14 million, which were included in *Other long-term assets — third parties* as of June 30, 2007. Of this amount, \$6 million was related to the unsecured senior notes, which were not refinanced, and was written off during the quarter ended September 30, 2007. The remaining \$8 million in fees paid have been credited by the lenders towards fees associated with the new senior secured credit facilities (described below) and will be amortized over the lives of the related borrowings.

On July 6, 2007, we entered into new senior secured credit facilities with a syndicate of lenders led by affiliates of UBS and ABN AMRO (New Credit Facilities) providing for aggregate borrowings of up to \$1.76 billion. The New Credit Facilities consist of (1) a \$960 million seven-year Term Loan facility (Term Loan facility) and (2) an \$800 million five year multi-currency asset-based revolving credit line and letter of credit facility (ABL facility).

Under the ABL facility, interest charged is dependent on the type of loan as follows: (1) any swingline loan or any loan categorized as an ABR borrowing will bear interest at an annual rate equal to the alternate base rate (which is the greater of (a) the base rate in effect on a given day and (b) the federal funds effective rate in effect on a given day, plus 0.50%) plus the applicable margin; (2) Eurocurrency loans will bear interest at an annual rate equal to the adjusted LIBOR rate for the applicable interest period, plus the applicable margin; (3) loans designated as Canadian base rate borrowings will bear an annual interest rate equal to the Canadian base rate (CAPRIME), plus the applicable margin; (4) loans designated as bankers acceptances (BA) rate loans will bear interest at the average discount rate offered for bankers' acceptances for the applicable BA interest period, plus the applicable margin and (5) loans designated as Euro Interbank Offered Rate (EURIBOR) loans will bear interest annually at a rate equal to the adjusted EURIBOR rate for the applicable interest period, plus the applicable margin. Applicable margins under the ABL facility depend upon excess availability levels calculated on a quarterly basis.

Generally, for both the Term Loan facility and ABL facility, interest rates reset every three months and interest is payable on a monthly, quarterly, or other periodic basis depending on the type of loan.

The proceeds from the Term Loan facility of \$960 million, drawn in full at the time of closing, and an initial draw of \$324 million under the ABL facility were used to pay off our old senior secured

credit facility (discussed below), pay for debt issuance costs of the New Credit Facilities and provide for additional working capital. Mandatory minimum principal amortization payments under the Term Loan facility are \$2.4 million per calendar quarter. The first minimum principal amortization payment was made on September 30, 2007. Additional mandatory prepayments are required to be made for certain collateral liquidations, asset sales, debt and preferred stock issuances, equity issuances, casualty events and excess cash flow (as defined in the New Credit Facilities). Any unpaid principal is due in full on July 6, 2014.

Under the Term Loan facility, loans characterized as alternate base rate (ABR) borrowings bear interest annually at a rate equal to the alternate base rate (which is the greater of (a) the base rate in effect on a given day and (b) the federal funds effective rate in effect on a given day, plus 0.50%) plus the applicable margin. Loans characterized as Eurocurrency borrowings bear interest at an annual rate equal to the adjusted LIBOR rate for the interest period in effect, plus the applicable margin.

Borrowings under the ABL facility are generally based on 85% of eligible accounts receivable and 75% to 85% of eligible inventories. Commitment fees ranging from 0.25% to 0.375% are based on average daily amounts outstanding under the ABL facility during a fiscal quarter and are payable quarterly.

The New Credit Facilities include customary affirmative and negative covenants. Under the ABL facility, if our excess availability, as defined under the borrowing, is less than 10% of the borrowing base, we are required to maintain a minimum fixed charge coverage ratio of 1 to 1. Substantially all of our assets are pledged as collateral under the New Credit Facilities.

We incurred debt issuance costs on our New Credit Facilities totaling \$32 million, including the \$8 million in fees previously paid in conjunction with the backstop commitment. These fees are included in *Other long-term assets — third parties* and are being amortized over the life of the related borrowing in *Interest expense and amortization of debt issuance costs — net* using the “effective interest amortization” method for the Term Loan facility and the straight-line method for the ABL facility. The unamortized amount of these costs was \$27 million as of March 31, 2008.

During the quarter ended December 31, 2007, we entered into interest rate swaps to fix the variable LIBOR interest rate for up to \$600 million of our floating rate Term Loan facility at effective weighted average interest rates and amounts expiring as follows: (i) 4.1% on \$600 million through September 30, 2008, (ii) 4.0% on \$500 million through March 31, 2009 and (iii) 4.0% on \$400 million through March 31, 2010. We are still obligated to pay any applicable margin, as defined in our New Credit Facilities, in addition to these interest rates.

On July 3, 2007, we terminated an interest rate swap to fix the 3-month LIBOR interest rate at an effective weighted average interest rate of 3.9% on \$100 million of the floating rate Term Loan B debt, which was originally scheduled to expire on February 3, 2008. The termination resulted in a gain of less than \$1 million.

As of March 31, 2008 approximately 84% of our debt was fixed rate and approximately 16% was variable rate.

Old Senior Secured Credit Facilities

In connection with our spin-off from Alcan, we entered into senior secured credit facilities (Old Credit Facilities) providing for aggregate borrowings of up to \$1.8 billion. The Old Credit Facilities consisted of (1) a \$1.3 billion seven-year senior secured Term Loan B facility, bearing interest at London Interbank Offered Rate (LIBOR) plus 1.75% (which was subject to change based on certain leverage ratios), all of which was borrowed on January 10, 2005, and (2) a \$500 million five-year multi-currency revolving credit and letters of credit facility.

The Old Credit Facilities included customary affirmative and negative covenants, as well as financial covenants relating to our maximum total leverage ratio, minimum interest coverage ratio, and minimum fixed charge coverage ratio. Substantially all of our assets were pledged as collateral under the Old Credit Facilities.

The terms of our Old Credit Facilities required that we deliver unaudited quarterly and audited annual financial statements to our lenders within specified periods of time. Due to delays in certain of our SEC filings for 2005 and 2006, we obtained a series of five waiver and consent agreements from the lenders under the facility to extend the various filing deadlines. Fees paid related to the five waiver and consent agreements totaled \$6 million.

On October 16, 2006, we amended the financial covenants to our Old Credit Facilities. In particular, we amended our maximum total leverage, minimum interest coverage, and minimum fixed charge coverage ratios through the quarter ended March 31, 2008.

We also amended and modified other provisions of the Old Credit Facilities to permit more efficient ordinary-course operations, including increasing the amounts of certain permitted investments and receivables securitizations, permitting nominal quarterly dividends, and the transfer of an intercompany loan to another subsidiary. In return for these amendments and modifications, we paid aggregate fees of approximately \$3 million to lenders who consented to the amendments and modifications, and agreed to continue paying higher applicable margins on our Old Credit Facilities, and higher unused commitment fees on our existing revolving credit facilities that were instated with a prior waiver and consent agreement in May 2006. Commitment fees related to the unused portion of the \$500 million revolving credit facility were 0.625% per annum.

On April 27, 2007, our lenders consented to a further amendment of our Old Credit Facilities. The amendment included increasing the Term Loan B facility by \$150 million. We utilized the additional funds available under the Term Loan B facility to reduce the outstanding balance of our \$500 million revolving credit facility. The additional borrowing capacity under the revolving credit facility was used to fund working capital requirements and certain costs associated with the Arrangement, including the cash settlement of share-based compensation arrangements and lender fees. Additionally, the amendment included a limited waiver of the change of control Event of Default (as defined) which effectively extended the requirement to repay the Old Credit Facilities to July 11, 2007. We paid fees of approximately \$2 million to lenders who consented to this amendment.

Total debt issuance costs of \$43 million, including amendment fees and the waiver and consent agreements discussed above, had been recorded in *Other long-term assets — third parties* and were being amortized over the life of the related borrowing in *Interest expense and amortization of debt issuance costs — net* using the “effective interest amortization” method for the Term Loans and the straight-line method for the revolving credit and letters of credit facility. The unamortized amount of these costs was \$26 million as of March 31, 2007. We incurred an additional \$2 million in debt issuance costs as described above during the period from April 1, 2007 through May 15, 2007. As a result of the Arrangement and the recording of debt at fair value, the total amount of unamortized debt issuance costs of \$28 million was reduced to zero as of May 15, 2007.

7.25% Senior Notes

On February 3, 2005, we issued \$1.4 billion aggregate principal amount of senior unsecured debt securities (Senior Notes). The Senior Notes were priced at par, bear interest at 7.25% and mature on February 15, 2015.

As a result of the Arrangement, the Senior Notes were recorded at their fair value of \$1.474 billion based on their market price of 105.25% of \$1,000 face value per bond as of May 14, 2007. The incremental fair value of \$74 million is being amortized to interest income over the remaining life of the Senior Notes in *Interest expense and amortization of debt issuance costs — net* using the “effective interest amortization” method.

Debt issuance costs totaling \$28 million relating to the Senior Notes had also been included in *Other long-term assets — third parties* and were being amortized over the life of the related borrowing in *Interest expense and amortization of debt issuance costs — net* using the “effective interest amortization” method. The unamortized amount of these costs was \$24 million as of March 31, 2007. As a result of the Arrangement and the recording of debt at fair value, the total amount of unamortized debt issuance costs of \$23 million was reduced to zero as of May 15, 2007.

Under the indenture that governs the Senior Notes, we are subject to certain restrictive covenants applicable to incurring additional debt and providing additional guarantees, paying dividends beyond certain amounts and making other restricted payments, sales and transfers of assets, certain consolidations or mergers, and certain transactions with affiliates.

The indenture governing the Senior Notes and the related registration rights agreement required us to file a registration statement for the notes and exchange the original, privately placed notes for registered notes. Under the indenture and the related registration rights agreement, we were required to complete the exchange offer for the Senior Notes by November 11, 2005. We did not complete the exchange offer by that date and, as a result, we began to incur additional special interest at rates ranging from 0.25% to 1.00%. We filed a post-effective amendment to the registration statement on December 1, 2006 which was declared effective by the SEC on December 22, 2006. We ceased paying additional special interest effective January 5, 2007, upon completion of the exchange offer.

Tender Offer and Consent Solicitation for 7.25% Senior Notes

Pursuant to the terms of the indenture governing our Senior Notes, we were obligated, within 30 days of closing of the Arrangement, to make an offer to purchase the Senior Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date the Senior Notes were purchased. Consequently, we commenced a tender offer on May 16, 2007 to repurchase all of the outstanding Senior Notes at the prescribed price. This offer expired on July 3, 2007 with holders of approximately \$1 million of principal presenting their Senior Notes pursuant to the tender offer.

Korean Bank Loans

In November 2004, Novelis Korea Limited (Novelis Korea), formerly Alcan Taihan Aluminium Limited, entered into a Korean won (KRW) 40 billion (\$40 million) floating rate long-term loan due November 2007. We immediately entered into an interest rate swap to fix the interest rate at 4.80%. In August 2007, we refinanced this loan with a floating rate short-term borrowing in the amount of \$40 million due by August 2008. We recognized a loss on extinguishment of debt of less than \$1 million in connection with this refinancing. Additionally, we immediately entered into an interest rate swap and cross currency swap for the new loan through a 3.94% fixed rate KRW 38 billion (\$38 million) loan.

In December 2004, we entered into (1) a \$70 million floating rate loan and (2) a KRW 25 billion (\$25 million) floating rate loan, both due in December 2007. We immediately entered into an interest rate and cross currency swap on the \$70 million floating rate loan through a 4.55% fixed rate KRW 73 billion (\$73 million) loan and an interest rate swap on the KRW 25 billion floating rate loan to fix the interest rate at 4.45%. On October 25, 2007, we entered into a \$100 million floating rate loan due October 2010 and immediately repaid the \$70 million loan. In December 2007, we repaid the KRW 25 billion loan from the proceeds of the \$100 million floating rate loan. Additionally, we immediately entered into an interest rate swap and cross currency swap for the \$100 million floating rate loan through a 5.44% fixed rate KRW 92 billion (\$92 million) loan.

Other Agreements

In May 2007, we terminated a loan and a corresponding deposit-and-guarantee agreement for \$80 million. We did not include the loan or deposit amounts in our consolidated balance sheets as of March 31, 2007 as the agreement included a legal right of setoff and we had the intent and ability to setoff.

Capital Lease Obligations

In December 2004, we entered into a fifteen-year capital lease obligation with Alcan for assets in Sierre, Switzerland, which has an interest rate of 7.5% and fixed quarterly payments of CHF 1.7 million, which is equivalent to \$1.7 million at the exchange rate as of March 31, 2008.

In September 2005, we entered into a six-year capital lease obligation for equipment in Switzerland which has an interest rate of 2.49% and fixed monthly payments of CHF 0.1 million, which is equivalent to \$0.1 million at the exchange rate as of March 31, 2008.

Short-Term Borrowings and Lines of Credit

As of March 31, 2008, our short-term borrowings were \$115 million consisting of (1) \$70 million of short-term loans under our ABL facility, (2) a \$40 million short-term loan in Korea and (3) \$5 million

in bank overdrafts. As of March 31, 2008, \$28 million of our ABL facility was utilized for letters of credit and we had \$582 million in remaining availability under this revolving credit facility.

As of March 31, 2008, we had an additional \$120 million under letters of credit in Korea not included in our revolving credit facility. The weighted average interest rate on our total short-term borrowings was 4.12% and 7.77% as of March 31, 2008 and 2007, respectively.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) are as follows (in millions):

	May 16, 2007 Through March 31, 2008	April 1, 2007 Through May 15, 2007	Three Months Ended March 31, 2007	Year Ended December 31,	
				2006	2005
	(Restated)				
	Successor	Predecessor	Predecessor	Predecessor	Predecessor
Net change in foreign currency translation adjustments	\$ 59	\$ 31	\$ 11	\$ 172	\$ (169)
Net change in fair value of effective portion of hedges	—	(1)	7	(46)	—
Postretirement benefit plans:					
Amortization of net actuarial loss	—	(1)	2	—	—
Net change in pension and other benefits	(17)	—	—	—	—
Net change in minimum pension liability	—	—	—	16	(14)
Net other comprehensive income (loss) adjustments, before income tax effect	42	29	20	142	(183)
Income tax effect	4	4	(5)	(8)	11
Other comprehensive income (loss)	<u>\$ 46</u>	<u>\$ 33</u>	<u>\$ 15</u>	<u>\$ 134</u>	<u>\$ (172)</u>

Accumulated other comprehensive income (loss), net of income tax effects, consists of the following (in millions).

	As of March 31,	
	2008 (Restated)	2007
	Successor	Predecessor
Foreign currency translation adjustments	\$ 59	\$ 144
Fair value of effective portion of hedges — net	—	(43)
Postretirement benefit plans:		
Net actuarial loss	—	(82)
Pension and other benefits	(13)	—
Net prior service cost	—	(8)
Net transition obligation	—	(1)
Accumulated other comprehensive income (loss)	<u>\$ 46</u>	<u>\$ 10</u>

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value approximates fair value for our financial instruments that are classified as current in our consolidated balance sheets. The fair values of our financial instruments that are recorded at cost and classified as long-term are summarized in the table below (in millions).

	As of March 31,			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Successor	Successor	Predecessor	Predecessor
Assets				
Long-term receivables from related parties	\$ 72	\$ 72	\$ 54	\$ 54
Liabilities				
Long-term debt				
Novelis Inc.				
7.25% Senior Notes, due February 2015	1,466	1,249	1,400	1,481
Floating rate Term Loan facility, due July 2014	298	298	—	—
Floating rate Term Loan B	—	—	259	259
Novelis Corporation				
Floating rate Term Loan facility, due July 2014	655	655	—	—
Floating rate Term Loan B	—	—	449	449
Novelis Switzerland S.A.				
Capital lease obligation, due January 2020 (CHF 54 million)	50	43	46	43
Capital lease obligation, due August 2011 (CHF 3 million)	3	3	4	3
Novelis Korea Limited				
Bank loan, due October 2010	100	87	—	—
Bank loan, due December 2007	—	—	70	67
Bank loan (KRW 40 billion)	—	—	42	41
Bank loan, due December 2007 (KRW 25 billion)	—	—	27	26
Bank loans, due September 2008 through June 2011 (KRW 1 billion)	1	1	1	1
Other				
Other debt, due April 2008 through December 2012	2	2	2	2
Financial commitments				
Letters of credit	—	148	—	84

Other financial instruments are marked to market to adjust to fair value and are disclosed in Note 17 — Financial Instruments and Commodity Contracts.

14. SHARE-BASED COMPENSATION

Effect of Acquisition by Hindalco

As a result of the Arrangement (see Note 2 — Acquisition of Novelis Common Stock in the accompanying consolidated and combined financial statements), all of our share-based compensation awards (except for our Recognition Awards) were accelerated to vest, cancelled and settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction. We made aggregate cash payments (including applicable payroll-related taxes) totaling \$72 million to plan participants following consummation of the Arrangement, as follows:

	Shares/Units Settled	Cash Payments (In millions)
Novelis 2006 Incentive Plan (stock options)	825,850	\$ 16
Novelis 2006 Incentive Plan (stock appreciation rights)	378,360	7
Novelis Conversion Plan of 2005	1,238,183	29
Stock Price Appreciation Unit Plan	299,873	7
Deferred Share Unit Plan for Non-Executive Directors	109,911	5
Novelis Founders Performance Awards	180,400	8
		<u>\$ 72</u>

Compensation expense resulting from the accelerated vesting of plan awards, totaling \$45 million is included in *Selling, general and administrative expenses* in our consolidated statement of operations for the period from April 1, 2007 through May 15, 2007. We also recorded a \$7 million reduction to *Additional paid-in capital* during the period from April 1, 2007 through May 15, 2007 for the conversion of certain of our share-based compensation plans from equity-based to liability-based plans.

Our Recognition Awards plan remains in place as of March 31, 2008. However, the awards are now payable only in either, at the option of the executive, (i) Hindalco common shares (if offered by Hindalco) or (ii) cash.

Adoption of FASB Statement No. 123 (Revised)

On January 1, 2006, we adopted FASB Statement No. 123(R) using the modified prospective method. The modified prospective method requires companies to record compensation cost beginning with the effective date based on the requirements of FASB Statement No. 123(R) for all share-based payments granted after the effective date. All awards granted to employees prior to the effective date of FASB Statement No. 123(R) that remain unvested at the adoption date will continue to be expensed over the remaining service period. The cumulative effect of the accounting change, net of tax, as of January 1, 2006 was approximately \$1 million, and was not considered material as to require presentation as a cumulative effect of accounting change in the accompanying consolidated and combined statements of operations. Accordingly, the expense recognized as a result of adopting FASB Statement No. 123(R) was included in *Selling, general and administrative expenses* in the quarter ended March 31, 2006.

Recognition Awards

On September 25, 2006, we entered into Recognition Agreements and granted Recognition Awards to certain executive officers and other key employees (Executives) to retain and reward them for continued dedication towards corporate objectives. Under the terms of these agreements, Executives who remain continuously employed by us through the vesting dates of December 31, 2007 and December 31, 2008 are entitled to receive one-half of their total Recognition Awards on each vesting date.

On February 10, 2007, our board of directors adopted resolutions to amend the Recognition Awards with the Executives. As amended, if the Executive remains continuously employed by us through the vesting dates of December 31, 2007 and December 31, 2008, the Executive is entitled to the awards, payable at a value of \$44.93 per share, in either, at the option of the Executive, (i) Hindalco common shares (if offered by Hindalco) or (ii) cash.

The number of Recognition Awards payable under the agreements varies by Executive. Originally, there were 145,800 shares subject to award. Prior to the Arrangement and in accordance with the provisions of FASB Statement No. 123(R), we valued these awards as of the issuance date and were recognizing their cost over the requisite service period of the Executives. As a result of the Arrangement, the Recognition Awards changed from an equity-based to a liability-based plan using the \$44.93 per common share transaction price as the per share value. This change resulted in additional share-based compensation expense of \$1.3 million during the period from April 1, 2007 through May 15, 2007.

One-half of the outstanding Recognition Awards vested on December 31, 2007, and were settled for approximately \$3 million in cash in January 2008.

The table below shows the activity for our Recognition Awards.

	Number of Recognition Awards	Weighted Average Fair Value at Grant Date	Award Redemption Price
<i>Predecessor:</i>			
Recognition Awards as of December 31, 2006	145,800	\$ 23.15	
Granted	—		
Vested	—		
Forfeited/Cancelled	—		
Recognition Awards as of March 31, 2007	145,800	\$ 23.15	
Granted	—		
Vested	—		
Forfeited/Cancelled	—		
Recognition Awards as of May 15, 2007	145,800		\$ 44.93
<i>Successor:</i>			
Granted	—		
Vested	(59,050)		
Forfeited/Cancelled	(30,400)		
Recognition Awards as of March 31, 2008	<u>56,350</u>		\$ 44.93

As of March 31, 2008, there was approximately \$1 million of unamortized compensation expense related to the remaining vesting date for the Recognition Awards, which is expected to be recognized over the next 0.75 years.

Novelis 2006 Incentive Plan

At our annual shareholders meeting on October 26, 2006, our shareholders approved the Novelis 2006 Incentive Plan (2006 Incentive Plan) to effectively replace the Novelis Conversion Plan of 2005 and Stock Price Appreciation Unit Plan (both described below). Under the 2006 Incentive Plan, up to an aggregate number of 7,000,000 shares of Novelis common stock were authorized to be issued in the form of stock options, stock appreciation rights (SARs), restricted shares, restricted share units, performance shares and other share-based incentives. Stock options and SARs expire seven years from their grant date. SARs may be settled in cash, common shares or a combination thereof, at the election of the holder. Any shares that were subject to an award under the 2006 Incentive Plan other than stock options and SARs would be counted against the 7,000,000 share limit as 1.75 shares for every one share subject to the award. The number of annual awards issued to any single employee or non-employee director was limited. The Human Resources Committee of our board of directors had the discretion to determine which employees and non-employee directors receive awards and the type, number and terms and conditions of such awards under the 2006 Incentive Plan. As a result of the Arrangement, all awards under the 2006 Incentive Plan were accelerated to vest, cancelled and settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction.

2006 Stock Options

On October 26, 2006, our board of directors authorized a grant of an aggregate of 885,170 seven-year non-qualified stock options under the 2006 Incentive Plan at an exercise price of \$25.53 to certain of our executive officers and key employees. These options were comprised of equal portions of premium and non-premium options. Both the premium and non-premium options were to vest ratably in 25% annual increments over a four year period measured from October 26, 2006, and could be exercised, in whole or in part, once vested. However, while the premium and non-premium options carried the same exercise price of \$25.53, in no event could the premium options be exercised unless the fair market value per share, as defined in the 2006 Incentive Plan, on the business day preceding the exercise date equaled or exceeded \$28.59. As a result of the Arrangement, all of our stock options under the 2006 Incentive Plan were accelerated to vest, cancelled and settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction.

The table below shows the option activity (for both premium and non-premium options) under our 2006 Incentive Plan.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
<i>Predecessor:</i>				
Options outstanding as of December 31, 2006....	858,500	\$ 25.53		
Granted	—	—		
Exercised	—	—		
Forfeited/Cancelled	(32,650)	\$ 25.53		
Expired	—	—		
Options outstanding as of March 31, 2007.....	825,850	\$ 25.53		
Granted	—	—		
Exercised	—	—		
Forfeited/Cancelled	—	—		
Expired	—	—		
Settled as a result of the Arrangement.....	(825,850)	\$ 25.53		
Options outstanding as of May 15, 2007.....	—	\$ —	—	\$ —
Options exercisable as of May 15, 2007.....	—	\$ —	—	\$ —

Prior to the Arrangement, we used the Monte Carlo valuation model to determine the fair value of the premium options outstanding under the 2006 Incentive Plan. The Monte Carlo model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award and calculates the fair market value of each award. Because our trading history was shorter than the expected life of the options, we used historical stock price volatility data from comparable companies to supplement our own historical volatility to determine expected volatility assumptions. The annual expected dividend yield was based on dividend payments of \$0.01 per share per quarter. Risk-free interest rates were based on U.S. Treasury Strip yields, compounded daily, consistent with the expected lives of the options. The fair value of the premium options was being amortized over the requisite service period of each award, which was originally from one to four years, subject to acceleration in cases where the employee elects retirement or is retirement eligible after October 26, 2007.

Prior to the Arrangement, we used the Black-Scholes valuation model to determine the fair value of non-premium options issued. Because our trading history was shorter than the expected life of the options, we used historical stock price volatility data from comparable companies to supplement our own historical volatility to determine expected volatility assumptions. The annual expected dividend yield was based on dividend payments of \$0.01 per share per quarter. Risk-free interest rates were based on U.S. Treasury Strip yields, compounded daily, consistent with the expected lives of the options. Because we did not have a sufficient history of option exercise or cancellation, we estimated the expected life of the options based on an extension of the “simplified method” as prescribed by SEC Staff Accounting Bulletin No. 107, *Share-Based Payment* (SAB No. 107), which allows for the use of a mid-point between the earliest and latest dates that an award can be exercised.

The weighted-average fair value of premium and non-premium options granted during the year ended December 31, 2006 under the 2006 Incentive Plan was \$10.08 and \$10.73, respectively. No premium or non-premium options under the 2006 Incentive Plan were granted during the three month period ended March 31, 2007 or from April 1, 2007 through May 15, 2007. Prior to the Arrangement, the fair value of our premium and non-premium options was estimated using the following assumptions:

	Year Ended December 31, 2006; Three Months Ended March 31, 2007; and the Period from April 1, 2007 Through May 15, 2007 Predecessor
Expected volatility.....	42.20 to 46.40%
Weighted average volatility.....	44.30%
Dividend yield	0.16%
Risk-free interest rate	4.68 to 4.71%
Expected life.....	1.00 to 4.75 years

As a result of the Arrangement, 825,850 premium and non-premium options under the 2006 Incentive Plan were accelerated to vest and were settled in cash for approximately \$16 million.

Stock Appreciation Rights

On October 26, 2006, our board of directors authorized a grant of 381,090 Stock Appreciation Rights (SARs) under the 2006 Incentive Plan at an exercise price of \$25.53 to certain of our executive officers and key employees. The terms of the SARs were identical in all material respects to those of the stock options issued under the 2006 Incentive Plan, except that the incremental increase in the value of the SARs was to be settled in cash rather than shares of Novelis' common stock at the time of exercise. The SARs were comprised of two equal portions: premium and non-premium SARs. Both the premium and non-premium SARs vested ratably in 25% annual increments over the four-year period measured from October 26, 2006, and could be exercised, in whole or in part, once vested. However, while the premium and non-premium SARs carried the same exercise price of \$25.53, in no event could the premium SARs be exercised unless the fair market value per share, as defined in the 2006 Incentive Plan, on the business day preceding the exercise date equaled or exceeded \$28.59. As a result of the Arrangement, all of our SARs under the 2006 Incentive Plan were accelerated to vest, cancelled and settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction.

The table below shows the SARs activity (for both premium and non-premium SARs) under our 2006 Incentive Plan.

	Number of SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
<i>Predecessor:</i>				
SARs outstanding as of December 31, 2006	381,090	\$ 25.53		
Granted	—	—		
Exercised	—	—		
Forfeited/Cancelled	(1,090)	\$ 25.53		
Expired	—	—		
SARs outstanding as of March 31, 2007	380,000	\$ 25.53		
Granted	—	—		
Exercised	—	—		
Forfeited/Cancelled	(1,640)	\$ 25.53		
Expired	—	—		
Settled as a result of the Arrangement	(378,360)	\$ 25.53		
SARs outstanding as of May 15, 2007	—	\$ —	—	\$ —
SARs exercisable as of May 15, 2007	—	\$ —	—	\$ —

Prior to the Arrangement, we used the Monte Carlo valuation model to determine the fair value of the premium SARs outstanding under the 2006 Incentive Plan. The Monte Carlo model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award and calculates the fair market value of each award. Because our trading history was shorter than the expected life of the SARs, we used historical stock price volatility data from comparable companies to supplement our own historical volatility to determine expected volatility assumptions. No

quarterly or annual dividend was expected. Risk-free interest rates were based on U.S. Treasury Strip yields, compounded daily, consistent with the expected remaining lives of the premium SARs. The fair value of the premium SARs was being amortized over the requisite remaining service period of each award, subject to acceleration in cases where the employee elects retirement or is retirement eligible after October 26, 2007.

Prior to the Arrangement, we used the Black-Scholes valuation model to determine the fair value of the non-premium SARs outstanding. Because our trading history was shorter than the expected life of the SARs, we used historical stock price volatility data from comparable companies to supplement our own historical volatility to determine expected volatility assumptions. No quarterly or annual dividend was expected. Risk-free interest rates were based on U.S. Treasury Strip yields, compounded daily, consistent with the expected remaining lives of the SARs. Because we did not have a sufficient history of SAR exercise or cancellation, we estimated the expected remaining life of the SARs based on an extension of the "simplified method" as prescribed by SAB No. 107.

The fair value of premium and non-premium SARs under the 2006 Incentive Plan was estimated using the following assumptions:

	Three Months Ended <u>March 31, 2007</u> Predecessor	Year Ended <u>December 31, 2006</u> Predecessor
Expected volatility.....	40.70 to 44.70%	40.80 to 45.40%
Weighted average volatility.....	42.70%	43.10%
Dividend yield	None	0.14%
Risk-free interest rate	4.51 to 4.59%	4.67 to 4.71%
Expected life.....	0.57 to 4.32 years	0.83 to 4.57 years

As a result of the Arrangement, 378,360 premium and non-premium SARs were accelerated to vest and were settled in cash for approximately \$7 million.

Novelis Conversion Plan of 2005

On January 5, 2005, our board of directors adopted the Novelis Conversion Plan of 2005 (the Conversion Plan) to allow for 1,372,663 Alcan stock options held by employees of Alcan who became our employees following our spin-off from Alcan to be replaced with options to purchase 2,723,914 of our common shares. All options were to expire ten years from their date of grant. All converted options that were vested on the spin-off date continued to be vested. Unvested options as of the spin-off date were to vest in four equal annual installments beginning on January 6, 2006, the first anniversary of the spin-off date.

In October 2006, we amended the Conversion Plan to allow (1) the immediate vesting of all options upon the death or retirement of the optionee and (2) in the case of an unsolicited change of control of Novelis, all options will vest immediately. While the amendment of the Conversion Plan has been accounted for as a modification under FASB Statement No. 123(R), it resulted in no incremental compensation cost as the fair value of the modified options after the modification was less than the fair value of the options immediately before the modification. However, options held by 67 employees who had retired or were retirement eligible were affected by this modification, which included the accelerated vesting of 821,318 options for 20 employees who had previously retired. As a result of this modification, we accelerated the vesting for employees who previously retired and shortened the requisite service period for all remaining employees based on their retirement eligibility date. We recorded additional compensation expense of \$4 million during the three months ended December 31, 2006 as a result of this modification.

As a result of the Arrangement, all of our unvested stock options under the Conversion Plan were accelerated to vest, cancelled and settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction.

The following table shows the option activity in our Conversion Plan.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
<i>Predecessor:</i>				
Options outstanding as of December 31, 2006.....	2,514,277	\$ 21.84		
Granted	—	—		
Exercised	(1,217,325)	\$ 21.95		
Forfeited/Cancelled	—	—		
Expired	—	—		
Options outstanding as of March 31, 2007.....	1,296,952	\$ 21.74		
Granted	—	—		
Exercised	(57,876)	\$ 22.00		
Forfeited/Cancelled	(893)	\$ 23.74		
Expired	—	—		
Settled as a result of the Arrangement.....	(1,238,183)	\$ 21.82		
Options outstanding as of May 15, 2007.....	—	\$ —	—	\$ —
Options exercisable as of May 15, 2007.....	—	\$ —	—	\$ —

Prior to the Arrangement, we used the Black-Scholes valuation model to determine the fair value of the options outstanding. Because we had no trading history at the time of the valuation, we used historical stock price volatility data from comparable companies to determine expected volatility assumptions. The annual expected dividend yield was based on our then current and anticipated dividend payments. Risk-free interest rates were based on U.S. Treasury bond yields, compounded daily, consistent with the expected lives of the options. Because we did not have a sufficient history of option exercise or cancellation, we estimated the expected life of the options based on the lesser of the expected term of six years or the remaining life of the option.

No new options under the Conversion Plan were granted since its adoption in January 2005. The fair value of each option was estimated using the following assumptions:

	Years December 31, 2005 and 2006; Three Months Ended March 31, 2007; and the Period from April 1, 2007 Through May 15, 2007 Predecessor
Expected volatility.....	30.30%
Weighted-average volatility	30.30%
Dividend yield	1.56%
Risk-free interest rate	2.88 to 3.73%
Expected life.....	0.70 to 5.70 years

The weighted average fair value of options granted or modified under the Conversion Plan during the year ended December 31, 2005 was \$6.97.

The number of options that vested and the related fair value under our Conversion Plan was 6,548 and less than \$1 million for the period from April 1, 2007 through May 15, 2007; 381,009 and \$3 million for the three months ended March 31, 2007; 1,423,930 and \$10 million for the year ended December 31, 2006; and none for the year ended December 31, 2005.

As a result of the Arrangement, 563,651 options were accelerated to vest with a total fair value of approximately \$4 million and a total of 1,238,183 options were settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction for approximately \$29 million.

The total intrinsic value of options exercised under our Conversion Plan was \$1 million for the period from April 1, 2007 through May 15, 2007; \$19 million for the three months ended March 31, 2007; \$1 million for the year ended December 31, 2006; and less than \$1 million for the year ended December 31, 2005.

Cash received from options exercised under our Conversion Plan was \$1 million for the period from April 1, 2007 through May 15, 2007; \$27 million for the three months ended March 31, 2007; \$2 million for the year ended December 31, 2006; less than \$1 million for the year ended December 31, 2005.

The actual tax benefit realized for the tax deductions from the options exercised under our Conversion Plan was less than \$1 million for the period from April 1, 2007 through May 15, 2007; \$1 million, including \$1 million of “windfall” tax benefits, for the three months ended March 31, 2007; and less than \$1 million for each of the years ended December 31, 2006 and 2005.

Stock Price Appreciation Unit Plan

Prior to the spin-off, some Alcan employees who later transferred to Novelis held Alcan stock price appreciation units (SPAUs). These units entitled them to receive cash equal to the excess of the market value of an Alcan common share on the exercise date of a SPAU over the market value of an Alcan common share on its grant date. On January 6, 2005, these employees received 418,777 Novelis SPAUs to replace their 211,035 Alcan SPAUs at a weighted average exercise price of \$22.04. All converted SPAUs that were vested at the spin-off date continued to be vested. Unvested SPAUs were to vest in four equal annual installments beginning on January 6, 2006, the first anniversary of the spin-off date. In October 2006, we amended the SPAUs to allow the continued vesting of all SPAUs upon the death or retirement of the employee. While the amendment of the SPAUs had been accounted for as a modification under FASB Statement No. 123(R), it resulted in no incremental compensation cost since the fair value of the modified SPAUs after the modification was less than the fair value of the SPAUs immediately before the modification. However, SPAUs held by 7 employees who were retirement eligible were affected by this modification, which included an acceleration of \$1 million in compensation cost recognized during the three months ended December 31, 2006.

The table below shows the activity in our SPAU Plan.

	Number of SPAUs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
<i>Predecessor:</i>				
SPAUs outstanding as of December 31, 2007.....	418,405	\$ 22.04		
Granted	—	—		
Exercised	(117,788)	\$ 22.29		
Forfeited/Cancelled	—	—		
Expired	—	—		
SPAUs outstanding as of March 31, 2007.....	300,617	\$ 21.94		
Granted	—	—		
Exercised	—	—		
Forfeited/Cancelled	—	—		
Expired	(744)	\$ 21.49		
Settled as a result of the Arrangement.....	(299,873)	\$ 21.94		
SPAUs outstanding as of May 15, 2007.....	—	\$ —	—	\$ —
SPAUs exercisable as of May 15, 2007	—	\$ —	—	\$ —

Upon the adoption of FASB Statement No. 123(R), we changed from the intrinsic value method to the Black-Scholes valuation model to estimate the fair value of SPAUs granted to employees and to determine the fair value of the SPAUs outstanding. Because our trading history was shorter than the expected life of the SPAUs, we used historical stock price volatility data from comparable companies to supplement our own historical volatility to determine expected volatility assumptions. No quarterly or annual dividend was expected. Risk-free interest rates were based on U.S. Treasury spot rates consistent with the expected remaining lives of the SPAUs. Because we did not have a sufficient history of SPAUs exercise or cancellation, we estimated the expected remaining life of the SPAUs based on an extension of the “simplified method” as prescribed by SAB No. 107. As a result of the Arrangement, the SPAUs were valued using the \$44.93 per common share transaction price.

The number of SPAUs that vested was 101,119 during the three months ended March 31, 2007 and 101,104 during the year ended December 31, 2006.

The fair value of each SPAU was estimated using the following assumptions:

	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor
Expected volatility.....	38.20 to 40.80%	36.20 to 40.30%
Weighted average volatility.....	39.31%	39.32%
Dividend yield.....	None	0.14%
Risk-free interest rate	4.51 to 4.56%	4.67 to 4.80%
Expected life.....	2.25 to 4.37 years	2.37 to 4.37 years

As a result of the Arrangement, 201,495 SPAUs were accelerated to vest and 299,873 SPAUs were settled in cash using the \$44.93 per common share purchase price paid by Hindalco in the transaction for approximately \$7 million.

Deferred Share Unit Plan for Non-Executive Directors

On January 5, 2005, Novelis established the Deferred Share Unit Plan for Non-Executive Directors under which non-executive directors would receive 50% of their compensation payable in the form of directors' deferred share units (DDSUs) and the other 50% in the form of either cash, additional DDSUs or a combination of these two (at the election of each non-executive director). The number of DDSUs was determined by dividing the quarterly amount payable, as elected, by the average closing prices of a common share on the Toronto Stock Exchange (TSX) (adjusted for the noon exchange rate) and New York Stock Exchange (NYSE) on the last five trading days of each quarter. Additional DDSUs representing the equivalent of dividends declared on common shares are credited to each holder of DDSUs. The number of DDSUs outstanding as of March 31, 2007 included DDSUs issued on April 1, 2007, as the required service was provided by the period-end.

Prior to the Arrangement, the DDSUs were redeemable in cash and/or shares of our common stock following the participant's retirement from the board. The redemption amount was calculated by multiplying the accumulated balance of DDSUs by the average closing price of a common share on the TSX (adjusted for the noon exchange rate) and the NYSE for the last five trading days prior to the redemption date.

The table below shows our DDSU activity.

	Number of DDSUs	Redemption Price	Aggregate Intrinsic Value
<i>Predecessor:</i>			
DDSUs outstanding as of December 31, 2006.....	112,039	\$ 27.11	
...Granted.....	7,060		
...Exercised (paid out)	(12,521)		
...Forfeited.....	—		
...Expired/Cancelled.....	—		
DDSUs outstanding as of March 31, 2007.....	106,578	\$ 44.09	
...Granted.....	3,333		
...Exercised (paid out)	—		
...Forfeited.....	—		
...Expired/Cancelled.....	—		
Settled as a result of the Arrangement	(109,911)	\$ 44.93	
DDSUs outstanding as of May 15, 2007.....	—	\$ —	\$ —
DDSUs exercisable as of May 15, 2007	—	\$ —	\$ —

As a result of the Arrangement, 109,911 DDSUs were settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction for approximately \$5 million.

Novelis Founders Performance Awards

In March 2005 (as amended and restated in March 2006 and February 2007), Novelis established a plan to reward certain key executives with Performance Share Units (PSUs) if Novelis common share price improvement targets were achieved within specific time periods. There were three equal tranches of PSUs, and each had a specific share price improvement target. For the first tranche, the target share price of \$23.57 applied for the period from March 24, 2005 to March 23, 2008. For the second tranche, the target share price of \$25.31 applied for the period from March 24, 2006 to March 23, 2008. For the

third tranche, the target share price of \$27.28 applied for the period from March 24, 2007 to March 23, 2008. If awarded, a particular tranche was to be paid in cash on the later of six months from the date the specific common share price target was reached or twelve months after the start of the performance period, and was to be based on the average of the daily common share closing prices on the NYSE for the last five trading days prior to the payment date.

The share price improvement targets for the first tranche were achieved and 180,350 PSUs were awarded on June 20, 2005. For the year ended December 31, 2005, 1,650 PSUs were forfeited and 178,700 remained outstanding. In March 2006, 46,850 PSUs were forfeited and 131,850 PSUs were ultimately paid out. The liability for the first tranche was accrued over its term, was valued on March 24, 2006, and was paid in April 2006 in the aggregate amount of approximately \$3 million.

Upon adoption of FASB Statement No. 123(R), we changed our valuation technique to the Monte Carlo valuation model due to the fact that the PSUs contain a market condition for vesting of the award. The Monte Carlo model utilized multiple input variables that determine the probability of satisfying the market condition stipulated in the award and calculates the fair market value of each award. We used our own historical stock price volatility to determine expected volatility assumptions. The annual expected dividend yield was based on dividend payments of \$0.01 per share per quarter. The risk-free interest rate represented U.S. Treasury Strip yield as of the valuation date. The fair value of the PSUs was being amortized over the derived service period of each tranche, which was up to three years, subject to acceleration in the event the vesting condition was met (as defined above).

The fair value of each PSU was estimated using the following assumptions:

	Year Ended December 31, 2006 Predecessor
Expected volatility.....	37.00%
Weighted average volatility.....	37.00%
Dividend yield.....	0.14%
Risk-free interest rate	4.75%
Expected life (derived service periods)	0.93 to 1.23 years

In February 2007, our board of directors recognized that the applicable share price threshold had been (or would likely be) met with respect to the second tranche and would probably be met for the third tranche, but in light of the insiders' awareness of the possibility of a change in control transaction, they were subject to a trading blackout. Moreover, it was unlikely that a 15 day open trading window under the Novelis disclosure and insider trading policies would arise prior to the consummation of the Arrangement. Accordingly, on February 10, 2007, our board of directors further amended the PSUs in order to provide that the applicable threshold for (a) the second tranche was to be met as of February 28, 2007 and (b) the third tranche was to be met as of March 26, 2007, for purposes of PSUs to be awarded.

As a result of the Arrangement, the second and third tranches (represented by 94,450 and 85,950 PSUs, respectively) were settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction for approximately \$8 million.

Total Shareholder Returns Performance Plan

Some Alcan employees who transferred to Novelis were entitled to receive cash awards under the Alcan Total Shareholder Returns Performance Plan (TSR). TSR was a cash incentive plan that rewarded eligible employees based on the relative performance of Alcan's common share price and cumulative dividend yield performance compared to other corporations included in the Standard & Poor's Industrials Index, measured over three-year periods starting on October 1, 2002 and 2003. On January 6, 2005, these employees immediately ceased participating in and accruing benefits under the TSR. The current three-year performance periods, namely 2002 to 2005 and 2003 to 2006, were truncated as of the date of the spin-off. The accrued awards for all of the TSR participants were converted into 452,667 Novelis restricted share units (RSUs). At the end of each performance period, each holder of RSUs was to receive net proceeds based on the price of Novelis common shares at that time, including declared dividends.

In October 2005, an aggregate of \$7 million was paid to employees who held RSUs that had vested on September 30, 2005. In October 2006, 120,949 RSUs and related dividends outstanding were paid to employees in the aggregate amount of \$3 million.

Deferred Share Agreements

On January 6, 2005, 33,500 Alcan deferred shares held by one of our executives who was an Alcan employee immediately prior to the spin-off were replaced with the right to receive 66,477 Novelis shares. On July 27, 2005, the deferred share agreement was amended to provide that we would, in lieu of granting the executive 66,477 common shares, pay the executive in cash in an amount equal to the value of the shares based on the closing price of the shares on the NYSE on August 1, 2005. This obligation was paid in cash in August 2005 for \$2 million.

Share-Based Compensation Expense

Total share-based compensation expense for the respective periods, including amounts related to the cumulative effect of an accounting change (exclusive of income taxes) from adopting FASB Statement No. 123 (R) on January 1, 2006, is presented in the table below (in millions). These amounts are included in *Selling, general and administrative expenses* in our consolidated and combined statements of operations.

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005 Predecessor Predecessor	
Recognition Awards	\$2.3	\$ 1.5	\$ 0.5	\$ 0.5	\$ —
Novelis 2006 Incentive Plan (stock options)	n.a.	14.5	0.9	0.7	—
Novelis 2006 Incentive Plan (stock appreciation rights)	n.a.	5.6	1.4	0.4	—
Novelis Conversion Plan of 2005	n.a.	23.8	0.3	7.3	3.1
Stock Price Appreciation Unit Plan	n.a.	(0.5)	4.4	4.5	—
Deferred Share Unit Plan for Non- Executive Directors	n.a.	0.2	2.2	1.8	1.8
Novelis Founders Performance Awards	n.a.	0.1	6.0	2.7	1.9
Total Shareholder Returns Performance Plan	n.a.	—	—	0.2	(0.4)
Deferred Share Agreements	<u>n.a.</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.5</u>
Total Share-Based Compensation Expense	<u>\$2.3</u>	<u>\$ 45.2</u>	<u>\$ 15.7</u>	<u>\$ 18.1</u>	<u>\$ 6.9</u>

n.a. — not applicable as plan was cancelled as a result of the Arrangement

15. POSTRETIREMENT BENEFIT PLANS

Our pension obligations relate to funded defined benefit pension plans in the U.S., Canada, Switzerland and the U.K., unfunded pension plans in Germany, and unfunded lump sum indemnities in France, South Korea, Malaysia and Italy. Our other postretirement obligations (Other Benefits, as shown in certain tables below) include unfunded healthcare and life insurance benefits provided to retired employees in Canada, the U.S. and Brazil.

Some of our employees participated in defined benefit plans that were previously managed by Alcan in the U.S., the U.K. and Switzerland. These benefits are generally based on the employee's years of service and the highest average eligible compensation before retirement.

In 2005, the following occurred related to existing Alcan pension plans covering our employees:

a) In the U.S., for our employees previously participating in the AlcanCorp Pension Plan and the Alcan Supplemental Executive Retirement Plan, Alcan agreed to recognize up to one year of additional service in its plan if the employee worked for us and we paid Alcan the normal cost (in the case of the AlcanCorp Pension Plan) and the current service cost (in the case of the Alcan Supplemental Executive Retirement Plan);

b) In the U.K., the sponsorship of the Alusuisse Holdings U.K. Ltd Pension Plan was transferred from Alcan to us, and the plan was renamed the Novelis U.K. Pension Plan. No new plan was established. Approximately 575 of our employees who had participated in the British Alcan RILA Plan remained in that plan for 2005. As agreed with the trustees of the plan, we were responsible for remitting to Alcan both the employee and employer contributions for the 2005 year and

c) In Switzerland, we became a participating employer in the Alcan Swiss Pension Plan effective January 1, 2005. Our employees are participating in this plan indefinitely (subject to Alcan approval and provided we make the required pension contributions.) We made contributions of \$4 million, \$0.4 million, \$1 million for the periods from May 16, 2007 through March 31, 2008, from April 1, 2007 through May 15, 2007 and the three months ended March 31, 2007, respectively, and \$3 million for each of the years ended December 31, 2006 and 2005. Upon withdrawal from the Alcan Swiss Pension Plan, we are responsible for the pension liabilities related to our employees and we will receive assets per applicable Swiss law. As of March 31, 2008, the projected benefit obligation and plan assets related to our employees was approximately \$83 million and \$90 million, respectively.

The following plans were established in 2005 to replace the Alcan pension plans that previously covered both Alcan and Novelis employees:

Novelis Pension Plan (Canada) — The Novelis Pension Plan (Canada) provides for pensions calculated on years of service and eligible earnings. There is no service cap. Eligible earnings are based on the average of an employee's highest 36 consecutive months of salary and short-term incentive award (up to its target). Pensions are normally paid as a lifetime annuity with either guaranteed payments for 60 months, or a 50% lifetime pension to the surviving spouse.

Pension Plan for Officers — The Pension Plan for Officers (PPO) provides for pensions calculated on service up to 20 years as an officer of Novelis or Alcan and eligible earnings. Eligible earnings are based on the excess of the average of an employee's highest 60 consecutive months of salary and target short-term incentive award over eligible earnings in the U.S. Plan or U.K. Plan, as applicable. Pensions are normally paid as a lifetime annuity. Payments are not subject to Social Security taxes or other offsets. Subsequent to the final payment we made to our former Chief Executive Officer on February 28, 2007, this plan was terminated.

The board of directors reviewed management's recommendations with respect to certain modifications of our postretirement benefit plans. On October 28, 2005, our board of directors approved and adopted the following changes related to our postretirement benefit plans:

a) New hires (on or after January 1, 2005 in the U.S., on or after January 1, 2006 in Canada and the U.K. or on or after September 30, 2006 in Germany) will generally participate in Defined Contribution (DC) rather than Defined Benefit (DB) plans. The Novelis board of directors also approved the adoption of the Novelis Savings and Retirement Plan effective December 1, 2005. This plan replaced the AlcanCorp Employees' Savings Plan (for non-union U.S. employees) and added a retirement account feature for new hires not eligible for a DB plan. New defined contribution pension plans were established in Canada, the U.K. and Germany during 2006;

b) As a result of the spin-off, account balances in Alcan's savings plans in the U.S. and Canada were transferred to the newly established Novelis Savings and Retirement Plan (for non-union U.S. employees), the Novelis Hourly Savings Plan (for hourly union U.S. employees) and the Novelis Savings Plan (Canada) for all Canadian employees; and

c) Pursuant to the Employee Matters Agreement (EMA) between Alcan and Novelis, active Novelis transferred employees continued to participate in the Alcancorp Pension Plan (ACPP) until December 31, 2005. Effective October 28, 2005, the Novelis board of directors approved the adoption of Novelis DB pension arrangements (to be called the Novelis Pension Plan (NPP) in the U.S.) for employees who participated in a DB plan with Alcan. Under the terms of the EMA and subject to Internal Revenue Service (IRS) requirements, assets and liabilities were transferred from ACPP to the new NPP for all transferred employees who were actively employed on December 31, 2005. Similar transfers will occur in Canada and the U.K. for pension plans, but only for employees who elect to have their accrued pensions transferred to Novelis.

For the year ended March 31, 2008, the following occurred relating to existing Alcan pension plans covering our employees:

a) In October 2007, we completed the transfer of U.K. plan assets and liabilities from Alcan to Novelis. Plan liabilities assumed exceeded plan assets received by \$4 million. We made an additional contribution of approximately \$2 million to the plan in February 2008.

b) In April 2008, Alcan transferred \$49 million to the Novelis Pension Plan (Canada) for the first payment. We expect to receive a second payment of \$1 million by the end of fiscal year 2009. Plan liabilities assumed is expected to equal plan assets to be received.

For the year ended December 31, 2006, the following occurred relating to existing Alcan pension plans covering our employees:

a) In the U.K., former Alcan employees who participated in the British Alcan RILA Plan in 2005 began participating in the Novelis U.K. pension plan effective January 1, 2006. Of the approximate 575 Novelis employees who had participated in the British Alcan RILA plan, 208 employees elected to transfer their past service to the Novelis U.K. pension plan. Novelis made a payment of \$7 million to the British Alcan RILA plan in November 2006 to pay the statutory withdrawal liability.

b) In Canada, former Alcan employees who subsequently became Novelis employees could elect in 2006 to transfer their past service in the Alcan Pension Plan (Canada) to the Novelis Pension Plan (Canada). Of the approximate 680 Novelis employees who had participated in the Alcan Pension Plan (Canada), 420 employees elected to transfer their past service to the Novelis Pension Plan (Canada).

c) Novelis assumed coverage for employees participating in the ACPP and the Alcan Supplemental Executive Retirement Plan effective January 1, 2006 for future service. The plan assets of \$178 million and liabilities of \$200 million, as of January 1, 2006, associated with these employees for service prior to January 1, 2006 were transferred from the ACPP to the Novelis Pension Plan. Effective January 1, 2006 the accrued postretirement pension costs related to the transfer of employees from the ACPP and the Alcan Supplemental Executive Retirement Plan were \$43 million and \$7 million, respectively.

Employer Contributions to Plans

For pension plans, our policy is to fund an amount required to provide for contractual benefits attributed to service to date, and amortize unfunded actuarial liabilities typically over periods of 15 years or less. We also participate in savings plans in Canada and the U.S., as well as defined contribution pension plans in the U.S., U.K., Canada, Germany, Italy, Switzerland, Malaysia and Brazil. We contributed the following amounts to all plans, including the Alcan plans that cover our employees (in millions).

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005 Predecessor Predecessor	
Funded pension plans.....	\$ 35	\$ 4	\$ 10	\$ 39	\$ 27
Unfunded pension plans.....	19	2	6	22	16
Savings and defined contribution pension plans	13	2	3	12	9
Total contributions....	<u>\$ 67</u>	<u>\$ 8</u>	<u>\$ 19</u>	<u>\$ 73</u>	<u>\$ 52</u>

During fiscal year 2009, we expect to contribute \$35 million to our funded pension plans, \$17 million to our unfunded pension plans and \$16 million to our savings and defined contribution plans.

Investment Policy and Asset Allocation

Each of our funded pension plans is governed by an Investment Fiduciary, who establishes an investment policy appropriate for the pension plan. The Investment Fiduciary is responsible for selecting the asset allocation for each plan, monitoring investment managers, monitoring returns versus benchmarks and monitoring compliance with the investment policy. Pension assets are diversified across major asset classes and are primarily invested in publicly traded stocks and high quality bonds, with small allocations to real estate and other assets. The targeted allocation ranges by asset class, and the actual allocation percentages for each class are listed in the table below.

Asset Category	Target Allocation Ranges	Allocation in Aggregate as of March 31,	
		2007 Successor	2008 Predecessor
Equity securities	35 - 70%	50%	58%
Debt securities	25 - 60%	42%	40%
Real estate	0 - 25%	4%	1%
Other.....	0 - 15%	3%	1%

Benefit Obligations, Fair Value of Plan Assets, Funded Status and Amounts Recognized in Financial Statements

The following tables present the change in benefit obligation, change in fair value of plan assets and the funded status for pension and other benefits (in millions), including the Swiss Pension Plan effective May 16, 2007. Other Benefits in the tables below include unfunded healthcare and life insurance benefits provided to retired employees in Canada, Brazil and the U.S.

	Pension Benefits			
	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor
Change in benefit obligation				
Benefit obligation at beginning of period	\$ 867	\$ 885	\$ 877	\$ 575
Service cost	40	6	12	42
Interest cost	43	6	12	44
Members' contributions	5	—	1	4
Benefits paid	(39)	(4)	(10)	(30)
Amendments	(9)	—	—	1
Transfers/mergers.....	95	—	—	209
Curtailments/settlement s/termination benefits	—	—	—	(5)

Actuarial (gains) losses ...	(52)	(32)	(9)	(10)
Currency (gains) losses ...	<u>41</u>	<u>6</u>	<u>2</u>	<u>47</u>
Benefit obligation at end of period.....	<u>\$ 991</u>	<u>\$ 867</u>	<u>\$ 885</u>	<u>\$ 877</u>
Benefit obligation of funded plans.....	\$ 800	\$ 680	\$ 696	\$ 690
Benefit obligation of unfunded plans.....	<u>191</u>	<u>187</u>	<u>189</u>	<u>187</u>
Benefit obligation at end of period.....	<u>\$ 991</u>	<u>\$ 867</u>	<u>\$ 885</u>	<u>\$ 877</u>

	Other Benefits			
	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor
Benefit obligation at beginning of period.....	\$ 140	\$ 141	\$ 139	\$ 122
Service cost.....	4	1	2	5
Interest cost.....	7	1	2	7
Benefits paid.....	(6)	(1)	(2)	(8)
Amendments.....	—	—	—	—
Transfers/mergers.....	—	(1)	—	1
Actuarial (gains) losses.....	25	(2)	—	12
Currency (gains) losses.....	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>
Benefit obligation at end of period.....	<u>\$ 171</u>	<u>140</u>	<u>\$ 141</u>	<u>\$ 139</u>
Benefit obligation of funded plans.....	\$ —	\$ —	\$ —	\$ —
Benefit obligation of unfunded plans.....	<u>171</u>	<u>140</u>	<u>141</u>	<u>139</u>
Benefit obligation at end of period.....	<u>\$ 171</u>	<u>\$ 140</u>	<u>\$ 141</u>	<u>\$ 139</u>

Pension Benefits				
	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor
Change in fair value of plan assets				
Fair value of plan assets at beginning of period	\$ 607	\$ 578	\$ 568	\$ 301
Actual return on plan assets	(14)	16	6	41
Members' contributions	5	—	1	4
Benefits paid	(39)	(2)	(5)	(30)
Company contributions	54	12	3	51
Transfers/mergers	94	—	4	178
Currency gains (losses)	17	3	1	23
Fair value of plan assets at end of period	\$ 724	\$ 607	\$ 578	\$ 568

As of March 31,				
	2008		2007	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	Successor		Predecessor	
Funded status				
Funded Status at end of period:				
Assets less the benefit obligation of funded plans	\$ (76)	\$ —	\$ (118)	\$ —
Benefit obligation of unfunded plans	(191)	(171)	(189)	(141)
	<u>\$ (267)</u>	<u>\$ (171)</u>	<u>\$ (307)</u>	<u>\$ (141)</u>
As included on consolidated balance sheet				
Other long-term assets — third parties	\$ 7	\$ —	\$ 2	\$ —
Accrued expenses and other current liabilities	(16)	(8)	(17)	(7)
Accrued postretirement benefits	(258)	(163)	(292)	(134)
	<u>\$ (267)</u>	<u>\$ (171)</u>	<u>\$ (307)</u>	<u>\$ (141)</u>

The postretirement amounts recognized in *Accumulated other comprehensive income (loss)*, before tax effects, are presented in the table below (in millions).

As of March 31,				
	2008		2007	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	Successor		Predecessor	
Net actuarial loss	\$ 2	\$ 25	\$ 59	\$ 33
Prior service cost (credit)	(10)	—	15	(2)
Net transition obligation	—	—	—	1
Total postretirement amounts recognized in <i>Accumulated other comprehensive income (loss)</i>	<u>\$ (8)</u>	<u>\$ 25</u>	<u>\$ 74</u>	<u>\$ 32</u>

Accumulated Benefit Obligation in Excess of Plan Assets

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets as of March 31, 2008 and 2007 are presented in the table below (in millions).

As of March 31,			
	2008	2007	
	Successor	Predecessor	
Projected benefit obligation	\$ 528	\$ 606	
Accumulated benefit obligation	\$ 496	\$ 536	
Fair value of plan assets	\$ 302	\$ 325	

Future Benefit Payments

Expected benefit payments to be made during the next ten fiscal years are listed in the table below (in millions).

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2009	\$ 39	\$ 8
2010	43	8
2011	47	9
2012	51	10
2013	55	11
2014 through 2018	<u>352</u>	<u>71</u>
Total	<u>\$ 587</u>	<u>\$ 117</u>

Components of Net Periodic Benefit Cost

The components of net periodic benefit cost for the respective periods are listed in the table below (in millions).

	<u>May 16, 2007 Through March 31, 2008 Successor</u>	<u>April 1, 2007 Through May 15, 2007 Predecessor</u>	<u>Three Months Ended March 31, 2007 Predecessor</u>	<u>Year Ended December 31,</u>	
<u>Pension Benefits</u>				<u>2006 Predecessor</u>	<u>2005 Predecessor</u>
Net periodic benefit cost					
Service cost	\$ 40	\$ 6	\$ 12	\$ 42	\$ 23
Interest cost	43	6	12	44	29
Expected return on assets ...	(41)	(5)	(11)	(38)	(20)
Amortization					
— actuarial losses	—	—	1	6	5
— prior service cost	—	—	—	2	2
Curtailment/settlement losses	—	—	—	(4)	—
Net periodic benefit cost	<u>42</u>	<u>7</u>	<u>14</u>	<u>52</u>	<u>39</u>
Proportionate share of non-consolidated affiliates' deferred pension costs, net of tax....	4	—	—	4	—
Total net periodic benefit costs recognized	<u>\$ 46</u>	<u>\$ 7</u>	<u>\$ 14</u>	<u>\$ 56</u>	<u>\$ 39</u>
<u>Other Benefits</u>	<u>May 16, 2007 Through March 31, 2008 Successor</u>	<u>April 1, 2007 Through May 15, 2007 Predecessor</u>	<u>Three Months Ended March 31, 2007 Predecessor</u>	<u>Year Ended December 31,</u>	
				<u>2006 Predecessor</u>	<u>2005 Predecessor</u>
Net periodic benefit cost					
Service cost	\$ 4	\$ 1	\$ 1	\$ 5	\$ 4
Interest cost	7	1	2	7	7
Amortization					
— actuarial losses	—	—	1	1	1
Total net periodic benefit costs recognized	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 13</u>	<u>\$ 12</u>

The expected long-term rate of return on plan assets is 6.9% in fiscal 2009.

Actuarial Assumptions and Sensitivity Analysis

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs for the respective periods are listed in the table below.

	<u>May 16, 2007 Through March 31, 2008 Successor</u>	<u>April 1, 2007 Through May 15, 2007 Predecessor</u>	<u>Three Months Ended March 31, 2007 Predecessor</u>	<u>Year Ended December 31,</u>	
<u>Pension Benefits</u>				<u>2006 Predecessor</u>	<u>2005 Predecessor</u>
Weighted average assumptions used to determine benefit obligations					
Discount rate	5.8%	5.4%	5.3%	5.4%	5.1%
Average compensation growth	3.4%	3.8%	3.8%	3.8%	4.0%
Weighted average					

assumptions used to determine net periodic benefit cost					
Discount rate.....	5.2%	5.4%	5.4%	5.1%	5.4%
Average compensation growth.....	3.7%	3.8%	3.8%	3.9%	4.2%
Expected return on plan assets.....	7.3%	7.5%	7.5%	7.3%	7.4%
Other Benefits	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
Weighted average assumptions used to determine obligations				Predecessor	Predecessor
Discount rate.....	6.1%	5.8%	5.7%	5.7%	5.7%
Average compensation growth.....	3.9%	3.9%	3.9%	3.9%	3.9%
Weighted average assumptions used to determine net periodic benefit cost					
Discount rate.....	5.7%	5.7%	5.7%	5.7%	5.8%
Average compensation growth.....	3.9%	3.9%	3.9%	3.9%	4.0%

In selecting the appropriate discount rate for each plan, we generally used a country-specific, high-quality corporate bond index, adjusted to reflect the duration of the particular plan. In the U.S. and Canada, the discount rate was calculated by matching the plan's projected cash flows with similar duration high-quality corporate bonds to develop a present value, which was then calibrated to develop a single equivalent discount rate.

In estimating the expected return on assets of a pension plan, consideration is given primarily to its target allocation, the current yield on long-term bonds in the country where the plan is established, and the historical risk premium of equity or real estate over long-term bond yields in each relevant country. The approach is consistent with the principle that assets with higher risk provide a greater return over the long-term.

We provide unfunded healthcare and life insurance benefits to our retired employees in Canada, the U.S. and Brazil, for which we paid \$6 million for the period from May 16, 2007 through March 31, 2008; \$1 million for the period from April 1, 2007 through May 15, 2007; \$2 million for the three months ended March 31, 2007, \$8 million for the year ended December 31, 2006 and \$7 million for the year ended December 31, 2005. The assumed healthcare cost trend used for measurement purposes is 8% for fiscal 2009, decreasing gradually to 5% in 2014 and remaining at that level thereafter.

A change of one percentage point in the assumed healthcare cost trend rates would have the following effects on our other benefits (in millions).

Sensitivity Analysis	1% Increase	1% Decrease
Effect on service and interest costs	\$ 1	\$ (1)
Effect on benefit obligation.....	\$ 15	\$ (13)

In addition, we provide post-employment benefits, including disability, early retirement and continuation of benefits (medical, dental, and life insurance) to our former or inactive employees, which are accounted for on the accrual basis in accordance with FASB Statement No. 112, *Employers' Accounting for Postemployment Benefits*. Other long-term liabilities on our consolidated balance sheets includes \$23 million and \$22 million as of March 31, 2008 and 2007, respectively, for these benefits.

16. CURRENCY LOSSES (GAINS)

The following currency losses (gains) are included in the accompanying consolidated and combined statements of operations (in millions).

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor 2005 Predecessor	
Net (gain) loss on change in fair value of currency derivative instruments(A)	\$ 44	\$ (10)	\$ (5)	\$ 24	\$ (96)
Net (gain) loss on translation of monetary assets and liabilities(B)	(2)	4	6	(8)	(6)
Net currency (gain) loss	<u>\$ 42</u>	<u>\$ (6)</u>	<u>\$ 1</u>	<u>\$ 16</u>	<u>\$ (102)</u>

(A) Included in *(Gain) loss on change in fair value of derivative instruments — net*.

(B) Included in *Other (income) expenses — net*.

The following currency gains (losses) are included in *Accumulated other comprehensive income (loss)* in the accompanying consolidated balance sheets (net of tax effect and in millions).

	May 16, 2007 Through March 31, 2008 (Restated) Successor	January 1, 2007 Through March 31, 2007 Predecessor
Cumulative currency translation adjustment — beginning of period	\$ —	\$ 133
Effect of changes in exchange rates	59	11
Cumulative currency translation adjustment — end of period	<u>\$ 59</u>	<u>\$ 144</u>

17. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

In conducting our business, we use various derivative and non-derivative instruments to manage the risks arising from fluctuations in exchange rates, interest rates, aluminum prices and energy prices. Such instruments are used for risk management purposes only. We may be exposed to losses in the future if the counterparties to the contracts fail to perform. We are satisfied that the risk of such non-performance is remote, due to our monitoring of credit exposures.

Certain contracts are designated as hedges of either net investment or cash flows. For these contracts we recognize the change in fair value of the ineffective portion of the hedge as a gain or loss in our current period results of operations. We include the change in fair value of the effective and interest portions of these hedges in *Accumulated other comprehensive income (loss)* within Shareholder's equity in the accompanying consolidated balance sheets.

Prior to Completion of the Arrangement

During the period from April 1, 2007 through May 15, 2007 and the three months ended March 31, 2007, we applied hedge accounting to certain of our cross-currency interest swaps with respect to intercompany loans to several European subsidiaries and forward exchange contracts. Our euro and British pound (GBP) cross-currency interest swaps were designated as net investment hedges, while our Swiss franc (CHF) cross-currency interest rate swaps and our Brazilian real (BRL) forward foreign exchange contracts were designated as cash flow hedges. As of May 15, 2007, we had \$712 million of cross-currency swaps (euro 475 million, GBP 62 million and CHF 35 million) and \$99 million of forward foreign exchange contracts (BRL 229 million). During the period from April 1, 2007 through May 15, 2007, we implemented cash flow hedge accounting for an electricity swap, which was embedded in a supply contract.

During the period from April 1, 2007 through May 15, 2007, the change in fair value of the effective and interest portions of our net investment hedges was a loss of \$8 million and the change in fair value of the effective portion of our cash flow hedges was a gain of \$7 million.

Impact of the Arrangement and Purchase Accounting

Concurrent with completion of the Arrangement on May 15, 2007, we dedesignated all hedging relationships. The cumulative change in fair value of effective and interest portions of these hedges, previously presented in *Accumulated other comprehensive income (loss)* within Shareholder's equity on May 15, 2007, was incorporated in the new basis of accounting. As a result of purchase accounting, the fair value of all embedded derivative instruments was allocated to the fair value of their respective host contracts, reducing the fair value of embedded derivative instruments to zero.

Subsequent to Completion of the Arrangement

With the exception of the electricity swap, noted above, which was redesignated as a cash flow hedge on June 1, 2007, hedge accounting was not applied to any of our financial instruments or commodity contracts between May 16, 2007 and August 31, 2007. During this period, changes in fair value have been recognized in *(Gain) loss on change in fair value of derivative instruments — net* in our consolidated statement of operations.

On September 1, 2007, we redesignated our euro, GBP and CHF cross-currency swaps, noted above, as net investment hedges. Also, from September 1, 2007 through March 31, 2008, we entered into a series of interest rate swaps which we designated as cash flow hedges (see Note 11 — Debt). As of March 31, 2008, we had \$712 million of cross-currency swaps (euro 475 million, GBP 62 million and CHF 35 million) and \$600 million of interest rate swaps.

Our consolidated statement of operations for the period from May 16, 2007 through March 31, 2008 includes a pre-tax gain of less than \$1 million for the change in fair value of the effective portion of our cash flow hedges. As of March 31, 2008, the amount of effective net losses to be realized during the next twelve months is \$4 million. The maximum period over which we have hedged our exposure to cash flow variability is through November 2016.

From May 16, 2007 through March 31, 2008, we recognized pre-tax losses of \$82 million for the change in fair value of the effective portion of our net investment hedges. As of March 31, 2008, we expect to realize \$11 million of effective net losses during the next twelve months. The maximum period over which we have hedged our exposure to net investment variability is through February 2015.

The fair values of our financial instruments and commodity contracts as of March 31, 2008 and 2007 were as follows (in millions).

		<u>As of March 31, 2008</u>		
	<u>Maturity Dates (Fiscal Year)</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Fair Value</u>
Successor:				
Foreign exchange forward contracts...	2009 through 2012	\$ 47	\$ (116)	\$ (69)
Cross-currency swaps.....	2009 through 2015	19	(189)	(170)
Interest rate currency swaps	2009 through 2011	4	—	4
Interest rate swaps	2009 through 2010	—	(15)	(15)
Aluminum forward contracts.....	2009 through 2011	134	(9)	125
Aluminum options.....	2009 through 2011	1	—	1
Electricity swap	2017	14	—	14
Embedded derivative instruments	2009	—	(20)	(20)
Natural gas swaps	2009 through 2010	5	—	5
Total fair value		224	(349)	(125)
Less: current portion(A)		203	(148)	55
Noncurrent portion(A).....		\$ 21	\$ (201)	\$ (180)

		<u>As of March 31, 2007</u>		
	<u>Maturity Dates</u> <u>(Fiscal Year)</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Fair</u> <u>Value</u>
<i>Predecessor:</i>				
	2008 through			
Foreign exchange forward contracts...	2012	\$ 16	\$ (20)	\$ (4)
Interest rate swaps	2008	2	—	2
	2008 through			
Cross-currency swaps.....	2015	6	(90)	(84)
Aluminum forward contracts.....	2008 through	60	(8)	52

	2010			
Aluminum options.....	2008	1	—	1
Electricity swap.....	2017	60	—	60
Embedded derivative instruments.....	2008	1	—	1
Natural gas swaps.....	2008	<u>1</u>	<u>—</u>	<u>1</u>
Total fair value		147	(118)	29
Less: current portion(A).....		<u>92</u>	<u>(33)</u>	<u>59</u>
Noncurrent portion(A).....		<u>\$ 55</u>	<u>\$ (85)</u>	<u>\$ (30)</u>

- (A) The amounts of the current and long-term portions of fair values under assets are each presented on the face of our accompanying consolidated balance sheets. The amounts of the current and noncurrent portions of fair values under liabilities are included in *Accrued expenses and other current liabilities* and *Other long-term liabilities*, respectively, in the accompanying consolidated balance sheets.

18. OTHER (INCOME) EXPENSES — NET

Other (income) expenses — net is comprised of the following (in millions).

	May 16, 2007 Through March 31, 2008	April 1, 2007 Through May 15, 2007	Three Months Ended March 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
	Successor	Predecessor	Predecessor	Predecessor	Predecessor
Restructuring charges — net.....	\$ 6	\$ 1	\$ 9	\$ 19	\$ 10
Exchange (gains) losses — net.....	(2)	4	6	(8)	(6)
Impairment charges on long-lived assets	1	—	8	—	7
(Gain) loss on disposal of business	—	—	—	15	—
(Gain) loss on sale of equity interest in non-consolidated affiliate(A).....	—	—	—	(15)	—
(Gain) loss on sale of rights to develop and operate hydroelectric power plants(B).....	—	—	—	(11)	—
(Gains) losses on disposals of property, plant and equipment — net	—	—	—	5	(17)
Other — net.....	<u>(5)</u>	<u>(1)</u>	<u>1</u>	<u>(5)</u>	<u>(7)</u>
Other (income) expenses — net.....	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 24</u>	<u>\$ —</u>	<u>\$ (13)</u>

- (A) In November 2006, we sold the common and preferred shares of our 25% interest in Petrocoque to the other shareholders of Petrocoque for approximately \$20 million. We recognized a pre-tax gain of approximately \$15 million.
- (B) During the fourth quarter of 2006, we sold our rights to develop and operate two hydroelectric power plants in South America and recorded a pre-tax gain of approximately \$11 million.

19. INCOME TAXES

We provide for income taxes using the liability method in accordance with FASB Statement No. 109, *Accounting for Income Taxes*.

We are subject to Canadian and United States federal, state, and local income taxes as well as other foreign income taxes. The domestic (Canada) and foreign components of our *Income (loss) before provision (benefit) for taxes on income (loss), minority interests' share and cumulative effect of accounting change* (and after removing our *Equity in net (income) loss of non-consolidated affiliates*) are as follows (in millions).

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
Domestic (Canada)	\$ (102)	\$ (45)	\$ (44)	\$ (100)	\$ (40)
Foreign (all other countries)	<u>134</u>	<u>(50)</u>	<u>(14)</u>	<u>(194)</u>	<u>258</u>
Pre-tax income (loss) before equity in net (income) loss on non- consolidated affiliates and minority interests' share	<u>\$ 32</u>	<u>\$ (95)</u>	<u>\$ (58)</u>	<u>\$ (294)</u>	<u>\$ 218</u>

The components of the Provision (benefit) for taxes on income (loss) are as follows (in millions).

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
Current provision (benefit):					
Canada	\$ 7	\$ —	\$ 1	\$ 1	\$ 11
Foreign (all other countries)	<u>71</u>	<u>21</u>	<u>15</u>	<u>72</u>	<u>66</u>
Total current	<u>78</u>	<u>21</u>	<u>16</u>	<u>73</u>	<u>77</u>
Deferred provision (benefit):					
Canada	—	4	—	4	(15)
Foreign (all other countries)	<u>(5)</u>	<u>(21)</u>	<u>(9)</u>	<u>(81)</u>	<u>45</u>
Total deferred	<u>(5)</u>	<u>(17)</u>	<u>(9)</u>	<u>(77)</u>	<u>30</u>
Total provision (benefit) for taxes on income (loss)....	<u>\$ 73</u>	<u>\$ 4</u>	<u>\$ 7</u>	<u>\$ (4)</u>	<u>\$ 107</u>

The reconciliation of the Canadian statutory tax rates to our effective tax rates are shown below (in millions).

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
Pre-tax income (loss) before equity in net (income) loss on non-consolidated affiliates and minority interests' share	<u>\$ 32</u>	<u>\$ (95)</u>	<u>\$ (58)</u>	<u>\$ (294)</u>	<u>\$ 218</u>
Canadian Statutory tax rate	<u>32%</u>	<u>33%</u>	<u>33%</u>	<u>33%</u>	<u>33%</u>
Provision (benefit) at the Canadian statutory rate	\$ 10	\$ (31)	\$ (19)	\$ (97)	\$ 72
Increase (decrease) for taxes on income (loss) resulting from:					
Exchange translation items	39	23	6	15	23
Exchange remeasurement of deferred income taxes	27	3	2	3	1
Change in valuation	(6)	13	23	71	5

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005 Predecessor Predecessor	
allowances					
Tax credits and other allowances	(1)	—	—	—	(2)
Expense/income items with no tax effect — net	5	(9)	1	13	7
Enacted tax rate changes	(17)	—	—	—	—
Tax rate differences on foreign earnings	2	2	(6)	(15)	5
Uncertain tax positions	17	—	—	—	—
Other — net	(3)	3	—	6	(4)
Provision (benefit) for taxes on income (loss)	\$ 73	\$ 4	\$ 7	\$ (4)	\$ 107
Effective tax rate	<u>228%</u>	<u>(4)%</u>	<u>(12)%</u>	<u>1%</u>	<u>49%</u>

Our effective tax rate differs from the Canadian statutory rate primarily due to the following factors: (1) pre-tax foreign currency gains or losses with no tax effect and the tax effect of U.S. dollar denominated currency gains or losses with no pre-tax effect, which is shown above as exchange translation items; (2) the remeasurement of deferred income taxes due to foreign currency changes, which is shown above as exchange remeasurement of deferred income taxes; (3) changes in valuation allowances primarily related to tax losses in certain jurisdictions where we believe it is more likely than not that we will not be able to utilize those losses; (4) the effects of enacted tax rate changes on cumulative taxable temporary differences and (5) differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions shown above as tax rate differences on foreign earnings and (6) increases in uncertain tax positions recorded under the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

Deferred Income Taxes

Deferred income taxes recognize the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for income tax purposes, and the impact of available net operating loss (NOL) and tax credit carryforwards. These items are stated at the enacted tax rates that are expected to be in effect when taxes are actually paid or recovered.

Our deferred income tax assets and deferred income tax liabilities are as follows (in millions).

	As of March 31, 2008 2007 (Restated) Successor Predecessor	
Deferred income tax assets:		
Provisions not currently deductible for tax purposes	\$ 324	\$ 212
Tax losses/benefit carryforwards — net	311	286
Depreciation and Amortization	91	1
Other assets	53	48
Total deferred income tax assets	779	547
Less: valuation allowance	(160)	(143)
Net deferred income tax assets	<u>\$ 619</u>	<u>\$ 404</u>
Deferred income tax liabilities:		
Depreciation and amortization	\$ 940	\$ 219
Inventory valuation reserves	81	114
Other liabilities	201	125
Total deferred income tax liabilities	<u>\$ 1,222</u>	<u>\$ 458</u>
Total deferred income tax liabilities	<u>\$ 1,222</u>	<u>\$ 458</u>
Less: Net deferred income tax assets	619	404
Net deferred income tax liabilities	<u>\$ 603</u>	<u>\$ 54</u>

FASB Statement No. 109 requires that we reduce our deferred income tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. After consideration of all evidence, both positive and negative, management concluded that it is more likely than not that we will not realize a portion of our deferred tax assets and that valuation allowances of \$160 million (as restated) and \$143 million were necessary as of March 31, 2008 and 2007, as described below.

As of March 31, 2008, we had net operating loss carryforwards of approximately \$269 million (tax effected) and tax credit carryforwards of \$42 million, which will be available to offset future taxable income and tax liabilities, respectively. The carryforwards begin expiring in 2008 with some amounts being carried forward indefinitely. As of March 31, 2008, valuation allowances of \$103 million and \$21 million had been recorded against net operating loss carryforwards and tax credit carryforwards, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are predominantly in the U.S., the U.K., Canada, France, and Italy.

As of March 31, 2007, we had net operating loss carryforwards of approximately \$247 million (tax effected) and tax credit carryforwards of \$39 million, which will be available to offset future taxable income and tax liabilities, respectively. The carryforwards began expiring in 2007 with some amounts being carried forward indefinitely. As of March 31, 2007, valuation allowances of \$113 million and \$23 million had been recorded against net operating loss carryforwards and tax credit carryforwards, respectively, where it appeared more likely than not that such benefit will not be realized. The net operating loss carryforwards are predominantly in the U.S., the U.K., Canada, France, and Italy.

We have undistributed earnings in our foreign subsidiaries. For those subsidiaries where the earnings are considered to be permanently reinvested, no provision for Canadian income taxes has been provided. Upon repatriation of those earnings, in the form of dividends or otherwise, we would be subject to both Canadian income taxes (subject to an adjustment for foreign taxes paid) and withholding taxes payable to the various foreign countries. For those subsidiaries where the earnings are not considered permanently reinvested, taxes have been provided as required. The determination of the unrecorded deferred income tax liability for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are considered to be permanently reinvested is not considered practicable.

We believe that it is more likely than not that the remaining deferred income tax assets as shown above will be realized when future taxable income is generated through the reversal of existing temporary differences and income that is expected to be generated by businesses that have long-term contracts or a history of generating taxable income.

Tax Uncertainties

Adoption of FASB Interpretation No. 48

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Upon adoption of FIN 48 as of January 1, 2007, we increased our reserves for uncertain tax positions by \$1 million. We recognized the increase as a cumulative effect adjustment to Shareholder's equity, as an increase to our *Retained earnings (Accumulated deficit)*. Including this adjustment, reserves for uncertain tax positions totaled \$46 million as of January 1, 2007.

As of March 31, 2008 and March 31, 2007, the total amount of unrecognized benefits that, if recognized, would affect the effective income tax rate in future periods based on anticipated settlement dates is \$44 million and \$44 million, respectively.

Tax authorities are currently examining certain of our prior years' tax returns for 1999-2006. We are evaluating potential adjustments related to certain items and we anticipate that it is reasonably possible

that settlement of the examination will result in a payment in the range of up to \$3 million and a corresponding decrease in unrecognized tax benefits by March 31, 2009.

Separately, we are awaiting a court ruling regarding the utilization of certain operating losses. We anticipate that it is reasonably possible that this ruling will result in a \$13 million decrease in unrecognized tax benefits by March 31, 2009 related to this matter. We have fully funded this contingent liability through a judicial deposit, which is included in *Other long-term assets — third parties* since January 2007.

With the exception of the ongoing tax examinations described above, we are no longer subject to any income tax examinations by any tax authorities for years before 2001. With few exceptions, tax returns for all jurisdictions for all tax years after 2000 are subject to examination by taxing authorities.

Our continuing practice and policy is to record potential interest and penalties related to unrecognized tax benefits in our *Provision (benefit) for taxes on income (loss)*. As of March 31, 2008 and March 31, 2007, we had \$14 million (as restated) and \$8 million accrued for potential interest on income taxes, respectively. For the periods from May 16, 2007 through March 31, 2008; from April 1, 2007 through May 15, 2007 and for the three months ended March 31, 2007, our *Provision (benefit) for taxes on income (loss)* included a charge for an additional \$5 million, \$0.4 million and \$1 million of potential interest, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor
Beginning balance	\$ 47	\$ 46	\$ 46
Additions based on tax positions related to the current period	2	—	—
Additions based on tax positions of prior years....	7	—	1
Reductions based on tax positions of prior years	—	—	(1)
Settlements	—	—	—
Foreign Exchange.....	5	1	—
Ending Balance	<u>\$ 61</u>	<u>\$ 47</u>	<u>\$ 46</u>

Income Taxes Payable and Paid

Our consolidated balance sheets include income taxes payable of \$96 million and \$42 million as of March 31, 2008 and 2007, respectively. Of these amounts, \$35 million and \$9 million are reflected in *Accrued expenses and other current liabilities* as of March 31, 2008 and 2007, respectively. Cash taxes paid are shown in the table below (in millions).

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
Cash taxes paid	<u>\$ 64</u>	<u>\$ 9</u>	<u>\$ 18</u>	<u>\$ 68</u>	<u>\$ 39</u>

20. COMMITMENTS AND CONTINGENCIES

Primary Supplier

Alcan is our primary supplier of metal inputs, including prime and sheet ingot. The table below shows our purchases from Alcan as a percentage of our total combined metal purchases.

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
Purchases from Alcan as a percentage of total combined	<u>35%</u>	<u>34%</u>	<u>35%</u>	<u>35%</u>	<u>40%</u>

prime and sheet
ingot purchases in
kt(A)

(A) One kilotonne (kt) is 1,000 metric tonnes. One metric tonne is equivalent to 2,204.6 pounds.

Legal Proceedings

Reynolds Boat Case. As previously disclosed, we and Alcan were defendants in a case in the United States District Court for the Western District of Washington, in Tacoma, Washington, case number C04-0175RJB. Plaintiffs were Reynolds Metals Company, Alcoa, Inc. and National Union Fire Insurance Company of Pittsburgh PA. The case was tried before a jury beginning on May 1, 2006 under implied warranty theories, based on allegations that from 1998 to 2001 we and Alcan sold certain aluminum products that were ultimately used for marine applications and were unsuitable for such applications. The jury reached a verdict on May 22, 2006 against us and Alcan for approximately \$60 million, and the court later awarded Reynolds and Alcoa approximately \$16 million in prejudgment interest and court costs.

The case was settled during July 2006 as among us, Alcan, Reynolds, Alcoa and their insurers for \$71 million. We contributed approximately \$1 million toward the settlement, and the remaining \$70 million was funded by our insurers. Although the settlement was substantially funded by our insurance carriers, certain of them have reserved the right to request a refund from us, after reviewing details of the plaintiffs' damages to determine if they include costs of a nature not covered under the insurance contracts. Of the \$70 million funded, \$39 million is in dispute with and under further review by certain of our insurance carriers. In the quarter ended September 30, 2006, we posted a letter of credit in the amount of approximately \$10 million in favor of one of those insurance carriers, while we resolve the extent of coverage of the costs included in the settlement. On October 8, 2007, we received a letter from these insurers stating that they have completed their review and they are requesting a refund of the \$39 million plus interest. We reviewed the insurers' position, and on January 7, 2008, we sent a letter to the insurers rejecting their position that Novelis is not entitled to insurance coverage for the judgment against Novelis.

Since our fiscal 2005 Annual Report on Form 10-K was not filed until August 25, 2006, we recognized a liability for the full settlement amount of \$71 million on December 31, 2005, included in *Accrued expenses and other current liabilities* on our consolidated balance sheet, with a corresponding charge against earnings. We also recognized an insurance receivable included in *Prepaid expenses and other current assets* on our consolidated balance sheet of \$31 million, with a corresponding increase to earnings. Although \$70 million of the settlement was funded by our insurers, we only recognized an insurance receivable to the extent that coverage was not in dispute. This resulted in a net charge of \$40 million during the quarter ended December 31, 2005.

In July 2006, we contributed and paid \$1 million to our insurers who subsequently paid the entire settlement amount of \$71 million to the plaintiffs. Accordingly, during the quarter ended September 30, 2006 we reversed the previously recorded insurance receivable of \$31 million and reduced our recorded liability by the same amount plus the \$1 million contributed by us. The remaining liability of \$39 million represents the amount of the settlement claim that was funded by our insurers but is still in dispute with and under further review by the parties as described above. The \$39 million liability is included in *Accrued expenses and other current liabilities* in our condensed consolidated balance sheets as of March 31, 2008 and 2007.

While the ultimate resolution of the nature and extent of any costs not covered under our insurance contracts cannot be determined with certainty or reasonably estimated at this time, if there is an adverse outcome with respect to insurance coverage, and we are required to reimburse our insurers, it could have a material impact on our cash flows in the period of resolution. Alternatively, the ultimate resolution could be favorable, such that insurance coverage is in excess of the net expense that we have recognized to date. This would result in our recording a non-cash gain in the period of resolution, and this non-cash gain could have a material impact on our results of operations during the period in which such a determination is made.

Coca-Cola Lawsuits. A lawsuit was commenced against Novelis Corporation on February 15, 2007 by Coca-Cola Bottler's Sales and Services Company LLC (CCBSS) in state court in Georgia. In addition, a lawsuit was commenced against Novelis Corporation and Alcan Corporation on April 3, 2007 by Coca-Cola Enterprises Inc., Enterprises Acquisition Company, Inc., The Coca-Cola Company and The Coca-Cola Trading Company, Inc. (collectively CCE) in federal court in Georgia. Novelis intends to defend these claims vigorously.

CCBSS is a consortium of Coca-Cola bottlers across the United States, including Coca-Cola Enterprises Inc. CCBSS alleges that Novelis Corporation breached an aluminum can stock supply agreement between the parties, and seeks monetary damages in an amount to be determined at trial and a declaration of its rights under the agreement. The agreement includes a "most favored nations" provision regarding certain pricing matters. CCBSS alleges that Novelis Corporation breached the terms of the most favored nations provision. The dispute will likely turn on the facts that are presented to the court by the parties and the court's finding as to how certain provisions of the agreement ought to be interpreted. If CCBSS were to prevail in this litigation, the amount of damages would likely be material. Novelis Corporation has filed its answer and the parties are proceeding with discovery.

The claim by CCE seeks monetary damages in an amount to be determined at trial for breach of a prior aluminum can stock supply agreement between CCE and Novelis Corporation, successor to the rights and obligations of Alcan Aluminum Corporation under the agreement. According to its terms, that agreement with CCE terminated in 2006. The CCE supply agreement included a "most favored nations" provision regarding certain pricing matters. CCE alleges that Novelis Corporation's entry into a supply agreement with Anheuser-Busch, Inc. breached the "most favored nations" provision of the CCE supply agreement. Novelis Corporation moved to dismiss the complaint and on March 26, 2008, the U.S. District Court for the Northern District of Georgia issued an order granting Novelis Corporation's motion to dismiss CCE's claim. On April 24, 2008, CCE filed a notice of appeal of the court's order with the United States Circuit Court of Appeal for the 11th Circuit. If CCE were to ultimately prevail in this appeal and litigation, the amount of damages would likely be material. We have not recorded any reserves for these matters.

Anheuser-Busch Litigation. On September 19, 2006, Novelis Corporation filed a lawsuit against Anheuser-Busch, Inc. in federal court in Ohio. Anheuser-Busch, Inc. subsequently filed suit against Novelis Corporation and the Company in federal court in Missouri. On January 3, 2007, Anheuser-Busch, Inc.'s suit was transferred to the Ohio federal court.

Novelis Corporation alleged that Anheuser-Busch, Inc. breached the existing multi-year aluminum can stock supply agreement between the parties, and sought monetary damages and declaratory relief. Among other claims, we asserted that since entering into the supply agreement, Anheuser-Busch, Inc. has breached its confidentiality obligations and there has been a structural change in market conditions that requires a change to the pricing provisions under the agreement.

In its complaint, Anheuser-Busch, Inc. asked for a declaratory judgment that Anheuser-Busch, Inc. is not obligated to modify the supply agreement as requested by Novelis Corporation, and that Novelis Corporation must continue to perform under the existing supply agreement.

On January 18, 2008, Anheuser-Busch, Inc. filed a motion for summary judgment. On May 22, 2008, the court granted Anheuser-Busch, Inc.'s motion for summary judgment. Novelis Corporation has 30 days to file a notice of appeal with the court and is currently reviewing the court's order to understand the reasoning behind the decision and evaluate its grounds for appeal. Novelis Corporation has continued to perform under the supply agreement during the litigation.

ARCO Aluminum Complaint. On May 24, 2007, Arco Aluminum Inc. (ARCO) filed a complaint against Novelis Corporation and Novelis Inc. in the United States District Court for the Western District of Kentucky. ARCO and Novelis are partners in a joint venture rolling mill located in Logan, Kentucky. In the complaint, ARCO seeks to resolve a perceived dispute over management and control of the joint venture following Hindalco's acquisition of Novelis.

ARCO alleges that its consent was required in connection with Hindalco's acquisition of Novelis. Failure to obtain consent, ARCO alleges, has put us in default of the joint venture agreements, thereby triggering certain provisions in those agreements. The provisions include a reversion of the production

management at the joint venture to Logan Aluminum from Novelis, and a reduction of the board of directors of the entity that manages the joint venture from seven members (four appointed by Novelis and three appointed by ARCO) to six members (three appointed by each of Novelis and ARCO).

ARCO seeks a court declaration that (1) Novelis and its affiliates are prohibited from exercising any managerial authority or control over the joint venture, (2) Novelis' interest in the joint venture is limited to an economic interest only and (3) ARCO has authority to act on behalf of the joint venture. Or, alternatively, ARCO is seeking a reversion of the production management function to Logan Aluminum, and a change in the composition of the board of directors of the entity that manages the joint venture. Novelis filed its answer to the complaint on July 16, 2007.

On July 3, 2007, ARCO filed a motion for partial summary judgment with respect to one of the counts of its complaint relating to the claim that Novelis breached the joint venture agreement by not seeking ARCO's consent. On July 30, 2007, Novelis filed a motion to hold ARCO's motion for summary judgment in abeyance (pending further discovery), along with a demand for a jury. On February 14, 2008, the judge issued an order granting our motion to hold ARCO's summary judgment motion in abeyance. Pursuant to this ruling, the joint venture continues to conduct management and board activities as normal.

Environmental Matters

The following describes certain environmental matters relating to our business. None of the environmental matters include government sanctions of \$100,000 or more.

We are involved in proceedings under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, or analogous state provisions regarding liability arising from the usage, storage, treatment or disposal of hazardous substances and wastes at a number of sites in the United States, as well as similar proceedings under the laws and regulations of the other jurisdictions in which we have operations, including Brazil and certain countries in the European Union. Many of these jurisdictions have laws that impose joint and several liability, without regard to fault or the legality of the original conduct, for the costs of environmental remediation, natural resource damages, third party claims, and other expenses, on those persons who contributed to the release of a hazardous substance into the environment. In addition, we are, from time to time, subject to environmental reviews and investigations by relevant governmental authorities.

As described further in the following paragraph, we have established procedures for regularly evaluating environmental loss contingencies, including those arising from such environmental reviews and investigations and any other environmental remediation or compliance matters. We believe we have a reasonable basis for evaluating these environmental loss contingencies, and we believe we have made reasonable estimates of the costs that are likely to be borne by us for these environmental loss contingencies. Accordingly, we have established reserves based on our reasonable estimates for the currently anticipated costs associated with these environmental matters. We estimate that the undiscounted remaining clean-up costs related to all of our known environmental matters as of March 31, 2008 will be approximately \$50 million. Of this amount, \$34 million is included in *Other long-term liabilities*, with the remaining \$16 million included in *Accrued expenses and other current liabilities* in our consolidated balance sheet as of March 31, 2008. Management has reviewed the environmental matters, including those for which we assumed liability as a result of our spin-off from Alcan. As a result of this review, management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impair our operations or materially adversely affect our financial condition, results of operations or liquidity.

With respect to environmental loss contingencies, we record a loss contingency on a non-discounted basis whenever such contingency is probable and reasonably estimable. The evaluation model includes all asserted and unasserted claims that can be reasonably identified. Under this evaluation model, the liability and the related costs are quantified based upon the best available evidence regarding actual liability loss and cost estimates. Except for those loss contingencies where no estimate can reasonably be made, the evaluation model is fact-driven and attempts to estimate the full costs of each claim. Management reviews the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The estimated costs in respect of such reported liabilities are not offset by amounts

related to cost-sharing between parties, insurance, indemnification arrangements or contribution from other potentially responsible parties unless otherwise noted.

Brazil Tax Matters

Primarily as a result of legal proceedings with Brazil's Ministry of Treasury regarding certain taxes in South America, as of March 31, 2008 and 2007, we had cash deposits aggregating approximately \$36 million and \$25 million, respectively, in judicial depository accounts pending finalization of the related cases. The depository accounts are in the name of the Brazilian government and will be expended towards these legal proceedings or released to us, depending on the outcome of the legal cases. These deposits are included in *Other long-term assets — third parties* in our accompanying consolidated balance sheets. In addition, we are involved in several disputes with Brazil's Minister of Treasury about various forms of manufacturing taxes and social security contributions, for which we have made no judicial deposits but for which we have established reserves ranging from \$7 million to \$90 million as of March 31, 2008. In total, these reserves approximate \$111 million as of March 31, 2008 and are included in *Other long-term liabilities* in our accompanying consolidated balance sheet.

On August 15, 2007, there was a Superior Court of Justice ruling in Brazil reducing the statute of limitations from ten years to five years for claims relating to the application of Brazilian tax credits resulting from previous payments made under a social contribution tax. Accordingly, for the fiscal year ended March 31, 2008, we reversed \$21 million of reserves (\$15 million net of tax) relating to the disputed application of such credits in 1999 and 2000, as these tax credits may no longer be challenged by the government.

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our subsidiaries and non-consolidated affiliates, including:

- certain of our wholly-owned subsidiaries and
- Aluminium Norf GmbH, which is a fifty percent (50%) owned joint venture that does not meet the requirements for consolidation under FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities*.

In the case of our wholly-owned subsidiaries, the indebtedness guaranteed is for trade accounts payable to third parties. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of our subsidiaries or non-consolidated affiliates holds any assets of any third parties as collateral to offset the potential settlement of these guarantees.

Since we consolidate wholly-owned and majority-owned subsidiaries in our financial statements, all outstanding liabilities associated with trade accounts payable and short-term debt facilities for these entities are already included in our consolidated balance sheets.

The following table discloses information about our obligations under guarantees of indebtedness as of March 31, 2008 (in millions). We did not have obligations under guarantees of indebtedness related to our majority-owned subsidiaries as of March 31, 2008.

<u>Type of Entity</u>	<u>Maximum Potential Future Payment</u>	<u>Liability Carrying Value</u>
Wholly-owned subsidiaries	\$ 98	\$ 67
Aluminium Norf GmbH	16	—

In May 2007, we terminated a loan and a corresponding deposit-and-guarantee agreement for \$80 million. We did not include the loan or deposit amounts in our consolidated balance sheet as of March 31, 2007 as the agreement included a legal right of setoff and we had the intent and ability to setoff.

We have no retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets.

21. SEGMENT, GEOGRAPHICAL AREA AND MAJOR CUSTOMER INFORMATION

Segment Information

Due in part to the regional nature of supply and demand of aluminum rolled products and in order to best serve our customers, we manage our activities on the basis of geographical areas and are organized under four operating segments: North America; Europe; Asia and South America.

As a result of the acquisition by Hindalco, and based on the way our President and Chief Operating Officer (our chief operating decision-maker) reviews the results of segment operations, we changed our segment performance measure to Segment Income during the quarter ended June 30, 2007, as defined below. As a result, certain prior period amounts have been reclassified to conform to the new segment performance measure.

We measure the profitability and financial performance of our operating segments, based on Segment Income, in accordance with FASB Statement No. 131, *Disclosure About the Segments of an Enterprise and Related Information*. Segment Income provides a measure of our underlying segment results that is in line with our portfolio approach to risk management. We define Segment Income as earnings before (a) interest expense and amortization of debt issuance costs — net; (b) unrealized gains (losses) on change in fair value of derivative instruments — net; (c) realized gains (losses) on corporate derivative instruments — net; (d) depreciation and amortization; (e) impairment charges on long-lived assets; (f) minority interests' share; (g) adjustments to reconcile our proportional share of Segment Income from non-consolidated affiliates to income as determined on the equity method of accounting; (h) restructuring charges — net; (i) gains or losses on disposals of property, plant and equipment and businesses — net; (j) corporate selling, general and administrative expenses; (k) other costs — net; (l) litigation settlement — net of insurance recoveries; (m) sale transaction fees; (n) provision or benefit for taxes on income (loss) and (o) cumulative effect of accounting change — net of tax.

Net sales and expenses are measured in accordance with the policies and procedures described in Note 1 — Business and Summary of Significant Accounting Policies.

We do not treat all derivative instruments as hedges under FASB Statement No. 133. Accordingly, changes in fair value are recognized immediately in earnings, which results in the recognition of fair value as a gain or loss in advance of the contract settlement. In the accompanying consolidated and combined statements of operations, change in fair value of derivative instruments not accounted for as hedges under FASB Statement No. 133 are recognized *(Gain) loss on change in fair value of derivative instruments — net*. These gains or losses may or may not result from cash settlement. For Segment Income purposes we only include the impact of the derivative gains or losses to the extent they are settled in cash (i.e., realized) during that period.

The following is a description of our operating segments:

- *North America*. Headquartered in Cleveland, Ohio, this segment manufactures aluminum sheet and light gauge products and operates 12 plants, including two fully dedicated recycling facilities, in two countries.
- *Europe*. Headquartered in Zurich, Switzerland, this segment manufactures aluminum sheet and light gauge products and operates 14 plants, including one recycling facility, in six countries.
- *Asia*. Headquartered in Seoul, South Korea, this segment manufactures aluminum sheet and light gauge products and operates three plants in two countries.
- *South America*. Headquartered in Sao Paulo, Brazil, this segment comprises bauxite mining, alumina refining, smelting operations, power generation, carbon products, aluminum sheet and light gauge products and operates four plants in Brazil.

Adjustment to Eliminate Proportional Consolidation. The financial information for our segments includes the results of our non-consolidated affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. However, under GAAP, these non-consolidated affiliates are accounted for using the equity method of accounting. Therefore, in order to reconcile the financial information for the segments shown in the tables below to the GAAP-based measure, we must remove our proportional share of each line item that we included in the segment amounts. See Note 9 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.

The tables below show selected segment financial information (in millions). The Corporate and Other column in the tables below includes functions that are managed directly from our corporate office, which focuses on strategy development and oversees governance, policy, legal compliance, human resources and finance matters. It also includes consolidating and other elimination accounts.

Selected Segment Financial Information

	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Total Assets							
March 31, 2008 (<i>Successor</i>) (Restated)	\$ 3,888	\$ 4,171	\$ 1,081	\$ 1,478	\$ (199)	\$ 263	\$ 10,682
March 31, 2007 (<i>Predecessor</i>) ...	\$ 1,566	\$ 2,543	\$ 1,110	\$ 821	\$ (114)	\$ 44	\$ 5,970

	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Investment in and Advances to Non-Consolidated Affiliates							
March 31, 2008 (<i>Successor</i>) (Restated)	\$ 1	\$ 897	\$ —	\$ 48	\$ —	\$ —	\$ 946
March 31, 2007 (<i>Predecessor</i>)	\$ 2	\$ 102	\$ —	\$ 49	\$ —	\$ —	\$ 153

	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Selected Operating Results							
May 16, 2007 Through March 31, 2008 (<i>Successor</i>)							
Net sales (to third parties)	\$ 3,655	\$ 3,828	\$ 1,602	\$ 885	\$ (5)	—	\$ 9,965
Intersegment sales	9	3	10	27	—	(49)	—
Segment Income (Loss)	266	241	46	143	—	—	696
Interest income	(2)	(2)	(2)	(5)	—	(7)	(18)
Interest expense and amortization of debt issuance costs	53	5	11	—	—	122	191
Depreciation and amortization (Restated)	140	176	52	62	(56)	1	375
Write-off and amortization of fair value adjustments	242	(8)	(6)	(9)	—	—	219
Impairment charges on long-lived assets	—	1	—	—	—	—	1
Equity in net (income) loss of non-consolidated affiliates (Restated)	—	(4)	—	(21)	—	—	(25)
Provision (benefit) for taxes on income (loss) (Restated)	23	(70)	1	69	34	16	73
Capital expenditures	42	98	28	28	(14)	3	185

	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Selected Operating Results							
April 1, 2007 Through May 15, 2007 (<i>Predecessor</i>)							
Net sales (to third parties)	\$ 446	\$ 510	\$ 216	\$ 109	\$ —	\$ —	\$ 1,281
Intersegment sales	—	—	1	7	—	(8)	—
Segment Income (Loss)	(24)	32	6	18	—	—	32
Interest income	—	—	—	—	—	(1)	(1)
Interest expense and amortization of debt issuance costs	9	4	1	1	—	12	27
Depreciation and amortization	7	11	7	5	(3)	1	28
Equity in net (income) loss of non-consolidated affiliates	—	(1)	—	—	—	—	(1)
Provision (benefit) for taxes on income (loss)	(19)	10	—	14	—	(1)	4
Capital expenditures	4	8	4	3	(3)	1	17

Selected Operating Results Three Months Ended March 31, 2007 (Predecessor)	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Net sales (to third parties)	\$ 925	\$ 1,057	\$ 413	\$ 235	\$ —	\$ —	\$ 2,630
Intersegment sales	—	1	3	12	—	(16)	—
Segment Income (Loss)	(17)	85	16	57	—	—	141
Interest income	—	(1)	(1)	—	—	(2)	(4)
Interest expense and amortization of debt issuance costs	15	3	2	2	—	32	54
Depreciation and amortization	16	24	14	11	(8)	1	58
Impairment charges on long-lived assets	—	8	—	—	—	—	8
Equity in net (income) loss of non-consolidated affiliates	—	(2)	—	(1)	—	—	(3)
Provision (benefit) for taxes on income (loss)	(10)	6	—	11	—	—	7
Capital expenditures	9	11	3	4	(4)	1	24

Selected Operating Results Year Ended December 31, 2006 (Predecessor)	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Net sales (to third parties)	\$ 3,691	\$ 3,620	\$ 1,692	\$ 863	\$ (17)	\$ —	\$ 9,849
Intersegment sales	2	5	15	50	—	(72)	—
Segment Income (Loss)	20	245	82	165	—	—	512
Interest income	(2)	(3)	(3)	(2)	—	(5)	(15)
Interest expense and amortization of debt issuance costs	50	11	10	6	—	144	221
Depreciation and amortization	70	92	55	44	(32)	4	233
Equity in net (income) loss of non-consolidated affiliates	—	(8)	—	(8)	—	—	(16)
Provision (benefit) for taxes on income (loss)	(111)	29	11	63	(5)	9	(4)
Capital expenditures	39	45	21	26	(18)	3	116

Selected Operating Results Year Ended December 31, 2005 (Predecessor)	North America	Europe	Asia	South America	Adjustment to Eliminate Proportional Consolidation	Corporate and Other	Total
Net sales (to third parties)	\$ 3,265	\$ 3,093	\$ 1,391	\$ 630	\$ (16)	\$ —	\$ 8,363
Intersegment sales	2	31	8	41	—	(82)	—
Segment Income (Loss)	193	195	106	112	—	—	606
Interest income	(1)	(3)	(1)	(1)	—	(3)	(9)
Interest expense and amortization of debt issuance costs	44	10	11	3	—	135	203
Depreciation and amortization	72	96	51	44	(34)	1	230
Impairment charges on long-lived assets	—	7	—	—	—	—	7
Equity in net (income) loss of non-consolidated Affiliates	—	(4)	—	(2)	—	—	(6)
Provision (benefit) for taxes on income (loss)	33	59	(8)	26	(4)	1	107
Capital expenditures	61	80	21	24	(20)	12	178

The following table shows the reconciliation from Total Segment Income to Net income (loss) (in millions).

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005 Predecessor Predecessor	
Total Segment Income	\$ 696	\$ 32	\$ 141	\$ 512	\$ 606
Interest expense and amortization of debt issuance costs — net.....	(173)	(26)	(50)	(206)	(194)
Unrealized gains (losses) on change in fair value of derivative instruments — net(A)	(8)	5	(1)	(151)	141
Realized gains (losses) on corporate derivative instruments — net.....	16	(3)	(2)	(35)	45
Depreciation and amortization.....	(375)	(28)	(58)	(233)	(230)
Impairment charges on long-lived assets	(1)	—	(8)	—	(7)
Minority interests' share	(4)	1	(2)	(1)	(21)
Adjustment to eliminate proportional consolidation (B)	(36)	(7)	(9)	(35)	(36)
Restructuring charges — net.....	(6)	(1)	(9)	(19)	(10)
Gain (loss) on disposals of property, plant, and equipment and businesses — net.....	—	—	—	(20)	17
Corporate selling, general and administrative expenses.....	(55)	(35)	(26)	(128)	(78)
Other costs — net(C).....	(1)	1	(1)	37	10
Litigation settlement — net of insurance recoveries	—	—	—	—	(40)

	May 16, 2007 Through March 31, 2008 (Restated) Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
				Predecessor	Predecessor
Sale transaction fees	—	(32)	(32)	—	—
Benefit (provision) for taxes on income (loss) ...	(73)	(4)	(7)	4	(107)
Cumulative effect of accounting change — net of tax	—	—	—	—	(6)
Net income (loss)	\$ (20)	\$ (97)	\$ (64)	\$ (275)	\$ 90

- (A) Unrealized gains (losses) on change in fair value of derivative instruments — net represents the portion of gains (losses) that were not settled in cash during the period. Total realized and unrealized gains (losses) are shown in the table below and are included in the aggregate each period in *(Gain) loss on change in fair value of derivative instruments — net* on our consolidated and combined statements of operations.

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 2005	
				Predecessor	Predecessor
(Gains) losses on change in fair value of derivative instruments — net:					
Realized and included in Segment Income	\$ (14)	\$ (18)	\$ (33)	\$ (249)	\$ (83)
Realized on corporate derivative instruments	(16)	3	2	35	(45)
Unrealized	8	(5)	1	151	(141)
(Gains) losses on change in fair value of derivative instruments — net	\$ (22)	\$ (20)	\$ (30)	\$ (63)	\$ (269)

- (B) Our financial information for our segments (including Segment Income) includes the results of our non-consolidated affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. However, under GAAP, these non-consolidated affiliates are accounted for using the equity method of accounting. Therefore, in order to reconcile Total Segment Income to Net income (loss), the proportional Segment Income of these non-consolidated affiliates is removed from Total Segment Income, net of our share of their net after-tax results, which is reported as *Equity in net (income) loss of non-consolidated affiliates* on our consolidated and combined statements of operations. See Note 9 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.
- (C) Other costs — net includes a gain on sale of equity interest in non-consolidated affiliates and a gain on sale of rights to develop and operate hydroelectric power plants, recognized in the three months ended December 31, 2006 (see Note 18 — Other (Income) Expenses — net).

Geographical Area Information

We had 33 operating facilities in 11 countries as of March 31, 2008. The tables below present Net sales and Long-lived assets by geographical area (in millions). Net sales are attributed to geographical areas based on the origin of the sale. Long-lived assets are attributed to geographical areas based on asset location and exclude investments in and advances to our non-consolidated affiliates.

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor 2005 Predecessor	
Net sales:					
United States	\$ 3,419	\$ 427	\$ 870	\$ 3,474	\$ 3,029
Asia and Other					
Pacific	1,602	216	413	1,691	1,391
Brazil.....	880	109	235	847	616
Canada	236	19	55	217	234
Germany.....	2,508	212	651	2,263	1,850
United Kingdom.....	445	79	136	428	339
Other Europe	875	219	270	929	904
Total Net sales.....	<u>\$ 9,965</u>	<u>\$ 1,281</u>	<u>\$ 2,630</u>	<u>\$ 9,849</u>	<u>\$ 8,363</u>

	As of March 31, 2008 (Restated)		2007
	Successor	Predecessor	
Long-lived assets:			
United States	\$ 2,509	\$ 415	
Asia and Other Pacific.....	565	601	
Brazil	967	440	
Canada.....	514	101	
Germany	247	210	
United Kingdom	170	162	
Other Europe	1,142	436	
Total long-lived assets.....	<u>\$ 6,114</u>	<u>\$ 2,365</u>	

Major Customer Information

All of our operating segments had Net sales to Rexam Plc (Rexam), our largest customer. The table below shows our net sales to Rexam as a percentage of total *Net sales*.

	May 16, 2007 Through March 31, 2008 Successor	April 1, 2007 Through May 15, 2007 Predecessor	Three Months Ended March 31, 2007 Predecessor	Year Ended December 31, 2006 Predecessor 2005 Predecessor	
Net sales to Rexam as a percentage of total net sales	<u>15.3%</u>	<u>13.5%</u>	<u>15.5%</u>	<u>14.1%</u>	<u>12.5%</u>

22. QUARTERLY RESULTS

The following tables present select operating results (in millions) and dividends per common share information by period. Certain reclassifications of prior period quarterly amounts have been made to conform to the presentation adopted for the current year.

	Period from		Quarter Ended						
	April 1, 2007 Through May 15, 2007	May 16, 2007 Through June 30, 2007(A)(B)	September 30, 2007(A)(B)		December 31, 2007(A)(B)		March 31, 2008(A)(B)		
	Predecessor	As Reported Successor	Restated Successor	As Reported Successor	Restated Successor	As Reported Successor	Restated Successor	As Reported Successor	Restated Successor
Net sales.....	\$ 1,281	\$ 1,547	\$ 1,547	\$ 2,821	\$ 2,821	\$ 2,735	\$ 2,735	\$ 2,862	\$ 2,862
Cost of goods sold (exclusive of depreciation and amortization shown below)	1,205	1,436	1,436	2,555	2,555	2,475	2,474	2,576	2,577
Selling, general and administrative expenses	95	42	42	88	88	99	99	90	90
Depreciation and amortization	28	53	53	102	103	105	108	107	111
Research and development expenses	6	13	13	10	10	11	11	12	12
Interest expense and amortization of debt issuance costs — net	26	25	25	56	56	47	47	45	45
(Gain) loss on change in fair value of derivative instruments — net....	(20)	(14)	(14)	36	30	50	56	(94)	(94)
Equity in net (income) loss of non-consolidated affiliates	(1)	1	1	4	(20)	4	3	(5)	(9)
Sale transaction fees ..	32	—	—	—	—	—	—	—	—
Other (income) expenses — net	4	11	11	(7)	(2)	(11)	(16)	7	7
Provision (benefit) for taxes on income (loss)	4	36	27	(36)	20	4	26	(1)	—
Minority interests' share	(1)	(2)	(2)	—	—	—	—	7	6
Net income (loss).....	<u>\$ (97)</u>	<u>\$ (54)</u>	<u>\$ (45)</u>	<u>\$ 13</u>	<u>\$ (19)</u>	<u>\$ (49)</u>	<u>\$ (73)</u>	<u>\$ 118</u>	<u>\$ 117</u>
Dividends per common share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

(A) Unaudited.

(B) See Note 2 — Restatement of Financial Statements.

	Quarter Ended March 31, 2007
	Predecessor
Net sales	\$ 2,630
Cost of goods sold (exclusive of depreciation and amortization shown below).....	2,447
Selling, general and administrative expenses	99
Depreciation and amortization	58
Research and development expenses.....	8
Interest expense and amortization of debt issuance costs — net.....	50
(Gain) loss on change in fair value of derivative instruments — net	(30)
Equity in net (income) loss of non-consolidated affiliates	(3)
Sale transaction fees.....	32
Other (income) expenses — net	24
Provision (benefit) for taxes on income (loss)	7
Minority interests' share.....	2
Net income (loss)	<u>\$ (64)</u>
Dividends per common share	<u>\$ 0.00</u>

	(Unaudited) Quarter Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
	Predecessor	Predecessor	Predecessor	Predecessor
Net sales	\$ 2,319	\$ 2,564	\$ 2,494	\$ 2,472
Cost of goods sold (exclusive of depreciation and amortization shown below)	2,135	2,407	2,389	2,386
Selling, general and administrative expenses.....	92	98	103	117
Depreciation and amortization	58	59	57	59
Research and development expenses	9	10	10	11
Interest expense and amortization of debt issuance costs — net.....	48	49	52	57
(Gain) loss on change in fair value of derivative instruments — net	(54)	(41)	37	(5)
Equity in net (income) loss of non-consolidated affiliates.....	(3)	(4)	(5)	(4)
Other (income) expenses — net	6	(4)	7	(9)
Provision (benefit) for taxes on income (loss)	102	(20)	(52)	(34)
Minority interests' share.....	—	4	(2)	(1)
Net income (loss).....	<u>\$ (74)</u>	<u>\$ 6</u>	<u>\$ (102)</u>	<u>\$ (105)</u>
Dividends per common share	<u>\$ 0.09</u>	<u>\$ 0.09</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>

23. SUPPLEMENTAL GUARANTOR INFORMATION

In connection with the issuance of our Senior Notes, certain of our wholly-owned subsidiaries provided guarantees of the Senior Notes. These guarantees are full and unconditional as well as joint and several. The guarantor subsidiaries (the Guarantors) comprise the majority of our businesses in Canada, the U.S., the U.K., Brazil and Switzerland, as well as certain businesses in Germany. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to Novelis Inc. (the Parent). The remaining subsidiaries (the Non-Guarantors) of the Parent are not guarantors of the Senior Notes.

The following information presents consolidating and combining statements of operations, consolidating balance sheets and condensed consolidating and combining statements of cash flows of the Parent, the Guarantors and the Non-Guarantors. Investments include investment in and advances to non-consolidated affiliates as well as investments in net assets of divisions included in the Parent, and have been presented using the equity method of accounting.

NOVELIS INC.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

May 16, 2007 Through March 31, 2008 — Successor

(Restated)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ 1,300	\$ 8,266	\$ 2,701	\$ (2,302)	\$ 9,965
Cost of goods sold (exclusive of depreciation and amortization shown below)	1,294	7,504	2,546	(2,302)	9,042
Selling, general and administrative expenses.....	40	210	69	—	319
Depreciation and amortization ..	19	294	62	—	375
Research and development expenses	27	17	2	—	46
Interest expense and amortization of debt issuance costs — net	34	118	21	—	173
(Gain) loss on change in fair value of derivative instruments — net	8	(13)	(17)	—	(22)
Equity in net (income) loss of affiliates.....	(83)	(25)	—	83	(25)
Other (income) expenses — net.....	(33)	8	25	—	—
	<u>1,306</u>	<u>8,113</u>	<u>2,708</u>	<u>(2,219)</u>	<u>9,908</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(6)	153	(7)	(83)	57
Provision (benefit) for taxes on income (loss)	<u>14</u>	<u>53</u>	<u>6</u>	<u>—</u>	<u>73</u>
Income (loss) before minority interests' share.....	(20)	100	(13)	(83)	(16)
Minority interests' share.....	<u>—</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>(4)</u>
Net income (loss).....	\$ (20)	\$ 100	\$ (17)	\$ (83)	\$ (20)

NOVELIS INC.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

April 1, 2007 Through May 15, 2007 — Predecessor

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ 129	\$ 1,020	\$ 359	\$ (227)	\$ 1,281
Cost of goods sold (exclusive of depreciation and amortization shown below)	131	961	340	(227)	1,205
Selling, general and administrative expenses	29	51	15	—	95
Depreciation and amortization	2	18	8	—	28
Research and development expenses	5	1	—	—	6
Interest expense and amortization of debt issuance costs — net	3	20	3	—	26
(Gain) loss on change in fair value of derivative instruments — net	(2)	(19)	1	—	(20)

Equity in net (income) loss of affiliates	29	(1)	—	(29)	(1)
Sale transaction fees	32	—	—	—	32
Other (income) expenses — net	<u>(3)</u>	<u>9</u>	<u>(2)</u>	<u>—</u>	<u>4</u>
	<u>226</u>	<u>1,040</u>	<u>365</u>	<u>(256)</u>	<u>1,375</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(97)	(20)	(6)	29	(94)
Provision (benefit) for taxes on income (loss)	—	3	1	—	4
Income (loss) before minority interests' share	(97)	(23)	(7)	29	(98)
Minority interests' share	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Net income (loss)	<u>\$ (97)</u>	<u>\$ (23)</u>	<u>\$ (6)</u>	<u>\$ 29</u>	<u>\$ (97)</u>

NOVELIS INC.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Three Months Ended March 31, 2007 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	<u>\$ 378</u>	<u>\$ 2,228</u>	<u>\$ 723</u>	<u>\$ (699)</u>	<u>\$ 2,630</u>
Cost of goods sold (exclusive of depreciation and amortization shown below)	374	2,094	675	(696)	2,447
Selling, general and administrative expenses	10	69	20	—	99
Depreciation and amortization	3	38	17	—	58
Research and development expenses....	5	2	1	—	8
Interest expense and amortization of debt issuance costs — net.....	7	39	4	—	50
(Gain) loss on change in fair value of derivative instruments — net	2	(29)	(3)	—	(30)
Equity in net (income) loss of affiliates	14	(3)	—	(14)	(3)
Sale transaction fees	32	—	—	—	32
Other (income) expenses — net	<u>(5)</u>	<u>26</u>	<u>3</u>	<u>—</u>	<u>24</u>
	<u>442</u>	<u>2,236</u>	<u>717</u>	<u>(710)</u>	<u>2,685</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(64)	(8)	6	11	(55)
Provision (benefit) for taxes on income (loss)	—	5	2	—	7
Income (loss) before minority interests' share.....	(64)	(13)	4	11	(62)
Minority interests' share.....	—	—	(2)	—	(2)
Net income (loss)	<u>\$ (64)</u>	<u>\$ (13)</u>	<u>\$ 2</u>	<u>\$ 11</u>	<u>\$ (64)</u>

NOVELIS INC.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Year Ended December 31, 2006 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	<u>\$ 1,572</u>	<u>\$ 8,340</u>	<u>\$ 2,822</u>	<u>\$ (2,885)</u>	<u>\$ 9,849</u>
Cost of goods sold (exclusive of depreciation and amortization shown below).....	1,522	8,010	2,670	(2,885)	9,317
Selling, general and administrative expenses	72	269	69	—	410
Depreciation and amortization.....	15	153	65	—	233
Research and development expenses	28	12	—	—	40
Interest expense and amortization of debt issuance costs — net....	48	140	18	—	206
(Gain) loss on change in fair value of derivative instruments — net	49	(128)	16	—	(63)
Equity in net (income) loss of affiliates.....	115	(16)	—	(115)	(16)
Other (income) expenses — net.....	<u>(11)</u>	<u>20</u>	<u>(9)</u>	<u>—</u>	<u>—</u>
	<u>1,838</u>	<u>8,460</u>	<u>2,829</u>	<u>(3,000)</u>	<u>10,127</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(266)	(120)	(7)	115	(278)
Provision (benefit) for taxes on income (loss).....	<u>9</u>	<u>(28)</u>	<u>15</u>	<u>—</u>	<u>(4)</u>
Income (loss) before minority interests' share	(275)	(92)	(22)	115	(274)
Minority interests' share	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(1)</u>
Net income (loss)	<u>\$ (275)</u>	<u>\$ (92)</u>	<u>\$ (23)</u>	<u>\$ 115</u>	<u>\$ (275)</u>

NOVELIS INC.

CONSOLIDATING AND COMBINING STATEMENT OF OPERATIONS
(In millions)

	Year Ended December 31, 2005 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	<u>\$ 1,284</u>	<u>\$ 6,872</u>	<u>\$ 2,479</u>	<u>\$ (2,272)</u>	<u>\$ 8,363</u>
Cost of goods sold (exclusive of depreciation and amortization shown below)	1,245	6,283	2,314	(2,272)	7,570
Selling, general and administrative expenses.....	43	242	67	—	352
Depreciation and amortization	11	158	61	—	230
Research and development expenses	28	12	1	—	41
Interest expense and amortization of debt issuance costs — net	55	119	20	—	194
(Gain) loss on change in fair value of derivative instruments — net	(29)	(229)	(11)	—	(269)
Equity in net (income) loss of affiliates.....	(139)	(6)	—	139	(6)
Litigation settlement — net of insurance recoveries	—	40	—	—	40
Other (income) expenses — net	<u>(29)</u>	<u>7</u>	<u>9</u>	<u>—</u>	<u>(13)</u>
	<u>1,185</u>	<u>6,626</u>	<u>2,461</u>	<u>(2,133)</u>	<u>8,139</u>
Income (loss) before provision (benefit) for taxes on income (loss), minority interests' share and cumulative effect of accounting change	99	246	18	(139)	224
Provision (benefit) for taxes on income (loss)	<u>3</u>	<u>107</u>	<u>(3)</u>	<u>—</u>	<u>107</u>
Income before minority interests' share and cumulative effect of accounting change.....	96	139	21	(139)	117
Minority interests' share.....	<u>—</u>	<u>—</u>	<u>(21)</u>	<u>—</u>	<u>(21)</u>
Net income (loss) before cumulative effect of accounting change	96	139	—	(139)	96
Cumulative effect of accounting change — net of tax.....	<u>(6)</u>	<u>(6)</u>	<u>—</u>	<u>6</u>	<u>(6)</u>
Net income (loss).....	<u>\$ 90</u>	<u>\$ 133</u>	<u>\$ —</u>	<u>\$ (133)</u>	<u>\$ 90</u>

NOVELIS INC.

CONSOLIDATING BALANCE SHEET
(In millions)

(Restated)	As of March 31, 2008 — Successor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 12	\$ 177	\$ 137	\$ —	\$ 326
Accounts receivable — net of allowances					
— third parties	38	818	392	—	1,248
— related parties	518	289	34	(810)	31
Inventories	57	993	405	—	1,455
Prepaid expenses and other current assets	4	35	19	—	58
Current portion of fair value of derivative instruments	—	186	30	(13)	203
Deferred income tax assets	—	121	4	—	125
Total current assets	629	2,619	1,021	(823)	3,446
Property, plant and equipment — net	175	2,458	724	—	3,357
Goodwill	—	1,680	189	—	1,869
Intangible assets — net	—	888	—	—	888
Investments	3,629	945	1	(3,629)	946
Fair value of derivative instruments — net of current portion	—	18	3	—	21
Deferred income tax assets	10	—	2	—	12
Other long-term assets	1,328	160	135	(1,480)	143
Total assets	<u>\$ 5,771</u>	<u>\$ 8,768</u>	<u>\$ 2,075</u>	<u>\$ (5,932)</u>	<u>\$ 10,682</u>
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt	\$ 3	\$ 11	\$ 1	\$ —	\$ 15
Short-term borrowings					
— third parties	—	70	45	—	115
— related parties	5	370	25	(400)	—
Accounts payable					
— third parties	84	925	573	—	1,582
— related parties	110	233	88	(376)	55
Accrued expenses and other current liabilities	39	699	129	(17)	850
Deferred income tax liabilities	—	39	—	—	39
Total current liabilities	241	2,347	861	(793)	2,656
Long-term debt — net of current portion					
— third parties	1,761	698	101	—	2,560
— related parties	—	1,206	304	(1,510)	—
Deferred income tax liabilities	1	680	20	—	701
Accrued postretirement benefits	23	297	101	—	421
Other long-term liabilities	222	431	19	—	672
	<u>2,248</u>	<u>5,659</u>	<u>1,406</u>	<u>(2,303)</u>	<u>7,010</u>
Commitments and contingencies					
Minority interests in equity of consolidated affiliates	—	—	149	—	149
Shareholder's equity					
Common stock	—	—	—	—	—
Additional paid-in capital	3,497	—	—	—	3,497
Retained earnings/(accumulated deficit)/owner's net investment	(20)	3,075	564	(3,639)	(20)
Accumulated other comprehensive income (loss)	46	34	(44)	10	46
Total shareholder's equity	<u>3,523</u>	<u>3,109</u>	<u>520</u>	<u>(3,629)</u>	<u>3,523</u>
Total liabilities and shareholder's equity	<u>\$ 5,771</u>	<u>\$ 8,768</u>	<u>\$ 2,075</u>	<u>\$ (5,932)</u>	<u>\$ 10,682</u>

NOVELIS INC.
CONSOLIDATING BALANCE SHEET
(In millions)

	As of March 31, 2007 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents.....	\$ 6	\$ 71	\$ 51	\$ —	\$ 128
Accounts receivable — net of allowances					
— third parties.....	36	903	411	—	1,350
— related parties	416	500	58	(949)	25
Inventories.....	65	1,008	421	(3)	1,491
Prepaid expenses and other current assets	3	26	10	—	39
Current portion of fair value of derivative instruments	—	88	4	—	92
Deferred income tax assets	3	12	4	—	19
Total current assets	529	2,608	959	(952)	3,144
Property, plant and equipment — net.....	112	1,225	761	—	2,098
Goodwill.....	—	29	210	—	239
Intangible assets — net.....	—	18	2	—	20
Investments.....	362	153	—	(362)	153
Fair value of derivative instruments — net of current portion.....	—	55	—	—	55
Deferred income tax assets	1	66	35	—	102
Other long-term assets.....	1,231	160	132	(1,364)	159
Total assets	<u>\$ 2,235</u>	<u>\$ 4,314</u>	<u>\$ 2,099</u>	<u>\$ (2,678)</u>	<u>\$ 5,970</u>
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt	\$ —	\$ 3	\$ 140	\$ —	\$ 143
Short-term borrowings					
— third parties.....	—	241	4	—	245
— related parties	15	529	61	(605)	—
Accounts payable					
— third parties.....	116	938	560	—	1,614
— related parties	69	240	84	(344)	49
Accrued expenses and other current liabilities.....	63	317	100	—	480
Deferred income tax liabilities	—	73	—	—	73
Total current liabilities	263	2,341	949	(949)	2,604
Long-term debt — net of current portion					
— third parties.....	1,659	496	2	—	2,157
— related parties	—	1,116	248	(1,364)	—
Deferred income tax liabilities	—	89	14	—	103
Accrued postretirement benefits.....	19	293	115	—	427
Other long-term liabilities	119	214	19	—	352
	<u>2,060</u>	<u>4,549</u>	<u>1,347</u>	<u>(2,313)</u>	<u>5,643</u>
Commitments and contingencies					
Minority interests in equity of consolidated affiliates.....	—	—	152	—	152
Shareholders' equity					
Common stock.....	—	—	—	—	—
Additional paid-in capital	428	—	—	—	428
Retained earnings/(accumulated deficit)/owner's net investment	(263)	(458)	575	(117)	(263)
Accumulated other comprehensive income (loss)	10	223	25	(248)	10
Total shareholders' equity	<u>175</u>	<u>(235)</u>	<u>600</u>	<u>(365)</u>	<u>175</u>
Total liabilities and shareholders' equity	<u>\$ 2,235</u>	<u>\$ 4,314</u>	<u>\$ 2,099</u>	<u>\$ (2,678)</u>	<u>\$ 5,970</u>

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	May 16, 2007 Through March 31, 2008 — Successor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	\$ 88	\$ 363	\$ 144	\$ (190)	\$ 405
INVESTING ACTIVITIES					
Capital expenditures	(11)	(143)	(31)	—	(185)
Proceeds from sales of assets ...	5	2	1	—	8
Changes to investment in and advances to non-consolidated affiliates	(40)	25	(1)	40	24
Proceeds from loans receivable — net — related parties	—	18	—	—	18
Net proceeds from settlement of derivative instruments	12	32	(7)	—	37
Net cash provided by (used in) investing activities	(34)	(66)	(38)	40	(98)
FINANCING ACTIVITIES					
Proceeds from issuance of common stock	92	40	—	(40)	92
Proceeds from issuance of debt	300	659	141	—	1,100
Principal repayments — third parties	(261)	(608)	(140)	—	(1,009)
— related parties	—	(189)	31	158	—
Short-term borrowings — net — third parties	(45)	(188)	(8)	—	(241)
— related parties	(99)	81	(14)	32	—
Dividends — minority interests	—	—	(1)	—	(1)
Debt issuance costs	(37)	—	—	—	(37)
Net cash provided by (used in) financing activities	(50)	(205)	9	150	(96)
Net increase in cash and cash equivalents	4	92	115	—	211
Effect of exchange rate changes on cash balances held in foreign currencies ...	—	11	2	—	13
Cash and cash equivalents — beginning of period	8	74	20	—	102
Cash and cash equivalents — end of period	<u>\$ 12</u>	<u>\$ 177</u>	<u>\$ 137</u>	<u>\$ —</u>	<u>\$ 326</u>

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	April 1, 2007 Through May 15, 2007 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash used in operating activities	\$ (21)	\$ (181)	\$ (28)	\$ —	\$ (230)
INVESTING ACTIVITIES					
Capital expenditures	(1)	(10)	(6)	—	(17)
Changes to investment in and advances to non-consolidated affiliates	—	1	—	—	1
Net proceeds from settlement of derivative instruments	(5)	23	—	—	18
Net cash provided by (used in) investing activities	(6)	14	(6)	—	2
FINANCING ACTIVITIES					
Proceeds from issuance of debt	—	150	—	—	150
Principal repayments	—	(1)	—	—	(1)
Short-term borrowings — net					
— third parties	45	9	6	—	60
— related parties	(15)	11	4	—	—
Dividends					
— minority interests	—	—	(7)	—	(7)
Debt issuance costs	(2)	—	—	—	(2)
Proceeds from the exercise of stock options	1	—	—	—	1
Net cash provided by financing activities	29	169	3	—	201
Net increase (decrease) in cash and cash equivalents	2	2	(31)	—	(27)
Effect of exchange rate changes on cash balances held in foreign currencies	—	1	—	—	1
Cash and cash equivalents — beginning of period	6	71	51	—	128
Cash and cash equivalents — end of period	\$ 8	\$ 74	\$ 20	\$ —	\$ 102

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Three Months Ended March 31, 2007 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in)					
operating activities	\$ (30)	\$ (55)	\$ 50	\$ (52)	\$ (87)
INVESTING ACTIVITIES					
Capital expenditures	(2)	(16)	(6)	—	(24)
Changes to investment in and advances to non-consolidated affiliates	—	1	—	—	1
Proceeds from loans receivable — net — related parties	—	1	—	—	1
Net proceeds from settlement of derivative instruments	—	24	—	—	24
Net cash provided by (used in)					
investing activities	(2)	10	(6)	—	2
FINANCING ACTIVITIES					
Principal repayments	—	(1)	—	—	(1)
Short-term borrowings — net					
— third parties	—	113	—	—	113
— related parties	7	5	(12)	—	—
Dividends					
— common shareholders	—	(38)	(14)	52	—
Proceeds from the exercise of employee stock options	27	—	—	—	27
Windfall tax benefit on share-based compensation	1	—	—	—	1
Net cash provided by (used in)					
financing activities	35	79	(26)	52	140
Net increase in cash and cash equivalents	3	34	18	—	55
Cash and cash equivalents — beginning of period	3	37	33	—	73
Cash and cash equivalents — end of period	\$ 6	\$ 71	\$ 51	\$ —	\$ 128

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Year Ended December 31, 2006 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in)					
operating activities	\$ 104	\$ (9)	\$ 87	\$ (166)	\$ 16
INVESTING ACTIVITIES					
Capital expenditures	(8)	(72)	(36)	—	(116)
Disposal of business — net	(7)	—	—	—	(7)
Proceeds from sales of assets	—	38	—	—	38
Changes to investment in and advances to non-consolidated affiliates	—	3	—	—	3
Proceeds from (advances on) loans receivable — net — related parties	48	(60)	(28)	77	37
Premiums paid to purchase derivative instruments	—	(4)	—	—	(4)
Net proceeds from settlement of derivative instruments	(34)	283	(7)	—	242
Net cash provided by (used in) investing activities	(1)	188	(71)	77	193
FINANCING ACTIVITIES					
Proceeds from issuance of debt					
— third parties	—	—	41	—	41
— related parties	—	1,300	460	(1,760)	—
Principal repayments					
— third parties	(83)	(147)	(123)	—	(353)
— related parties	—	(1,247)	(397)	1,644	—
Short-term borrowings — net					
— third parties	—	103	—	—	103
Dividends					
— preference shares	—	(12)	—	12	—
— common shareholders	(15)	(175)	(18)	193	(15)
— minority interests	—	—	(15)	—	(15)
Net receipts from Alcan	5	—	—	—	5
Debt issuance costs	(11)	—	—	—	(11)
Proceeds from the exercise of stock options	2	—	—	—	2
Net cash used in financing activities	(102)	(178)	(52)	89	(243)
Net increase (decrease) in cash and cash equivalents	1	1	(36)	—	(34)
Effect of exchange rate changes on cash balances held in foreign currencies	—	2	5	—	7
Cash and cash equivalents — beginning of period	2	34	64	—	100
Cash and cash equivalents — end of period	\$ 3	\$ 37	\$ 33	\$ —	\$ 73

NOVELIS INC.

CONDENSED CONSOLIDATING AND COMBINING STATEMENT OF CASH FLOWS
(In millions)

	Year Ended December 31, 2005 — Predecessor				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in)					
operating activities	\$ 181	\$ 407	\$ 39	\$ (178)	\$ 449
INVESTING ACTIVITIES					
Capital expenditures	(19)	(120)	(39)	—	(178)
Proceeds from sales of assets	—	10	9	—	19
Proceeds from (advances on)					
loans receivable — net					
— third parties	—	4	15	—	19
— related parties	(1,171)	(156)	(118)	1,819	374
Share repurchase —					
intercompany	400	—	—	(400)	—
Premiums paid to purchase					
derivative instruments	—	(57)	—	—	(57)
Net proceeds from settlement of					
derivative instruments	45	94	9	—	148
Net cash provided by (used in)					
investing activities	(745)	(225)	(124)	1,419	325
FINANCING ACTIVITIES					
Proceeds from issuance of debt					
— third parties	1,875	825	79	—	2,779
— related parties	40	1,526	253	(1,819)	—
Principal repayments					
— third parties	(1,153)	(574)	(95)	—	(1,822)
— related parties	(192)	(988)	—	—	(1,180)
Short-term borrowings — net					
— third parties	2	(47)	(100)	—	(145)
— related parties	(30)	(281)	9	—	(302)
Share repurchase —					
intercompany	—	(400)	—	400	—
Dividends					
— common shareholders	(27)	(176)	(2)	178	(27)
— minority interests	—	—	(7)	—	(7)
Net receipts from (payments to)					
Alcan	100	(21)	(7)	—	72
Debt issuance costs	(49)	(22)	—	—	(71)
Net cash provided by (used in)					
financing activities	566	(158)	130	(1,241)	(703)
Net increase in cash and cash					
equivalents	2	24	45	—	71
Effect of exchange rate changes					
on cash balances held in					
foreign currencies	—	(2)	—	—	(2)
Cash and cash equivalents —					
beginning of period	—	12	19	—	31
Cash and cash equivalents — end					
of period	\$ 2	\$ 34	\$ 64	\$ —	\$ 100

(A) See Note 2 — Restatement of Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Novelis Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (unaudited)**
(in millions)

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007 (Restated)(A)	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
Net sales	<u>\$ 3,103</u>	<u>\$ 1,547</u>	<u>\$ 1,281</u>
Cost of goods sold (exclusive of depreciation and amortization shown below)	2,831	1,436	1,205
Selling, general and administrative expenses	84	42	95
Depreciation and amortization	116	53	28
Research and development expenses	12	13	6
Interest expense and amortization of debt issuance costs — net	40	25	26
(Gain) loss on change in fair value of derivative instruments — net	(66)	(14)	(20)
Equity in net (income) loss of non-consolidated affiliates	2	1	(1)
Sale transaction fees	—	—	32
Other (income) expenses — net	<u>22</u>	<u>11</u>	<u>4</u>
	<u>3,041</u>	<u>1,567</u>	<u>1,375</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	62	(20)	(94)
Provision (benefit) for taxes on income (loss)	<u>35</u>	<u>27</u>	<u>4</u>
Income (loss) before minority interests' share	27	(47)	(98)
Minority interests' share	<u>(2)</u>	<u>2</u>	<u>1</u>
Net income (loss)	<u>25</u>	<u>(45)</u>	<u>(97)</u>
Other comprehensive income (loss) — net of tax Currency translation adjustment	10	(2)	35
Change in fair value of effective portion of hedges — net	11	1	(1)
Amortization of net actuarial loss for postretirement benefit plans	—	—	(1)
Other comprehensive income (loss) — net of tax	<u>21</u>	<u>(1)</u>	<u>33</u>
Comprehensive income (loss)	<u>\$ 46</u>	<u>\$ (46)</u>	<u>\$ (64)</u>

(A) See Note 2 — Restatement of Financial Statements.

Novelis Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in millions, except number of shares)

	As of	
	<u>June 30, 2008</u>	<u>March 31, 2008</u>
	<i>Successor</i>	<i>(Restated)(A) Successor</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 296	\$ 326
Accounts receivable (net of allowances of \$1 as of June 30, 2008 and March 31, 2008)		
— third parties	1,577	1,248
— related parties	27	31
Inventories	1,577	1,455
Prepaid expenses and other current assets	86	58
Current portion of fair value of derivative instruments	198	203
Deferred income tax assets	<u>111</u>	<u>125</u>
Total current assets	3,872	3,446
Property, plant and equipment — net	3,253	3,357
Goodwill	1,868	1,869
Intangible assets — net	868	888
Investment in and advances to non-consolidated affiliates	938	946
Fair value of derivative instruments — net of current portion	32	21
Deferred income tax assets	9	12
Other long-term assets		
— third parties	92	102
— related parties	<u>37</u>	<u>41</u>
Total assets	<u>\$ 10,969</u>	<u>\$ 10,682</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 14	\$ 15
Short-term borrowings	430	115
Accounts payable		
— third parties	1,613	1,582
— related parties	61	55
Accrued expenses and other current liabilities	805	850
Deferred income tax liabilities	<u>46</u>	<u>39</u>
Total current liabilities	2,969	2,656
Long-term debt — net of current portion	2,553	2,560
Deferred income tax liabilities	695	701
Accrued postretirement benefits	435	421
Other long-term liabilities	<u>599</u>	<u>672</u>
	<u>7,251</u>	<u>7,010</u>
Commitments and contingencies		
Minority interests in equity of consolidated affiliates	<u>149</u>	<u>149</u>
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 77,459,658 shares issued and outstanding as of June 30, 2008 and March 31, 2008	—	—
Additional paid-in capital	3,497	3,497
Retained earnings (Accumulated deficit)	5	(20)
Accumulated other comprehensive income (loss)	<u>67</u>	<u>46</u>
Total shareholder's equity	<u>3,569</u>	<u>3,523</u>
Total liabilities and shareholder's equity	<u>\$ 10,969</u>	<u>\$ 10,682</u>

(A) See Note 2 — Restatement of Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	(Restated)(A) <i>Successor</i>	<i>Predecessor</i>
OPERATING ACTIVITIES			
Net income (loss)	\$ 25	\$ (45)	\$ (97)
Adjustments to determine net cash provided by (used in) operating activities:			
Depreciation and amortization	116	53	28
(Gain) loss on change in fair value of derivative instruments — net	(66)	(14)	(20)
Deferred income taxes	10	14	(18)
Amortization of debt issuance costs	1	—	1
Write-off and amortization of fair value adjustments — net	(64)	(6)	—
Equity in net (income) loss of non-consolidated affiliates	2	1	(1)
Dividends from non-consolidated affiliates	—	—	4
Minority interests' share	2	(2)	(1)
Impairment charges on long-lived assets	1	—	—
(Gain) loss on sales of property, plant and equipment — net	(1)	—	—
Changes in assets and liabilities:			
Accounts receivable			
— third parties	(337)	(59)	(21)
— related parties	(2)	—	—
Inventories	(129)	70	(76)
Prepaid expenses and other current assets	(29)	5	(7)
Other long-term assets	8	(1)	(1)
Accounts payable			
— third parties	63	—	(62)
— related parties	11	1	—
Accrued expenses and other current liabilities	(5)	(78)	42
Accrued postretirement benefits	16	5	1
Other long-term liabilities	27	12	(2)
Net cash provided by (used in) operating activities	(351)	(44)	(230)
INVESTING ACTIVITIES			
Capital expenditures	(33)	(22)	(17)
Proceeds from sales of property, plant and equipment	1	1	—
Changes to investment in and advances to non- consolidated affiliates	6	1	1
Proceeds from loans receivable — net — related parties	8	4	—
Net proceeds from settlement of derivative instruments	34	29	18
Net cash provided by (used in) investing activities	16	13	2
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	—	92	—
Proceeds from issuance of debt	—	—	150
Principal repayments	(4)	(46)	(1)
Short-term borrowings — net	313	83	60
Dividends — minority interests	—	(1)	(7)
Debt issuance costs	—	(13)	(2)
Proceeds from the exercise of stock options	—	—	1
Net cash provided by (used in) financing activities	309	115	201
Net increase (decrease) in cash and cash equivalents	(26)	84	(27)
Effect of exchange rate changes on cash balances held in foreign currencies			
Cash and cash equivalents — beginning of period	326	102	128
Cash and cash equivalents — end of period	<u>\$ 296</u>	<u>\$ 186</u>	<u>\$ 102</u>
Supplemental disclosures of cash flow information:			
Interest paid	\$ 17	\$ 14	\$ 13
Income taxes paid	\$ 55	\$ 12	\$ 9
Supplemental schedule of non-cash investing and financing activities related to the Acquisition of Novelis Common Stock (See Note 1):			
Property, plant and equipment		\$ (1,244)	
Goodwill		\$ (1,866)	
Intangible assets		\$ (859)	
Investment in and advances to non-consolidated affiliates		\$ (610)	
Debt		\$ 66	

Novelis Inc.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)
(in millions, except number of shares)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<i>Successor</i>						
Balance as of March 31, 2008						
(Restated)(A)	77,459,658	\$ —	\$ 3,497	\$ (20)	\$ 46	\$ 3,523
Net income (loss).....	—	—	—	25	—	25
Currency translation adjustment.....	—	—	—	—	10	10
Change in fair value of effective portion of hedges — net.....	—	—	—	—	11	11
Balance as of June 30, 2008	<u>77,459,658</u>	<u>\$ —</u>	<u>\$ 3,497</u>	<u>\$ 5</u>	<u>\$ 67</u>	<u>\$ 3,569</u>

(A) See Note 2 — Restatement of Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)

1. Business and Summary of Significant Accounting Policies

References herein to “Novelis,” the “Company,” “we,” “our,” or “us” refer to Novelis Inc. and its subsidiaries unless the context specifically indicates otherwise. References herein to “Hindalco” refer to Hindalco Industries Limited. In October 2007, the Rio Tinto Group purchased all the outstanding shares of Alcan, Inc. References herein to “Alcan” refer to Rio Tinto Alcan Inc.

Description of Business and Basis of Presentation

Novelis Inc., formed in Canada on September 21, 2004, and its subsidiaries, is the world’s leading aluminum rolled products producer based on shipment volume. We produce aluminum sheet and light gauge products where the end-use destination of the products includes the construction and industrial, beverage and food cans, foil products and transportation markets. As of June 30, 2008, we had operations on four continents: North America; Europe; Asia and South America, through 32 operating plants, one research facility and several market-focused innovation centers in 11 countries. In addition to aluminum rolled products plants, our South American businesses include bauxite mining, alumina refining, primary aluminum smelting and power generation facilities that are integrated with our rolling plants in Brazil.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K/A for the year ended March 31, 2008 filed with the United States Securities and Exchange Commission (SEC) on August 11, 2008. The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to SEC Rule 10-01 of Regulation S-X. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading.

Acquisition of Novelis Common Stock and Predecessor and Successor Reporting

On May 15, 2007, the Company was acquired by Hindalco through its indirect wholly-owned subsidiary pursuant to a plan of arrangement (the Arrangement) at a price of \$44.93 per share. The aggregate purchase price for all of the Company’s common shares was \$3.4 billion and Hindalco also assumed \$2.8 billion of Novelis’ debt for a total transaction value of \$6.2 billion. Subsequent to completion of the Arrangement on May 15, 2007, all of our common shares were indirectly held by Hindalco.

Our acquisition by Hindalco was recorded in accordance with Staff Accounting Bulletin No. 103, *Push Down Basis of Accounting Required in Certain Limited Circumstances* (SAB No. 103). In the accompanying condensed consolidated balance sheets, the consideration and related costs paid by Hindalco in connection with the acquisition have been “pushed down” to us and have been allocated to the assets acquired and liabilities assumed in accordance with Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations*. Due to the impact of push down accounting, the Company’s condensed consolidated financial statements and certain note presentations for the three months ended June 30, 2007 are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented: (1) the period up to, and including, the acquisition date (April 1, 2007 through May 15, 2007, labeled “Predecessor”) and (2) the period after that date (May 16, 2007 through June 30, 2007, labeled “Successor”). The accompanying condensed consolidated financial statements include a black line division which indicates that the Predecessor and Successor reporting entities shown are not comparable.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)

Interim Reporting

The unaudited results of operations for the interim periods shown in these condensed consolidated financial statements, including the periods shown as Predecessor and Successor, are not necessarily indicative of operating results for the entire fiscal year. In the opinion of management, the accompanying unaudited condensed consolidated financial statements recognize all adjustments of a normal recurring nature considered necessary to fairly state our consolidated financial position as of June 30, 2008 and March 31, 2008; the consolidated results of our operations and consolidated cash flows for (1) the three months ended June 30, 2008 and (2) the periods from May 16, 2007 through June 30, 2007 (as restated); and from April 1, 2007 through May 15, 2007; and changes in our consolidated shareholder's equity for the three months ended June 30, 2008.

Dividends

Our board of directors has declared no dividends since October 26, 2006. Future dividends are at the discretion of the board of directors and will depend on, among other things, our financial resources, cash flows generated by our business, our cash requirements, restrictions under the instruments governing our indebtedness, being in compliance with the appropriate indentures and covenants under the instruments that govern our indebtedness that would allow us to legally pay dividends and other relevant factors.

Recently Adopted Accounting Standards

The following accounting standards have been adopted by us during the three months ended June 30, 2008.

On April 1, 2008, we adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115* (FASB Statement No. 159). FASB Statement No. 159 permits entities to choose to measure financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the "fair value option") with changes in fair value reported in earnings each reporting period. The fair value option enables some companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently without applying the complex hedge accounting requirements under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FASB Statement No. 133), to achieve similar results. We already record our derivative contracts and hedging activities at fair value in accordance with FASB Statement No. 133. We did not elect the fair value option for any other financial instruments or certain other financial assets and liabilities that were not previously required to be measured at fair value.

On April 1, 2008, we adopted FASB Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), as it relates to financial assets and financial liabilities. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed our required adoption date of FASB Statement No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until April 1, 2009. Also in February 2008, the FASB issued FASB Staff Position No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, which states that FASB Statement No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under FASB Statement No. 13 are excluded from the provisions of FASB Statement No. 157, except for assets and liabilities related to leases assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141 or FASB Statement No. 141 (Revised), *Business Combinations*. See Note 15 — Fair Value Measurements regarding our adoption of this standard.

Novelis Inc.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

On April 1, 2008, we adopted FASB Staff Position (FSP) No. FIN 39-1, *Amendment of FASB Interpretation No. 39*, (FSP FIN 39-1). FSP FIN 39-1 amends FASB Statement No. 39, *Offsetting of Amounts Related to Certain Contracts*, by permitting entities that enter into master netting arrangements as part of their derivative transactions to offset in their financial statements net derivative positions against the fair value of amounts (or amounts that approximate fair value) recognized for the right to reclaim cash collateral or the obligation to return cash collateral under those arrangements. Our adoption of this standard did not have a material impact on our consolidated financial position, results of operations and cash flows.

Recently Issued Accounting Standards

The following new accounting standards have been issued, but have not yet been adopted by us as of June 30, 2008, as adoption is not required until future reporting periods.

In May 2008, the FASB issued Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FASB Statement No. 162). FASB Statement No. 162 defines the order in which accounting principles that are generally accepted should be followed. FASB Statement No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. We have not yet commenced evaluating the potential impact, if any, of the adoption of FASB Statement No. 162 on our consolidated financial position, results of operations and cash flows.

In April 2008, the FASB issued Staff Position No. FAS 142-3, *Determination of Useful Life of Intangible Assets*, (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier adoption is prohibited. We have not yet commenced evaluating the potential impact, if any, of the adoption of FSP FAS 142-3 on our consolidated financial position, results of operations and cash flows.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (FASB Statement No. 161), an amendment of FASB Statement No. 133. FASB Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. FASB Statement No. 161 permits, but does not require, comparative disclosures for earlier periods upon initial adoption. We have not yet commenced evaluating the potential impact, if any, of the adoption of FASB Statement No. 161 on our consolidated financial position, results of operations, cash flows or disclosures related to derivative instruments and hedging activities.

In December 2007, the FASB issued Statement No. 141 (Revised), *Business Combinations*, (FASB Statement No. 141(R)) which establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FASB Statement No. 141(R) also requires acquirers to estimate the acquisition-date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. We will be required to apply this new standard prospectively to business combinations for which the acquisition date is on or

Novelis Inc.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

after the beginning of the annual reporting period beginning on or after December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FASB Statement No. 141(R) amends certain provisions of FASB Statement No. 109, *Accounting for Income Taxes*, such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FASB Statement No. 141(R) would also apply the provisions of FASB Statement No. 141(R). Early adoption is prohibited. We are currently evaluating the effects that FASB Statement No. 141(R) may have on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (FASB Statement No. 160), which establishes accounting and reporting standards that require: (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within shareholder's equity, but separate from the parent's equity; (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and (iii) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. FASB Statement No. 160 applies to fiscal years beginning after December 15, 2008. Earlier adoption is prohibited. We have not yet commenced evaluating the potential impact, if any, of the adoption of FASB Statement No. 160 on our consolidated financial position, results of operations and cash flows.

We have determined that all other recently issued accounting standards will not have a material impact on our consolidated financial position, results of operations or cash flows, or do not apply to our operations.

2. Restatement of Financial Statements

The Company has restated its consolidated financial statements as of March 31, 2008 and for the period from May 16, 2007 through March 31, 2008. This restatement corrects non-cash errors relating to our application of purchase accounting associated with an equity method investment which led to a misstatement of our provision for income taxes during the period we were finalizing our purchase accounting. The impact of the restatement on the period from May 16, 2007 through June 30, 2007 represented the correction of other miscellaneous adjustments related to an overstatement of deferred income tax expense that were deemed to be not material by management, either individually or in the aggregate. These adjustments do not have an impact on our compliance with the financial covenants under our 7.25% Senior Notes or under our New Senior Secured Credit Facilities (see Note 9 — Debt to our accompanying condensed consolidated financial statements). See our Form 10-K/A filed with the SEC on August 11, 2008 for details of these corrections, including the effects of the restatement on the March 31, 2008 balance sheet.

The following tables highlight the financial statement effect related to the above corrections for the period from May 16, 2007 through June 30, 2007.

Novelis Inc.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

Our condensed consolidated statement of operations and comprehensive income (loss) for the period from May 16, 2007 through June 30, 2007 is restated as follows (in millions).

	May 16, 2007 Through June 30, 2007		
	As Previously Reported	Restatements	As Restated
	<i>Successor</i>		<i>Successor</i>
Net sales	\$ 1,547	\$ —	\$ 1,547
Cost of goods sold (exclusive of depreciation and amortization shown below)	1,436	—	1,436
Selling, general and administrative expenses	42	—	42
Depreciation and amortization	53	—	53
Research and development expenses....	13	—	13
Interest expense and amortization of debt issuance costs — net.....	25	—	25
(Gain) loss on change in fair value of derivative instruments — net	(14)	—	(14)
Equity in net (income) loss of non-consolidated affiliates.....	1	—	1
Other (income) expenses — net	<u>11</u>	<u>—</u>	<u>11</u>
	<u>1,567</u>	<u>—</u>	<u>1,567</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(20)	—	(20)
Provision (benefit) for taxes on income (loss)	<u>36</u>	<u>(9)</u>	<u>27</u>
Income (loss) before minority interests' share.....	(56)	9	(47)
Minority interests' share.....	<u>2</u>	<u>—</u>	<u>2</u>
Net income (loss)	<u>(54)</u>	<u>9</u>	<u>(45)</u>
Other comprehensive income (loss) — net of tax			
Currency translation adjustment.....	(2)	—	(2)
Change in fair value of effective portion of hedges — net	<u>1</u>	<u>—</u>	<u>1</u>
Other comprehensive income (loss) — net of tax	<u>(1)</u>	<u>—</u>	<u>(1)</u>
Comprehensive income (loss)	<u>\$ (55)</u>	<u>\$ 9</u>	<u>\$ (46)</u>

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

Our condensed consolidated statement of cash flows for the period from May 16, 2007 through June 30, 2007 is restated as follows (in millions).

	May 16, 2007 Through June 30, 2007		
	As Previously Reported	Restatements	As Restated
	<i>Successor</i>		<i>Successor</i>
OPERATING ACTIVITIES			
Net income (loss)	\$ (54)	\$ 9	\$ (45)
Adjustments to determine net cash provided by (used in) operating activities:			
Depreciation and amortization	53	—	53
(Gain) loss on change in fair value of derivative instruments — net	(14)	—	(14)
Deferred income taxes	23	(9)	14
Write-off and amortization of fair value adjustments — net	(6)	—	(6)
Equity in net (income) loss of non-consolidated affiliates	1	—	1
Minority interests' share	(2)	—	(2)
Changes in assets and liabilities (net of effects from acquisitions and divestitures):			
Accounts receivable — third parties	(59)	—	(59)
Inventories	70	—	70
Prepaid expenses and other current assets	5	—	5
Other long-term assets	(1)	—	(1)
Accounts payable — related parties	1	—	1
Accrued expenses and other current liabilities	(78)	—	(78)
Accrued postretirement benefits	5	—	5
Other long-term liabilities	<u>12</u>	<u>—</u>	<u>12</u>
Net cash provided by (used in) operating activities	<u>(44)</u>	<u>—</u>	<u>(44)</u>
INVESTING ACTIVITIES			
Capital expenditures	(22)	—	(22)
Proceeds from sales of assets	1	—	1
Changes to investment in and advances to non-consolidated affiliates	1	—	1
Proceeds from loans receivable — net — related parties	4	—	4
Net proceeds from settlement of derivative instruments	<u>29</u>	<u>—</u>	<u>29</u>
Net cash provided by (used in) investing activities	13	—	13
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	92	—	92
Principal repayments	(46)	—	(46)
Short-term borrowings — net	83	—	83
Dividends — minority interests	(1)	—	(1)
Debt issuance costs	<u>(13)</u>	<u>—</u>	<u>(13)</u>
Net cash provided by (used in) financing activities	<u>115</u>	<u>—</u>	<u>115</u>
Net increase (decrease) in cash and cash equivalents	84	—	84
Effect of exchange rate changes on cash balances held in foreign currencies	—	—	—
Cash and cash equivalents — beginning of period	<u>102</u>	<u>—</u>	<u>102</u>
Cash and cash equivalents — end of period	<u>\$ 186</u>	<u>\$ —</u>	<u>\$ 186</u>

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

3. Restructuring Programs

The following table summarizes the activity in our restructuring reserves (in millions).

	<u>Severance Reserves</u>			<u>Other Exit Related Reserves</u>			<u>Total Restructuring Reserves</u>
	<u>North</u>		<u>Total</u>	<u>North</u>		<u>Total</u>	
	<u>Europe</u>	<u>America</u>		<u>Europe</u>	<u>America</u>		
<i>Successor:</i>							
Balance as of March 31, 2008	\$ 4	\$ 3	\$ 7	\$ 16	\$ 1	\$ 17	\$ 24
Provisions (recoveries) — net	—	(1)	(1)	—	—	—	(1)
Cash payments.....	(1)	—	(1)	(1)	—	(1)	(2)
Adjustments — other.....	<u>—</u>	<u>2</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
Balance as of June 30, 2008	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 7</u>	<u>\$ 15</u>	<u>\$ 1</u>	<u>\$ 16</u>	<u>\$ 23</u>

4. Inventories

Inventories consist of the following (in millions).

	<u>As of</u>	
	<u>June 30, 2008</u>	<u>March 31, 2008</u>
	<i>Successor</i>	<i>Successor</i>
Finished goods.....	\$ 355	\$ 357
Work in process.....	609	638
Raw materials.....	526	386
Supplies	<u>88</u>	<u>75</u>
	1,578	1,456
Allowances	<u>(1)</u>	<u>(1)</u>
Inventories	<u>\$ 1,577</u>	<u>\$ 1,455</u>

5. Property, Plant and Equipment

Property, plant and equipment — net, consists of the following (in millions).

	<u>As of</u>	
	<u>June 30, 2008</u>	<u>March 31, 2008</u>
	<i>Successor</i>	<i>Successor</i>
Land and property rights	\$ 260	\$ 258
Buildings	844	826
Machinery and equipment.....	<u>2,481</u>	<u>2,460</u>
	3,585	3,544
Accumulated depreciation and amortization	<u>(413)</u>	<u>(331)</u>
	3,172	3,213
Construction in progress.....	<u>81</u>	<u>144</u>
Property, plant and equipment — net	<u>\$ 3,253</u>	<u>\$ 3,357</u>

Total depreciation expense is shown in the table below (in millions). We had no material interest capitalized on construction projects related to property, plant and equipment for the periods presented.

	<u>Three Months Ended June 30, 2008</u>	<u>May 16, 2007 Through June 30, 2007</u>	<u>April 1, 2007 Through May 15, 2007</u>
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
Depreciation expense related to property, plant and equipment....	<u>\$ 103</u>	<u>\$ 49</u>	<u>\$ 28</u>

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

6. Goodwill and Intangible Assets

Goodwill

Goodwill by operating segment is as follows (in millions).

<u>Operating Segment</u>	<u>As of March 31, 2008</u>	<u>Adjustments</u>	<u>As of June 30, 2008</u>
	(Restated)		
	<i>Successor</i>		<i>Successor</i>
North America	\$ 1,093	\$(1)(A)	\$ 1,092
Europe	515	—	515
Asia	—	—	—
South America	261	—	261
	<u>\$ 1,869</u>	<u>\$ (1)</u>	<u>\$ 1,868</u>

- (A) Adjustment for final payment related to the transfer of pension plans in Canada for employees who elected to transfer their past service to Novelis. Plan assets transferred exceeded plan liabilities assumed by \$1 million (See Note 12 — Postretirement Benefit Plans).

Intangible Assets

The following table summarizes the components of intangible assets (in millions).

	<u>As of</u>				<u>As of</u>			
	<u>June 30, 2008</u>		<u>Successor</u>		<u>March 31, 2008</u>		<u>Successor</u>	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Estimated Useful Life
Tradenames	\$ 152	\$ (9)	\$ 143	20 years	\$ 152	\$ (6)	\$ 146	20 years
Technology	169	(13)	156	15 years	169	(10)	159	15 years
Customer-related intangible assets	482	(27)	455	20 years	484	(21)	463	20 years
Favorable energy supply contract	124	(17)	107	9.5 years	124	(13)	111	9.5 years
Other favorable contracts	15	(8)	7	3.3 years	15	(6)	9	3.3 years
	<u>\$ 942</u>	<u>\$ (74)</u>	<u>\$ 868</u>	17.2 years	<u>\$ 944</u>	<u>\$ (56)</u>	<u>\$ 888</u>	17.2 years

Our favorable energy supply contract and other favorable contracts are amortized over their estimated useful lives using methods that reflect the pattern in which the economic benefits are expected to be consumed. All other intangible assets are amortized using the straight-line method over their estimated useful lives.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

The components of amortization expense related to intangible assets are as follows (in millions):

	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>
Total Amortization expense related to intangible assets	\$ 18	\$ 7	\$ —
Less: Amortization expense related to intangible assets included in <i>Cost of goods sold</i> (A).....	<u>5</u>	<u>3</u>	<u>—</u>
Amortization expense related to intangible assets included in <i>Depreciation and amortization</i>	<u>\$ 13</u>	<u>\$ 4</u>	<u>\$ —</u>

(A) Relates to amortization of favorable energy and other supply contracts.

Estimated total amortization expense related to intangible assets for each of the five succeeding fiscal years is as follows (in millions). Actual amounts may differ from these estimates due to such factors as customer turnover, raw material consumption patterns, impairments, additional intangible asset acquisitions and other events.

Fiscal Year Ending March 31,

2009 (remaining nine months).....	\$ 46
2010	60
2011	56
2012	55
2013	55

7. Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions

The following table summarizes the ownership structure and our ownership percentage of the non-consolidated affiliates in which we have an investment as of June 30, 2008, and which we account for using the equity method. We have no material investments in affiliates that we account for using the cost method.

<u>Affiliate Name</u>	<u>Ownership Structure</u>	<u>Ownership Percentage</u>
Aluminium Norf GmbH	Corporation	50%
Consorcio Candonga	Unincorporated Joint Venture	50%
MiniMRF LLC	Limited Liability Company	50%
Deutsche Aluminium Verpackung Recycling GmbH	Corporation	30%
France Aluminium Recyclage S.A.	Public Limited Company	20%

The following table summarizes the condensed results of operations of our equity method affiliates (on a 100% basis, in millions) on a historical basis of accounting. These results do not include the incremental depreciation and amortization expense that we record in our equity method accounting, which arises as a result of the amortization of fair value adjustments we made to our investments in non-consolidated affiliates due to the Arrangement. For the three months ended June 30, 2008 and the period from May 16, 2007 through June 30, 2007, we recorded incremental depreciation and amortization expense, net of tax of \$9 million and \$3 million, respectively, as part of our equity method accounting for these affiliates.

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
Net sales	\$ 157	\$ 85	\$ 45
Costs, expenses and provisions for taxes on income	<u>142</u>	<u>81</u>	<u>43</u>
Net income	<u>\$ 15</u>	<u>\$ 4</u>	<u>\$ 2</u>

Included in the accompanying condensed consolidated financial statements are transactions and balances arising from business we conduct with these non-consolidated affiliates, which we classify as related party transactions and balances. We earned less than \$1 million of interest income on a loan due

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

from Aluminum Norf GmbH during each of the following periods: the three months ended June 30, 2008; the period from May 16, 2007 through June 30, 2007 and the period from April 1, 2007 through May 15, 2007. The following table describes the nature and amounts of significant transactions that we had with related parties (in millions).

	Three Months Ended <u>June 30, 2008</u> <i>Successor</i>	May 16, 2007 Through <u>June 30, 2007</u> <i>Successor</i>	April 1, 2007 Through <u>May 15, 2007</u> <i>Predecessor</i>
Purchases of tolling services and electricity			
Aluminium Norf GmbH(A).....	\$ 71	\$ 41	\$ 21
Consortio Candonga(B).....	<u>3</u>	<u>2</u>	<u>1</u>
Total purchases from related parties.....	<u>\$ 74</u>	<u>\$ 43</u>	<u>\$ 22</u>

(A) We purchase tolling services (the conversion of customer-owned metal) from Aluminium Norf GmbH.

(B) We purchase electricity from Consortio Candonga for our operations in South America.

The following table describes the period-end account balances that we have with these non-consolidated affiliates, shown as related party balances in the accompanying condensed consolidated balance sheets (in millions). We have no other material related party balances.

	As of	
	<u>June 30, 2008</u>	<u>March 31, 2008</u>
	<i>Successor</i>	<i>Successor</i>
Accounts receivable(A).....	\$ 27	\$ 31
Other long-term receivables(A).....	\$ 37	\$ 41
Accounts payable(B).....	\$ 61	\$ 55

(A) The balances represent current and non-current portions of a loan due from Aluminium Norf GmbH.

(B) We purchase tolling services from Aluminium Norf GmbH and electricity from Consortio Candonga.

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities are comprised of the following (in millions).

	As of	
	<u>June 30, 2008</u>	<u>March 31, 2008</u>
	<i>Successor</i>	<i>Successor</i>
Accrued compensation and benefits.....	\$ 125	\$ 141
Accrued settlement of legal claim.....	39	39
Accrued interest payable.....	41	15
Accrued income taxes.....	8	35
Current portion of fair value of unfavorable sales contracts.....	233	242
Current portion of fair value of derivative instruments.....	120	148
Other current liabilities.....	<u>239</u>	<u>230</u>
Accrued expenses and other current liabilities.....	<u>\$ 805</u>	<u>\$ 850</u>

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

9. Debt

Debt consists of the following (in millions).

Debt consists of the following (in millions).

		As of June 30, 2008			March 31, 2008		
	Interest Rates(A)	Principal	Unamortized Fair Value Adjustments(B)	Carrying Value	Principal	Unamortized Fair Value Adjustments(B)	Carrying Value
			Successor			Successor	
Novelis Inc.							
7.25% Senior Notes, due February 2015.....	7.25%	\$ 1,399	\$ 65	\$ 1,464	\$ 1,399	\$ 67	\$ 1,466
Floating rate Term Loan facility due July 2014.....	4.79%	297	—	297	298	—	298
Novelis Corporation							
Floating rate Term Loan facility, due July 2014	4.79%(C)	653	—	653	655	—	655
Novelis Switzerland S.A.							
Capital lease obligation, due January 2020 (Swiss francs (CHF) 53 million).....	7.50%	52	(3)	49	54	(4)	50
Capital lease obligation, due August 2011 (CHF 3 million) .	2.49%	3	—	3	3	—	3
Novelis Korea Limited							
Bank loan, due October 2010	5.44%	100	—	100	100	—	100
Bank loans, due September 2008 through June 2011 (KRW 1 billion).....	3.56%(D)	—	—	—	1	—	1
Other							
Other debt, due April 2008 through December 2012.....	1.64%(D)	1	—	1	2	—	2
Total debt		2,505	62	2,567	2,512	63	2,575
Less: current portion....		(14)	—	(14)	(15)	—	(15)
Long-term debt — net of current portion		<u>\$ 2,491</u>	<u>\$ 62</u>	<u>\$ 2,553</u>	<u>\$ 2,497</u>	<u>\$ 63</u>	<u>\$ 2,560</u>

(A) Interest rates are as of June 30, 2008 and exclude the effects of accretion/amortization of fair value adjustments as a result of the Arrangement.

(B) Debt was recorded at fair value as a result of the Arrangement.

(C) Excludes the effect of any related interest rate swaps. See *New Senior Secured Credit Facilities*.

(D) Weighted average interest rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

New Senior Secured Credit Facilities

On July 6, 2007, we entered into new senior secured credit facilities with a syndicate of lenders led by affiliates of UBS and ABN AMRO (New Credit Facilities) providing for aggregate borrowings of up to \$1.76 billion. The New Credit Facilities consist of (1) a \$960 million seven-year Term Loan facility (Term Loan facility) and (2) an \$800 million five year multi-currency asset-based revolving credit line and letter of credit facility (ABL facility).

We incurred debt issuance costs on our New Credit Facilities totaling \$32 million. These fees are included in *Other long-term assets — third parties* and are being amortized over the life of the related borrowing in *Interest expense and amortization of debt issuance costs — net* using the “effective interest amortization” method for the Term Loan facility and the straight-line method for the ABL facility. The unamortized amount of these costs was \$25 million and \$27 million as of June 30, 2008 and March 31, 2008, respectively.

During the quarter ended December 31, 2007, we entered into interest rate swaps to fix the variable LIBOR interest rate for up to \$600 million of our floating rate Term Loan facility at effective weighted average interest rates and amounts expiring as follows: (i) 4.1% on \$600 million through September 30, 2008, (ii) 4.0% on \$500 million through March 31, 2009 and (iii) 4.0% on \$400 million through March 31, 2010. We are still obligated to pay any applicable margin, as defined in our New Credit Facilities, in addition to these interest rates.

7.25% Senior Notes

On February 3, 2005, we issued \$1.4 billion aggregate principal amount of senior unsecured debt securities (Senior Notes). The Senior Notes were priced at par, bear interest at 7.25% and mature on February 15, 2015.

As a result of the Arrangement, the Senior Notes were recorded at their fair value of \$1.474 billion based on their market price of 105.25% of \$1,000 face value per bond as of May 14, 2007. The incremental fair value of \$74 million is being amortized to interest income over the remaining life of the Senior Notes in *Interest expense and amortization of debt issuance costs — net* using the “effective interest amortization” method. Due to the change in the market price of our senior notes from 105.25% as of May 14, 2007 to 94.25% as of June 30, 2008, the estimated fair value of this debt has decreased \$155 million to \$1.318 billion.

Short-Term Borrowings and Lines of Credit

As of June 30, 2008, our short-term borrowings were \$430 million consisting of (1) \$359 million of short-term loans under our ABL facility, (2) a \$40 million short-term loan in Korea and (3) \$31 million in bank overdrafts. As of June 30, 2008, \$30 million of our ABL facility was utilized for letters of credit and we had \$411 million in remaining availability under this revolving credit facility.

As of June 30, 2008, we had an additional \$158 million under letters of credit in Korea not included in our revolving credit facility. The weighted average interest rate on our total short-term borrowings was 3.63% and 4.12% as of June 30, 2008 and March 31, 2008, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

10. Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) is comprised of the following (in millions).

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
Net change in foreign currency translation adjustments.....	\$ 10	\$ (13)	\$ 31
Net change in fair value of effective portion of hedges	19	2	(1)
Amortization of net actuarial loss for postretirement benefit plans	—	—	(1)
Net other comprehensive income (loss), before income tax effect.....	29	(11)	29
Income tax effect.....	(8)	10	4
Other comprehensive income (loss)	<u>\$ 21</u>	<u>\$ (1)</u>	<u>\$ 33</u>

Accumulated other comprehensive income (loss), net of income tax effects, is comprised of the following (in millions).

	As of	
	June 30, 2008	March 31, 2008 (Restated)
	<i>Successor</i>	<i>Successor</i>
Foreign currency translation adjustments.....	\$ 69	\$ 59
Fair value of effective portion of hedges — net	11	—
Postretirement benefit plans:		
Pension and other benefits.....	(13)	(13)
Accumulated other comprehensive income (loss).....	<u>\$ 67</u>	<u>\$ 46</u>

11. Share-Based Compensation

Novelis Long-Term Incentive Plan

In June 2008, our board of directors authorized the Novelis Long-Term Incentive Plan FY 2009 — FY 2012 (2009 LTIP) covering the performance period from April 1, 2008 through March 31, 2012. Under the 2009 LTIP, phantom stock appreciation rights (SARs) are to be granted to certain of our executive officers and key employees. The SARs will vest at the rate of 25% per year, subject to performance criteria (see below) and expire seven years from their grant date. Each SAR is to be settled in cash based on the difference between the market value of one Hindalco share on the date of grant compared to the date of exercise, converted from Indian rupees to U.S. dollars at the time of exercise. The amount of cash paid would be limited to (i) 2.5 times the target payout if exercised within one year of vesting or (ii) 3 times the target payout if exercised after one year of vesting. The SARs do not transfer any shareholder rights in Hindalco to a participant. As of June 30, 2008, no SARs have been awarded.

The performance criterion for vesting is based on the actual overall Novelis Operating Earnings before Interest, Depreciation, Amortization and Taxes (Operating EBITDA, as defined in the 2009 LTIP) compared to the target Operating EBITDA established and approved each fiscal year. The

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

minimum threshold for vesting each year is 75% of each annual target Operating EBITDA, at which point 75% of the SARs for that period would vest, with an equal pro rata amount of SARs vesting through 100% achievement of the target.

Pre-Acquisition Share-Based Compensation Expense

As a result of our acquisition by Hindalco on May 15, 2007, all of our share-based compensation awards (except for our Recognition Awards) were accelerated to vest, cancelled and settled in cash using the \$44.93 purchase price per common share paid by Hindalco in the transaction. Compensation expense resulting from the accelerated vesting of plan awards, totaling \$45 million is included in *Selling, general and administrative expenses* in our condensed consolidated statement of operations for the period from April 1, 2007 through May 15, 2007.

Total Share-Based Compensation Expense for the respective periods is presented in the table below (in millions). These amounts are included in *Selling, general and administrative expenses* in our condensed consolidated statements of operations.

	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>
Recognition Awards.....	\$0.1	\$0.4	\$ 1.5
Novelis 2006 Incentive Plan (stock options).....	n.a.	n.a.	14.5
Novelis 2006 Incentive Plan (SAR's)	n.a.	n.a.	5.6
Novelis Conversion Plan of 2005.....	n.a.	n.a.	23.8
Stock Price Appreciation Unit Plan.....	n.a.	n.a.	(0.5)
Deferred Share Unit Plan for Non-Executive Directors	n.a.	n.a.	0.2
Novelis Founders Performance Awards	<u>n.a.</u>	<u>n.a.</u>	<u>0.1</u>
Total Share-Based Compensation Expense	<u>\$0.1</u>	<u>\$0.4</u>	<u>\$ 45.2</u>

n.a. — not applicable

12. Postretirement Benefit Plans

Components of net periodic benefit cost for all of our significant postretirement benefit plans are shown in the table below (in millions).

	Pension Benefit Plans			Other Postretirement Benefit Plans		
	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>
Service cost	\$ 10	\$ 6	\$ 6	\$ 2	\$ 1	\$ 1
Interest cost	15	6	6	3	1	1
Expected return on assets	(13)	(5)	(5)	—	—	—
Curtailment/settlement losses	<u>1</u>	<u>—</u>	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>—</u>
Net periodic benefit cost	<u>\$ 13</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 2</u>

The expected long-term rate of return on plan assets is 6.9% in fiscal 2009.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

Employer Contributions to Plans

For pension plans, our policy is to fund an amount required to provide for contractual benefits attributed to service to date, and amortize unfunded actuarial liabilities typically over periods of 15 years or less. We also participate in savings plans in Canada and the U.S., as well as defined contribution pension plans in the U.S., U.K., Canada, Germany, Italy, Switzerland, Malaysia and Brazil. We contributed the following amounts to all plans, including the Alcan plans that cover our employees (in millions).

	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>
Funded pension plans	\$ 4	\$ 4	\$ 4
Unfunded pension plans	4	2	2
Savings and defined contribution pension plans	<u>5</u>	<u>2</u>	<u>2</u>
Total contributions	<u>\$ 13</u>	<u>\$ 8</u>	<u>\$ 8</u>

During the remainder of fiscal 2009, we expect to contribute an additional \$31 million to our funded pension plans, \$13 million to our unfunded pension plans and \$13 million to our savings and defined contribution plans.

During the quarter ended June 30, 2008, we finalized the pension transfer in Canada for those employees who elected to transfer their past service from Alcan to Novelis. During the quarter, Alcan transferred pension assets of \$50 million and past service liability of \$49 million to the Novelis Pension Plan (Canada). We recorded the \$1 million difference between transferred plan assets and liabilities as an adjustment to *Goodwill* (see Note 6 — Goodwill and Intangible Assets).

13. Currency Losses (Gains)

The following currency losses (gains) are included in the accompanying condensed consolidated statements of operations (in millions).

	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>
Net loss (gain) on change in fair value of currency derivative instruments(A)	\$ (32)	\$ (16)	\$ (10)
Net loss (gain) on translation of monetary assets and liabilities(B)	<u>20</u>	<u>7</u>	<u>4</u>
	<u>\$ (12)</u>	<u>\$ (9)</u>	<u>\$ (6)</u>

(A) Included in *(Gain) loss on change in fair value of derivative instruments — net*.

(B) Included in *Other (income) expenses — net*.

The following currency gains (losses) are included in *Accumulated other comprehensive income (loss)* in the accompanying condensed consolidated balance sheets (net of tax effect and in millions).

	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through March 31, 2008 (Restated) <i>Successor</i>
Cumulative currency translation adjustment — beginning of period	\$ 59	\$ —
Effect of changes in exchange rates	<u>10</u>	<u>59</u>
Cumulative currency translation adjustment — end of period	<u>\$ 69</u>	<u>\$ 59</u>

14. Financial Instruments and Commodity Contracts

In conducting our business, we use various derivative and non-derivative instruments to manage the risks arising from fluctuations in exchange rates, interest rates, aluminum prices and energy prices. Such instruments are used for risk management purposes only. We may be exposed to losses in the

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

future if the counterparties to the contracts fail to perform. We are satisfied that the risk of such non-performance is remote, due to our monitoring of credit exposures.

Certain contracts are designated as hedges of either net investment or cash flows. For these contracts we recognize the change in fair value of the ineffective portion of the hedge as a gain or loss in our current period results of operations. We include the change in fair value of the effective and interest portions of these hedges in *Accumulated other comprehensive income (loss)* within Shareholder's equity in the accompanying condensed consolidated balance sheets.

Our condensed consolidated statement of operations for the three months ended June 30, 2008 includes a gain of \$22 million presented in *Other comprehensive income (loss) — net of tax* for the change in fair value of the effective portion of our cash flow hedges. As of June 30, 2008, we expect to realize \$3 million of effective net gains during the next twelve months. The maximum period over which we have hedged our exposure to cash flow variability is through November 2016.

For the three months ended June 30, 2008, we recognized gains of \$38 million presented in *Other comprehensive income (loss) — net of tax* for the change in fair value of the effective portion of our net investment hedges. As of June 30, 2008, we expect to realize \$10 million of effective net losses during the next twelve months. The maximum period over which we have hedged our exposure to net investment variability is through February 2015.

The fair values of our financial instruments and commodity contracts as of June 30, 2008 and March 31, 2008 were as follows (in millions).

		As of June 30, 2008		
	Maturity Dates (Fiscal Year)	Assets	Liabilities	Net Fair Value
Successor:				
Foreign exchange forward contracts	2009 through 2012	\$ 50	\$ (77)	\$ (27)
Cross-currency swaps	2009 through 2015	7	(159)	(152)
Interest rate currency swaps	2009 through 2011	14	—	14
Interest rate swaps	2009 through 2010	—	(5)	(5)
Aluminum forward contracts	2009 through 2011	122	(28)	94
Aluminum options	2009 through 2011	6	(4)	2
Electricity swap	2017	22	—	22
Embedded derivative instruments	2009	—	(4)	(4)
Natural gas swaps	2009 through 2010	<u>9</u>	<u>—</u>	<u>9</u>
Total fair value		230	(277)	(47)
Less: current portion(A)		<u>198</u>	<u>(120)</u>	<u>78</u>
Noncurrent portion(A)		<u>\$ 32</u>	<u>\$ (157)</u>	<u>\$ (125)</u>

		As of March 31, 2008		
	Maturity Dates (Fiscal Year)	Assets	Liabilities	Net Fair Value
Successor:				
Foreign exchange forward contracts	2009 through 2012	\$ 47	\$ (116)	\$ (69)
Cross-currency swaps	2009 through 2015	19	(189)	(170)
Interest rate currency swaps	2009 through 2011	4	—	4
Interest rate swaps	2009 through 2010	—	(15)	(15)
Aluminum forward contracts	2009 through 2011	134	(9)	125
Aluminum options	2009 through 2011	1	—	1
Electricity swap	2017	14	—	14
Embedded derivative instruments	2009	—	(20)	(20)
Natural gas swaps	2009 through 2010	<u>5</u>	<u>—</u>	<u>5</u>
Total fair value		224	(349)	(125)
Less: current portion(A)		<u>203</u>	<u>(148)</u>	<u>55</u>
Noncurrent portion(A)		<u>\$ 21</u>	<u>\$ (201)</u>	<u>\$ (180)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

(A) The amounts of the current and long-term portions of fair values under assets are each presented on the face of our accompanying condensed consolidated balance sheets. The amounts of the current and noncurrent portions of fair values under liabilities are included in *Accrued expenses and other current liabilities* and *Other long-term liabilities*, respectively, in the accompanying condensed consolidated balance sheets.

15. Fair Value Measurements

FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. Our adoption of FASB Statement No. 157 on April 1, 2008 resulted in (1) a gain of less than \$1 million which is included in *(Gain) loss on change in fair value of derivative instruments — net* in our condensed consolidated statement of operations, (2) a \$1 million decrease to the fair value of effective portion of hedges — net included in *Accumulated other comprehensive income (loss)* and (3) a \$35 million increase to the foreign currency translation adjustment included in *Accumulated other comprehensive income (loss)* in our condensed consolidated balance sheet during the quarter ended June 30, 2008. These adjustments are primarily due to the inclusion of nonperformance risk (i.e., credit spreads) in our valuation models related to certain of our cross-currency swap derivative instruments (see Note 14 — Financial Instruments and Commodity Contracts).

FASB Statement No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. FASB Statement No. 157 will be the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in FASB Statement No. 13, for purposes of lease classification or measurement. FASB Statement No. 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 — Inputs that are unobservable for the asset or liability.

The following section describes the valuation methodologies we used to measure our various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified:

Derivative contracts

For certain of our derivative contracts whose fair values are based upon trades in liquid markets, such as aluminum forward contracts and options, valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

The majority of our derivative contracts are valued using industry-standard models that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices for foreign exchange rates. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps,

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

cross currency swaps, foreign currency forward contracts and certain energy-related forward contracts (e.g., natural gas).

We classify derivative contracts that are valued based on models with significant unobservable market inputs as Level 3 of the valuation hierarchy. These derivatives include certain of our energy-related forward contracts (e.g., electricity) and certain foreign currency forward contracts. Models for these fair value measurements include inputs based on estimated future prices for periods beyond the term of the quoted prices.

FASB Statement No. 157 requires that for Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk).

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2008 (in millions).

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>Successor:</i>				
Assets — Derivative Instruments.....	\$ —	\$ 208	\$ 22	\$ 230
Liabilities — Derivative Instruments.....	\$ —	\$ (270)	\$ (7)	\$ (277)

Financial instruments classified as Level 3 in the fair value hierarchy represent derivative contracts (primarily energy-related and certain foreign currency forward contracts) in which at least one significant unobservable input is used in the valuation model. The following table presents a reconciliation of activity for such derivative contracts on a net basis (in millions).

	Beginning Balance April 1, 2008	Net Realized/ Unrealized Gains (Losses) Included in Earnings(B)	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)(C)	Purchases, Issuances and Settlements	Transfers in and/or (Out) of Level 3	Ending Balance June 30, 2008	Net Change in Unrealized Gains (Losses) Relating to Instruments Still Held at June 30, 2008(D)
Successor:							
Derivative instruments(A)	<u>\$ 11</u>	<u>\$ (1)</u>	<u>\$ 9</u>	<u>\$ (5)</u>	<u>\$ 1</u>	<u>\$ 15</u>	<u>\$ 7</u>

(A) Represents derivative assets net of derivative liabilities.

(B) Included in *(Gain) loss on change in fair value of derivative instruments — net*.

(C) Included in *Change in fair value of effective portion of hedges — net* in the accompanying condensed consolidated statement of shareholder's equity.

(D) Represents unrealized gains (losses) relating to assets and liabilities classified as Level 3 included in *(Gain) loss on change in fair value of derivative instruments — net*.

16. Other (Income) Expenses — Net

Other (income) expenses — net is comprised of the following (in millions).

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
Exchange (gains) losses — net.....	\$ 20	\$ 7	\$ 4
Restructuring charges (recoveries) — net	(1)	1	1
Impairment charges on long-lived assets.....	1	—	—
(Gain) loss on disposal of property, plant and equipment — net	(1)	—	—
Other — net.....	<u>3</u>	<u>3</u>	<u>(1)</u>
Other (income) expenses — net	<u>\$ 22</u>	<u>\$ 11</u>	<u>\$ 4</u>

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

17. Income Taxes

We provide for income taxes using the liability method in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. In accordance with APB Opinion No. 28, *Interim Financial Reporting*, and FASB Interpretation No. 18, *Accounting for Income Taxes in Interim Periods*, the provision for taxes on income recognizes our estimate of the effective tax rate expected to be applicable for the full fiscal year, adjusted for the impact of any discrete events, which are reported in the period in which they occur. Each quarter, we re-evaluate our estimated tax expense for the year and make adjustments for changes in the estimated tax rate. Additionally, we evaluate the realizability of our deferred tax assets on a quarterly basis. Our evaluation considers all positive and negative evidence and factors, such as the scheduled reversal of temporary differences, historical and projected future taxable income or losses, and prudent and feasible tax planning strategies.

The *Provision (benefit) for taxes on income (loss)* for the three months ended June 30, 2008 was based on the estimated effective tax rates applicable for the fiscal year ending March 31, 2009, after considering items specifically related to the interim period. The *Provision (benefit) for taxes on income (loss)* for (1) the periods from May 16, 2007 through June 30, 2007 (Successor) (as restated) and April 1, 2007 through May 15, 2007 (Predecessor) were based on the estimated effective tax rates applicable for the year ended March 31, 2008, after considering items specifically related to the interim periods.

A reconciliation of the Canadian statutory tax rates to our effective tax rates is as follows (in millions).

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007 (Restated)	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
Pre-tax income (loss) before equity in net (income) loss of non- consolidated affiliates and minority interests' share	\$ 64	\$ (19)	\$ (95)
Canadian statutory tax rate ...	31%	33%	33%
Provision (benefit) at the Canadian statutory rate	\$ 20	\$ (6)	\$ (31)
Increase (decrease) for taxes on income (loss) resulting from:			
Exchange translation items	9	19	23
Exchange remeasurement of deferred income taxes ...	20	3	3
Change in valuation allowances	3	21	13
Expense/income items with no tax effect — net	(4)	(11)	(9)
Enacted tax rate changes	—	(3)	—
Tax rate differences on foreign earnings	(14)	2	2
Uncertain tax positions	1	—	—
Other — net	—	2	3
Provision (benefit) for taxes on income (loss)	\$ 35	\$ 27	\$ 4
Effective tax rate	55%	(142)%	(4)%

Our effective tax rate differs from the Canadian statutory rate primarily due to the following factors: (1) pre-tax foreign currency gains or losses with no tax effect and the tax effect of U.S. dollar denominated currency gains or losses with no pre-tax effect, which is shown above as exchange

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

translation items; (2) the remeasurement of deferred income taxes due to foreign currency changes, which is shown above as exchange remeasurement of deferred income taxes; (3) changes in valuation allowances primarily related to tax losses in certain jurisdictions where we believe it is more likely than not that we will not be able to utilize those losses; and (4) differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions shown above as tax rate differences on foreign earnings.

Tax Uncertainties

Adoption of FASB Interpretation No. 48

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

During the quarter ended June 30, 2008, our unrecognized tax benefits increased less than \$1 million as a result of tax positions taken during a prior period. Our reserves for uncertain tax positions totaled \$61 million as of both June 30, 2008 and March 31, 2008. As of both June 30, 2008 and March 31, 2008, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in future periods based on anticipated settlement dates is \$44 million.

Tax authorities are currently examining certain of our prior years' tax returns for 1999-2006. We are evaluating potential adjustments related to certain items and we anticipate that it is reasonably possible that settlement of the examinations will result in a payment in the range of up to \$4 million and a corresponding decrease in unrecognized tax benefits by March 31, 2009.

Separately, we are awaiting a court ruling regarding the utilization of certain operating losses. We anticipate that it is reasonably possible that this ruling will result in a \$14 million decrease in unrecognized tax benefits by March 31, 2009 related to this matter. We have fully funded this contingent liability through a judicial deposit, which is included in *Other long-term assets — third parties* since January 2007.

With the exception of the ongoing tax examinations described above, we are no longer subject to any income tax examinations by any tax authorities for years before 2001. With few exceptions, tax returns for all jurisdictions for all tax years after 2000 are subject to examination by taxing authorities.

Our continuing practice and policy is to record potential interest and penalties related to unrecognized tax benefits in our *Provision (benefit) for taxes on income (loss)*. As of June 30, 2008 and March 31, 2008, we had \$16 million and \$14 million accrued for potential interest on income taxes, respectively. For the three months ended June 30, 2008 and for the periods from May 16, 2007 through June 30, 2007; and from April 1, 2007 through May 15, 2007; our *Provision (benefit) for taxes on income (loss)* included a charge for an additional \$2 million, \$2 million and less than \$1 million of potential interest, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

18. Commitments and Contingencies

Primary Supplier

Alcan is our primary supplier of metal inputs, including prime and sheet ingot. The table below shows our purchases from Alcan as a percentage of our total combined metal purchases.

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
Purchases from Alcan as a percentage of total metal purchases in kt(A)	<u>35%</u>	<u>34%</u>	<u>34%</u>

(A) One kilotonne (kt) is 1,000 metric tonnes. One metric tonne is equivalent to 2,204.6 pounds.

Legal Proceedings

Reynolds Boat Case. As previously disclosed, we and Alcan were defendants in a case in the United States District Court for the Western District of Washington, in Tacoma, Washington, case number C04-0175RJB. Plaintiffs were Reynolds Metals Company, Alcoa, Inc. and National Union Fire Insurance Company of Pittsburgh PA. The case was tried before a jury beginning on May 1, 2006 under implied warranty theories, based on allegations that from 1998 to 2001 we and Alcan sold certain aluminum products that were ultimately used for marine applications and were unsuitable for such applications. The jury reached a verdict on May 22, 2006 against us and Alcan for approximately \$60 million, and the court later awarded Reynolds and Alcoa approximately \$16 million in prejudgment interest and court costs.

The case was settled during July 2006 as among us, Alcan, Reynolds, Alcoa and their insurers for \$71 million. We contributed approximately \$1 million toward the settlement, and the remaining \$70 million was funded by our insurers. Although the settlement was substantially funded by our insurance carriers, certain of them have reserved the right to request a refund from us, after reviewing details of the plaintiffs' damages to determine if they include costs of a nature not covered under the insurance contracts. Of the \$70 million funded, \$39 million is in dispute with and under further review by certain of our insurance carriers. In the quarter ended September 30, 2006, we posted a letter of credit in the amount of approximately \$10 million in favor of one of those insurance carriers, while we resolve the extent of coverage of the costs included in the settlement. On October 8, 2007, we received a letter from these insurers stating that they have completed their review and they are requesting a refund of the \$39 million plus interest. We reviewed the insurers' position, and on January 7, 2008, we sent a letter to the insurers rejecting their position that Novelis is not entitled to insurance coverage for the judgment against Novelis.

Since our fiscal 2005 Annual Report on Form 10-K was not filed until August 25, 2006, we recognized a liability for the full settlement amount of \$71 million on December 31, 2005, included in *Accrued expenses and other current liabilities* on our consolidated balance sheet, with a corresponding charge against earnings. We also recognized an insurance receivable included in *Prepaid expenses and other current assets* on our consolidated balance sheet of \$31 million, with a corresponding increase to earnings. Although \$70 million of the settlement was funded by our insurers, we only recognized an insurance receivable to the extent that coverage was not in dispute. This resulted in a net charge of \$40 million during the quarter ended December 31, 2005.

In July 2006, we contributed and paid \$1 million to our insurers who subsequently paid the entire settlement amount of \$71 million to the plaintiffs. Accordingly, during the quarter ended September 30, 2006, we reversed the previously recorded insurance receivable of \$31 million and reduced our recorded liability by the same amount plus the \$1 million contributed by us. The remaining liability of \$39 million represents the amount of the settlement claim that was funded by our insurers but is still in dispute with and under further review by the parties as described above. The \$39 million liability is

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

included in *Accrued expenses and other current liabilities* in our condensed consolidated balance sheets as of June 30, 2008 and March 31, 2008.

While the ultimate resolution of the nature and extent of any costs not covered under our insurance contracts cannot be determined with certainty or reasonably estimated at this time, if there is an adverse outcome with respect to insurance coverage, and we are required to reimburse our insurers, it could have a material impact on our cash flows in the period of resolution. Alternatively, the ultimate resolution could be favorable, such that insurance coverage is in excess of the net expense that we have recognized to date. This would result in our recording a non-cash gain in the period of resolution, and this non-cash gain could have a material impact on our results of operations during the period in which such a determination is made.

Coca-Cola Lawsuits. A lawsuit was commenced against Novelis Corporation on February 15, 2007 by Coca-Cola Bottler's Sales and Services Company LLC (CCBSS) in state court in Georgia. In addition, a lawsuit was commenced against Novelis Corporation and Alcan Corporation on April 3, 2007 by Coca-Cola Enterprises Inc., Enterprises Acquisition Company, Inc., The Coca-Cola Company and The Coca-Cola Trading Company, Inc. (collectively CCE) in federal court in Georgia. Novelis intends to defend these claims vigorously.

CCBSS is a consortium of Coca-Cola bottlers across the United States, including Coca-Cola Enterprises Inc. CCBSS alleges that Novelis Corporation breached an aluminum can stock supply agreement between the parties, and seeks monetary damages in an amount to be determined at trial and a declaration of its rights under the agreement. The agreement includes a "most favored nations" provision regarding certain pricing matters. CCBSS alleges that Novelis Corporation breached the terms of the most favored nations provision. The dispute will likely turn on the facts that are presented to the court by the parties and the court's finding as to how certain provisions of the agreement ought to be interpreted. If CCBSS were to prevail in this litigation, the amount of damages would likely be material. Novelis Corporation has filed its answer and the parties are proceeding with discovery.

The claim by CCE seeks monetary damages in an amount to be determined at trial for breach of a prior aluminum can stock supply agreement between CCE and Novelis Corporation, successor to the rights and obligations of Alcan Aluminum Corporation under the agreement. According to its terms, that agreement with CCE terminated in 2006. The CCE supply agreement included a "most favored nations" provision regarding certain pricing matters. CCE alleges that Novelis Corporation's entry into a supply agreement with Anheuser-Busch, Inc. breached the "most favored nations" provision of the CCE supply agreement. Novelis Corporation moved to dismiss the complaint and on March 26, 2008, the U.S. District Court for the Northern District of Georgia issued an order granting Novelis Corporation's motion to dismiss CCE's claim. On April 24, 2008, CCE filed a notice of appeal of the court's order with the United States Court of Appeals for the Eleventh Circuit and filed its appellate brief on July 11, 2008. On August 13, 2008, Novelis Corporation filed its response brief with the United States Court of Appeals for the Eleventh Circuit. If CCE were to ultimately prevail in this appeal and litigation, the amount of damages would likely be material. We have not recorded any reserves for these matters.

Anheuser-Busch Litigation. On September 19, 2006, Novelis Corporation filed a lawsuit against Anheuser-Busch, Inc. (Anheuser-Busch) in federal court in Ohio. Anheuser-Busch subsequently filed suit against Novelis Corporation and the Company in federal court in Missouri. On January 3, 2007, Anheuser-Busch's suit was transferred to the Ohio federal court.

Novelis Corporation alleged that Anheuser-Busch breached the existing multi-year aluminum can stock supply agreement between the parties, and sought monetary damages and declaratory relief. Among other claims, we asserted that since entering into the supply agreement, Anheuser-Busch has breached its confidentiality obligations and there has been a structural change in market conditions that requires a change to the pricing provisions under the agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

In its complaint, Anheuser-Busch asked for a declaratory judgment that Anheuser-Busch is not obligated to modify the supply agreement as requested by Novelis Corporation, and that Novelis Corporation must continue to perform under the existing supply agreement.

On January 18, 2008, Anheuser-Busch filed a motion for summary judgment. On May 22, 2008, the court granted Anheuser-Busch's motion for summary judgment. Novelis Corporation filed a notice of appeal with the United States Court of Appeals for the Sixth Circuit on June 20, 2008. Novelis Corporation has continued to perform under the supply agreement during the litigation.

ARCO Aluminum Complaint. On May 24, 2007, Arco Aluminum Inc. (ARCO) filed a complaint against Novelis Corporation and Novelis Inc. in the United States District Court for the Western District of Kentucky. ARCO and Novelis are partners in a joint venture rolling mill located in Logan, Kentucky. In the complaint, ARCO seeks to resolve a perceived dispute over management and control of the joint venture following Hindalco's acquisition of Novelis.

ARCO alleges that its consent was required in connection with Hindalco's acquisition of Novelis. Failure to obtain consent, ARCO alleges, has put us in default of the joint venture agreements, thereby triggering certain provisions in those agreements. The provisions include a reversion of the production management at the joint venture to Logan Aluminum from Novelis, and a reduction of the board of directors of the entity that manages the joint venture from seven members (four appointed by Novelis and three appointed by ARCO) to six members (three appointed by each of Novelis and ARCO).

ARCO seeks a court declaration that (1) Novelis and its affiliates are prohibited from exercising any managerial authority or control over the joint venture, (2) Novelis' interest in the joint venture is limited to an economic interest only and (3) ARCO has authority to act on behalf of the joint venture. Or, alternatively, ARCO is seeking a reversion of the production management function to Logan Aluminum, and a change in the composition of the board of directors of the entity that manages the joint venture. Novelis filed its answer to the complaint on July 16, 2007.

On July 3, 2007, ARCO filed a motion for partial summary judgment with respect to one of the counts of its complaint relating to the claim that Novelis breached the joint venture agreement by not seeking ARCO's consent. On July 30, 2007, Novelis filed a motion to hold ARCO's motion for summary judgment in abeyance (pending further discovery), along with a demand for a jury. On February 14, 2008, the judge issued an order granting our motion to hold ARCO's summary judgment motion in abeyance. Pursuant to this ruling, management and the board of the joint venture are conducting their activities as normal.

Environmental Matters

The following describes certain environmental matters relating to our business. None of the environmental matters include government sanctions of \$100,000 or more.

We are involved in proceedings under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, or analogous state provisions regarding liability arising from the usage, storage, treatment or disposal of hazardous substances and wastes at a number of sites in the United States, as well as similar proceedings under the laws and regulations of the other jurisdictions in which we have operations, including Brazil and certain countries in the European Union. Many of these jurisdictions have laws that impose joint and several liability, without regard to fault or the legality of the original conduct, for the costs of environmental remediation, natural resource damages, third party claims, and other expenses, on those persons who contributed to the release of a hazardous substance into the environment. In addition, we are, from time to time, subject to environmental reviews and investigations by relevant governmental authorities.

As described further in the following paragraph, we have established procedures for regularly evaluating environmental loss contingencies, including those arising from such environmental reviews and investigations and any other environmental remediation or compliance matters. We believe we have a reasonable basis for evaluating these environmental loss contingencies, and we believe we have made reasonable estimates of the costs that are likely to be borne by us for these environmental loss contingencies. Accordingly, we have established reserves based on our reasonable estimates for the

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

currently anticipated costs associated with these environmental matters. We estimate that the undiscounted remaining clean-up costs related to all of our known environmental matters as of June 30, 2008 will be approximately \$47 million. Of this amount, \$33 million is included in *Other long-term liabilities*, with the remaining \$14 million included in *Accrued expenses and other current liabilities* in our condensed consolidated balance sheet as of June 30, 2008. Management has reviewed the environmental matters, including those for which we assumed liability as a result of our spin-off from Alcan. As a result of this review, management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impair our operations or materially adversely affect our financial condition, results of operations or liquidity.

With respect to environmental loss contingencies, we record a loss contingency on a non-discounted basis whenever such contingency is probable and reasonably estimable. The evaluation model includes all asserted and unasserted claims that can be reasonably identified. Under this evaluation model, the liability and the related costs are quantified based upon the best available evidence regarding actual liability loss and cost estimates. Except for those loss contingencies where no estimate can reasonably be made, the evaluation model is fact-driven and attempts to estimate the full costs of each claim. Management reviews the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The estimated costs in respect of such reported liabilities are not offset by amounts related to cost-sharing between parties, insurance, indemnification arrangements or contribution from other potentially responsible parties unless otherwise noted.

Brazil Tax Matters

Primarily as a result of legal proceedings with Brazil's Ministry of Treasury regarding certain taxes in South America, as of June 30, 2008 and March 31, 2008, we had cash deposits aggregating approximately \$42 million and \$36 million, respectively, in judicial depository accounts pending finalization of the related cases. The depository accounts are in the name of the Brazilian government and will be expended towards these legal proceedings or released to us, depending on the outcome of the legal cases. These deposits are included in *Other long-term assets — third parties* in our accompanying condensed consolidated balance sheets. In addition, we are involved in several disputes with Brazil's Minister of Treasury about various forms of manufacturing taxes and social security contributions, for which we have made no judicial deposits but for which we have established reserves ranging from \$8 million to \$105 million as of June 30, 2008. In total, these reserves approximate \$128 million and \$111 million as of June 30, 2008 and March 31, 2008, respectively, and are included in *Other long-term liabilities* in our accompanying condensed consolidated balance sheets.

On July 16, 2008, the second instance court in Brazil ruled in favor of the Ministry of Treasury in the amount of \$5.5 million in one of these tax disputes. We have 30 days to file a notice of appeal with the court and are currently reviewing the court's order to understand the reasoning behind the decision and evaluate our grounds for appeal.

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our subsidiaries and non-consolidated affiliates, including:

- certain of our wholly-owned subsidiaries and
- Aluminium Norf GmbH, which is a fifty percent (50%) owned joint venture that does not meet the requirements for consolidation under FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities*.

In the case of our wholly-owned subsidiaries, the indebtedness guaranteed is for trade accounts payable to third parties. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of our subsidiaries or non-consolidated affiliates holds any assets of any third parties as collateral to offset the potential settlement of these guarantees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)

Since we consolidate wholly-owned and majority-owned subsidiaries in our condensed consolidated financial statements, all liabilities associated with trade payables and short-term debt facilities for these entities are already included in our condensed consolidated balance sheets.

The following table discloses information about our obligations under guarantees of indebtedness of others as of June 30, 2008 (in millions). We did not have any obligations under guarantees of indebtedness related to our majority-owned subsidiaries as of June 30, 2008.

<u>Type of Entity</u>	<u>Maximum Potential Future Payment</u>	<u>Liability Carrying Value</u>
Wholly-owned subsidiaries	\$ 83	\$ 60
Aluminium Norf GmbH	\$ 16	\$ —

We have no retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets.

19. Segment and Major Customer Information

Segment Information

Due in part to the regional nature of supply and demand of aluminum rolled products and in order to best serve our customers, we manage our activities on the basis of geographical areas and are organized under four operating segments: North America, Europe, Asia and South America.

We measure the profitability and financial performance of our operating segments, based on Segment Income, in accordance with FASB Statement No. 131, *Disclosure About the Segments of an Enterprise and Related Information*. Segment Income provides a measure of our underlying segment results that is in line with our portfolio approach to risk management. We define Segment Income as earnings before: (a) interest expense and amortization of debt issuance costs — net; (b) unrealized gains (losses) on change in fair value of derivative instruments — net; (c) realized gains (losses) on corporate derivative instruments — net; (d) depreciation and amortization; (e) impairment charges on long-lived assets; (f) minority interests' share; (g) adjustments to reconcile our proportional share of Segment Income from non-consolidated affiliates to income as determined on the equity method of accounting; (h) restructuring recoveries (charges) — net; (i) gains or losses on sales of property, plant and equipment and businesses — net; (j) corporate selling, general and administrative expenses; (k) other costs — net; (l) litigation settlement — net of insurance recoveries; (m) sale transaction fees; (n) provision or benefit for taxes on income (loss) and (o) cumulative effect of accounting change — net of tax.

Net sales and expenses are measured in accordance with the policies and procedures described in Note 1 — Business and Summary of Significant Accounting Policies to our consolidated and combined financial statements included in our Annual Report on Form 10-K/A for the year ended March 31, 2008.

We do not treat all derivative instruments as hedges under FASB Statement No. 133. Accordingly, changes in fair value are recognized immediately in earnings, which results in the recognition of fair value as a gain or loss in advance of the contract settlement. In the accompanying condensed consolidated statements of operations, changes in fair value of derivative instruments not accounted for as hedges under FASB Statement No. 133 are recognized in *(Gain) loss on change in fair value of derivative instruments — net*. These gains or losses may or may not result from cash settlement. For Segment Income purposes we only include the impact of the derivative gains or losses to the extent they are settled in cash (i.e. realized) during that period.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

The following is a description of our operating segments:

- *North America.* Headquartered in Cleveland, Ohio, this segment manufactures aluminum sheet and light gauge products and operates 11 plants, including two fully dedicated recycling facilities, in two countries.
- *Europe.* Headquartered in Zurich, Switzerland, this segment manufactures aluminum sheet and light gauge products and operates 14 plants, including one recycling facility, in six countries.
- *Asia.* Headquartered in Seoul, South Korea, this segment manufactures aluminum sheet and light gauge products and operates three plants in two countries.
- *South America.* Headquartered in Sao Paulo, Brazil, this segment comprises bauxite mining, alumina refining, smelting operations, power generation, carbon products, aluminum sheet and light gauge products and operates four plants in Brazil.

Adjustment to Eliminate Proportional Consolidation. The financial information for our segments includes the results of our non-consolidated affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. However, under GAAP, these non-consolidated affiliates are accounted for using the equity method of accounting. Therefore, in order to reconcile the financial information for the segments shown in the tables below to the relevant GAAP-based measures, we must remove our proportional share of each line item that we included in the segment amounts. See Note 7 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.

The tables below show selected segment financial information (in millions). The Corporate and Other column in the tables below includes functions that are managed directly from our corporate office, which focuses on strategy development and oversees governance, policy, legal compliance, human resources and finance matters. It also includes consolidating and other elimination accounts.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

Selected Segment Financial Information

<u>Total Assets</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>South America</u>	<u>Adjustment to Eliminate Proportional Consolidation</u>	<u>Corporate and Other</u>	<u>Total</u>
<i>(Successor)</i>							
June 30, 2008.....	\$ 3,996	\$ 4,231	\$ 1,129	\$ 1,544	\$ (193)	\$ 262	\$ 10,969
March 31, 2008	\$ 3,888	\$ 4,171	\$ 1,081	\$ 1,478	\$ (199)	\$ 263	\$ 10,682
(Restated)							

<u>Selected Operating Results Three Months Ended June 30, 2008</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>South America</u>	<u>Adjustment to Eliminate Proportional Consolidation</u>	<u>Corporate and Other</u>	<u>Total</u>
<i>(Successor)</i>							
Net sales (to third parties).....	\$ 1,083	\$ 1,218	\$ 510	\$ 295	\$ (3)	\$ —	\$ 3,103
Intersegment sales ...	—	1	1	—	(2)	—	—
Segment Income (Loss).....	42	111	31	47	—	—	231
Depreciation and amortization.....	42	63	15	17	(22)	1	116
Capital expenditures	7	19	5	6	(4)	—	33

<u>Selected Operating Results May 16, 2007 Through June 30, 2007</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>South America</u>	<u>Adjustment to Eliminate Proportional Consolidation</u>	<u>Corporate and Other</u>	<u>Total</u>
<i>(Successor)</i>							
Net sales (to third parties).....	\$ 574	\$ 593	\$ 246	\$ 134	\$ —	\$ —	\$ 1,547
Intersegment sales ...	1	—	3	16	—	(20)	—
Segment Income (Loss).....	23	43	(2)	22	—	—	86
Depreciation and amortization.....	21	22	8	7	(5)	—	53
Capital expenditures	5	12	4	3	(3)	1	22

<u>Selected Operating Results April 1, 2007 Through May 15, 2007</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>South America</u>	<u>Adjustment to Eliminate Proportional Consolidation</u>	<u>Corporate and Other</u>	<u>Total</u>
<i>(Predecessor)</i>							
Net sales (to third parties).....	\$ 446	\$ 510	\$ 216	\$ 109	\$ —	\$ —	\$ 1,281
Intersegment sales ...	—	—	1	7	—	(8)	—
Segment Income (Loss).....	(24)	32	6	18	—	—	32
Depreciation and amortization.....	7	11	7	5	(3)	1	28
Capital expenditures	4	8	4	3	(3)	1	17

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (unaudited) (Continued)**

The following table shows the reconciliation from Total Segment Income to Net income (loss) (in millions).

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	(Restated) <i>Successor</i>	<i>Predecessor</i>
Total Segment Income	\$ 231	\$ 86	\$ 32
Interest expense and amortization of debt issuance costs — net.....	(40)	(25)	(26)
Unrealized gains (losses) on change in fair value of derivative instruments — net(A)	21	(15)	5
Realized gains (losses) on corporate derivative instruments — net	—	8	(3)
Depreciation and amortization.....	(116)	(53)	(28)
Impairment charges on long- lived assets.....	(1)	—	—
Minority interests' share.....	(2)	2	1
Adjustment to eliminate proportional consolidation(B)	(18)	(9)	(7)
Restructuring recoveries (charges) — net	1	(1)	(1)
Gain (loss) on sales of property, plant and equipment and businesses — net	1	—	—
Corporate selling, general and administrative expenses ...	(14)	(8)	(35)
Other costs — net	(3)	(3)	1
Sale transaction fees	—	—	(32)
Benefit (provision) for taxes on income (loss)	(35)	(27)	(4)
Net income (loss)	<u>\$ 25</u>	<u>\$ (45)</u>	<u>\$ (97)</u>

(A) Unrealized gains (losses) on change in fair value of derivative instruments — net represents the portion of gains (losses) that were not settled in cash during the period. Total realized and unrealized gains (losses) are shown in the table below and are included in the aggregate each period in *(Gain) loss on change in fair value of derivative instruments — net* on our condensed consolidated statements of operations.

	Three Months Ended June 30, 2008	May 16, 2007 Through June 30, 2007	April 1, 2007 Through May 15, 2007
	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>
(Gains) losses on change in fair value of derivative instruments — net:			
Realized and included in Segment Income	\$ (45)	\$ (21)	\$ (18)
Realized on corporate derivative instruments	—	(8)	3
Unrealized	(21)	15	(5)
(Gains) losses on change in fair value of derivative instruments — net	<u>\$ (66)</u>	<u>\$ (14)</u>	<u>\$ (20)</u>

- (B) Our financial information for our segments (including Segment Income) includes the results of our non-consolidated affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. However, under GAAP, these non-consolidated affiliates are accounted for using the equity method of accounting. Therefore, in order to reconcile Total Segment Income to Net income (loss), the proportional Segment Income of these non-consolidated affiliates is removed from Total Segment Income, net of our share of their net after-tax results, which is reported as *Equity in net (income) loss of non-consolidated affiliates* on our condensed consolidated statements of operations. See Note 7 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.

Information about Major Customers

All of our operating segments had Net sales to Rexam Plc (Rexam), our largest customer. The table below shows our net sales to Rexam as a percentage of total *Net sales*.

	Three Months Ended June 30, 2008 <i>Successor</i>	May 16, 2007 Through June 30, 2007 <i>Successor</i>	April 1, 2007 Through May 15, 2007 <i>Predecessor</i>
Net sales to Rexam as a percentage of total net sales.....	<u>15.7%</u>	<u>15.8%</u>	<u>13.5%</u>

20. Supplemental Guarantor Information

In connection with the issuance of our Senior Notes, certain of our wholly-owned subsidiaries provided guarantees of the Senior Notes. These guarantees are full and unconditional as well as joint and several. The guarantor subsidiaries (the Guarantors) are comprised of the majority of our businesses in Canada, the U.S., the U.K., Brazil and Switzerland, as well as certain businesses in Germany. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to Novelis Inc. (the Parent). The remaining subsidiaries (the Non-Guarantors) of the Parent are not guarantors of the Senior Notes.

The following information presents condensed consolidating statements of operations, consolidating balance sheets and consolidating statements of cash flows of the Parent, the Guarantors, and the Non-Guarantors. Investments include investment in and advances to non-consolidated affiliates as well as investments in net assets of divisions included in the Parent, and have been presented using the equity method of accounting.

Novelis Inc.
Condensed Consolidating Statement of Operations
(In millions)

	Three Months Ended June 30, 2008 (Successor)				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	\$ 395	\$ 2,582	\$ 836	\$ (710)	\$ 3,103
Cost of goods sold (exclusive of depreciation and amortization shown below).....	387	2,377	777	(710)	2,831
Selling, general and administrative expenses	—	62	22	—	84
Depreciation and amortization	6	89	21	—	116
Research and development expenses	8	3	1	—	12
Interest expense and amortization of debt issuance costs — net.....	7	29	4	—	40
(Gain) loss on change in fair value of derivative instruments — net	—	(62)	(4)	—	(66)
Equity in net (income) loss of affiliates	(32)	2	—	32	2
Other (income) expenses — net.....	(7)	13	16	—	22
	<u>369</u>	<u>2,513</u>	<u>837</u>	<u>(678)</u>	<u>3,041</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	26	69	(1)	(32)	62
Provision (benefit) for taxes on income (loss)	<u>1</u>	<u>33</u>	<u>1</u>	<u>—</u>	<u>35</u>
Income (loss) before minority interests' share	25	36	(2)	(32)	27
Minority interests' share	<u>—</u>	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>(2)</u>
Net income (loss)	\$ 25	\$ 36	\$ (4)	\$ (32)	\$ 25

Novelis Inc.
Condensed Consolidating Statement of Operations
(In millions)

	May 16, 2007 Through June 30, 2007 (Successor)				
<u>Restated</u>	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 245	\$ 1,347	\$ 419	\$ (464)	\$ 1,547
Cost of goods sold (exclusive of depreciation and amortization shown below)	247	1,251	402	(464)	1,436
Selling, general and administrative expenses	5	25	12	—	42
Depreciation and amortization	3	38	12	—	53
Research and development expenses	2	7	4	—	13
Interest expense and amortization of debt issuance costs — net	3	20	2	—	25
(Gain) loss on change in fair value of derivative instruments — net	(13)	(4)	3	—	(14)
Equity in net (income) loss of affiliates	25	1	—	(25)	1
Other (income) expenses — net	(4)	14	1	—	11
	<u>268</u>	<u>1,352</u>	<u>436</u>	<u>(489)</u>	<u>1,567</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(23)	(5)	(17)	25	(20)
Provision (benefit) for taxes on income (loss)	22	5	—	—	27
Income (loss) before minority interests' share	(45)	(10)	(17)	25	(47)
Minority interests' share	—	—	2	—	2
Net income (loss)	\$ (45)	\$ (10)	\$ (15)	\$ 25	\$ (45)

Novelis Inc.
Condensed Consolidating Statement of Operations
(In millions)

	<u>April 1, 2007 Through May 15, 2007 (Predecessor)</u>				
	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	<u>\$ 129</u>	<u>\$ 1,020</u>	<u>\$ 359</u>	<u>\$ (227)</u>	<u>\$ 1,281</u>
Cost of goods sold (exclusive of depreciation and amortization shown below)	131	961	340	(227)	1,205
Selling, general and administrative expenses	29	51	15	—	95
Depreciation and amortization	2	18	8	—	28
Research and development expenses	5	1	—	—	6
Interest expense and amortization of debt issuance costs — net	3	20	3	—	26
(Gain) loss on change in fair value of derivative instruments — net	(2)	(19)	1	—	(20)
Equity in net (income) loss of non-affiliates	29	(1)	—	(29)	(1)
Sale transaction fees	32	—	—	—	32
Other (income) expenses — net	<u>(3)</u>	<u>9</u>	<u>(2)</u>	<u>—</u>	<u>4</u>
	<u>226</u>	<u>1,040</u>	<u>365</u>	<u>(256)</u>	<u>1,375</u>
Income (loss) before provision (benefit) for taxes on income (loss) and minority interests' share	(97)	(20)	(6)	29	(94)
Provision (benefit) for taxes on income (loss)	—	3	1	—	4
Income (loss) before minority interests' share	(97)	(23)	(7)	29	(98)
Minority interests' share	—	—	1	—	1
Net income (loss)	<u>\$ (97)</u>	<u>\$ (23)</u>	<u>\$ (6)</u>	<u>\$ 29</u>	<u>\$ (97)</u>

Novelis Inc.
Condensed Consolidating Balance Sheet
(In millions)

	As of June 30, 2008 (Successor)				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
		ASSETS			
Current assets					
Cash and cash equivalents.....	\$ 14	\$ 161	\$ 121	\$ —	\$ 296
Accounts receivable — net of allowances					
— third parties	46	1,055	476	—	1,577
— related parties	515	290	24	(802)	27
Inventories	66	1,058	453	—	1,577
Prepaid expenses and other current assets.....	4	61	21	—	86
Current portion of fair value of derivative instruments.....	—	183	22	(7)	198
Deferred income tax assets	—	105	6	—	111
Total current assets	645	2,913	1,123	(809)	3,872
Property, plant and equipment — net	172	2,430	651	—	3,253
Goodwill	—	1,679	189	—	1,868
Intangible assets — net	—	868	—	—	868
Investments	3,652	937	1	(3,652)	938
Fair value of derivative instruments — net of current portion	—	22	10	—	32
Deferred income tax assets	8	—	1	—	9
Other long-term assets	1,318	152	130	(1,471)	129
Total assets	\$ 5,795	\$ 9,001	\$ 2,105	\$ (5,932)	\$ 10,969
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt	\$ 3	\$ 10	\$ 1	\$ —	\$ 14
Short-term borrowings					
— third parties	—	359	71	—	430
— related parties	5	358	20	(383)	—
Accounts payable — third parties	77	926	610	—	1,613
— related parties	112	236	125	(412)	61
Accrued expenses and other current liabilities	64	613	138	(10)	805
Deferred income tax liabilities	—	46	—	—	46
Total current liabilities	261	2,548	965	(805)	2,969
Long-term debt — net of current portion					
— third parties	1,758	694	101	—	2,553
— related parties	—	1,202	273	(1,475)	—
Deferred income tax liabilities	—	674	21	—	695
Accrued postretirement benefits	23	303	109	—	435
Other long-term liabilities	184	392	23	—	599
	<u>2,226</u>	<u>5,813</u>	<u>1,492</u>	<u>(2,280)</u>	<u>7,251</u>
Commitments and contingencies					
Minority interests in equity of consolidated affiliates	—	—	149	—	149
Shareholder's equity					
Common stock	—	—	—	—	—
Additional paid-in capital.....	3,497	—	—	—	3,497
Retained earnings/(accumulated deficit)/owner's net investment.....	5	3,108	559	(3,667)	5
Accumulated other comprehensive income (loss).....	67	80	(95)	15	67
Total shareholder's equity	3,569	3,188	464	(3,652)	3,569
Total liabilities and shareholder's equity	\$ 5,795	\$ 9,001	\$ 2,105	\$ (5,932)	\$ 10,969

Novelis Inc.
Condensed Consolidating Balance Sheet
(In millions)

As of March 31, 2008 (Successor)					
Restated	Parent	Guarantors	Non- Guarantors	Eliminations	Consolidated
		ASSETS			
Current assets					
Cash and cash equivalents.....	\$ 12	\$ 177	\$ 137	\$ —	\$ 326
Accounts receivable — net of allowances					
— third parties.....	38	818	392	—	1,248
— related parties.....	518	289	34	(810)	31
Inventories.....	57	993	405	—	1,455
Prepaid expenses and other current assets.....	4	35	19	—	58
Current portion of fair value of derivative instruments.....	—	186	30	(13)	203
Deferred income tax assets.....	—	121	4	—	125
Total current assets.....	629	2,619	1,021	(823)	3,446
Property, plant and equipment — net.....	175	2,458	724	—	3,357
Goodwill.....	—	1,680	189	—	1,869
Intangible assets — net.....	—	888	—	—	888
Investments.....	3,629	945	1	(3,629)	946
Fair value of derivative instruments — net of current portion.....	—	18	3	—	21
Deferred income tax assets.....	10	—	2	—	12
Other long-term assets.....	1,328	160	135	(1,480)	143
Total assets.....	\$ 5,771	\$ 8,768	\$ 2,075	\$ (5,932)	\$ 10,682
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt.....	\$ 3	\$ 11	\$ 1	\$ —	\$ 15
Short-term borrowings					
— third parties.....	—	70	45	—	115
— related parties.....	5	370	25	(400)	—
Accounts payable					
— third parties.....	84	925	573	—	1,582
— related parties.....	110	233	88	(376)	55
Accrued expenses and other current liabilities.....	39	699	129	(17)	850
Deferred income tax liabilities.....	—	39	—	—	39
Total current liabilities.....	241	2,347	861	(793)	2,656
Long-term debt — net of current portion					
— third parties.....	1,761	698	101	—	2,560
— related parties.....	—	1,206	304	(1,510)	—
Deferred income tax liabilities.....	1	680	20	—	701
Accrued postretirement benefits.....	23	297	101	—	421
Other long-term liabilities.....	222	431	19	—	672
	2,248	5,659	1,406	(2,303)	7,010
Commitments and contingencies					
Minority interests in equity of consolidated affiliates.....	—	—	149	—	149
Shareholder's equity					
Common stock.....	—	—	—	—	—
Additional paid-in capital.....	3,497	—	—	—	3,497
Retained earnings/(accumulated deficit)/owner's net investment.....	(20)	3,075	564	(3,639)	(20)
Accumulated other comprehensive income (loss).....	46	34	(44)	10	46
Total shareholder's equity.....	3,523	3,109	520	(3,629)	3,523
Total liabilities and shareholder's equity.....	\$ 5,771	\$ 8,768	\$ 2,075	\$ (5,932)	\$ 10,682

Novelis Inc.
Condensed Consolidating Statement of Cash Flows
(In millions)

	Three Months Ended June 30, 2008 (Successor)				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities.....	\$ 4	\$ (313)	\$ (7)	\$ (35)	\$ (351)
INVESTING ACTIVITIES					
Capital expenditures.....	(1)	(25)	(7)	—	(33)
Proceeds from sales of property, plant and equipment.....	—	1	—	—	1
Changes to investment in and advances to non-consolidated affiliates.....	—	6	—	—	6
Proceeds from loans receivable — net — related parties.....	—	8	—	—	8
Net proceeds from settlement of derivative instruments.....	—	21	13	—	34
Net cash provided by (used in) investing activities.....	(1)	11	6	—	16
FINANCING ACTIVITIES					
Principal repayments					
— third parties.....	(1)	(2)	(1)	—	(4)
— related parties.....	—	5	(30)	25	—
Short-term borrowings — net					
— third parties.....	—	288	25	—	313
— related parties.....	—	(5)	(5)	10	—
Net cash provided by (used in) financing activities.....	(1)	286	(11)	35	309
Net increase (decrease) in cash and cash equivalents.....	2	(16)	(12)	—	(26)
Effect of exchange rate changes on cash balances held in foreign currencies.....	—	—	(4)	—	(4)
Cash and cash equivalents — beginning of period.....	12	177	137	—	326
Cash and cash equivalents — end of period.....	<u>\$ 14</u>	<u>\$ 161</u>	<u>\$ 121</u>	<u>\$ —</u>	<u>\$ 296</u>

Novelis Inc.
Condensed Consolidating Statement of Cash Flows
(In millions)

	<u>May 16, 2007 Through June 30, 2007 (Successor)</u>				
	<u>Parent</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities.....	\$ 14	\$ (23)	\$ (35)	—	\$ (44)
INVESTING ACTIVITIES					
Capital expenditures.....	(2)	(18)	(2)	—	(22)
Proceeds from sales of property, plant and equipment.....	—	—	1	—	1
Changes to investment in and advances to non-consolidated affiliates.....	(40)	1	—	40	1
Proceeds from loans receivable— net— related parties	—	4	—	—	4
Net proceeds from settlement of derivative instruments	6	22	1	—	29
Net cash provided by (used in) investing activities.....	(36)	9	—	40	13
FINANCING ACTIVITIES					
Proceeds from issuance of common stock	92	40	—	(40)	92
Principal repayments	(7)	(39)	—	—	(46)
Short-term borrowings — net					
— third parties	(10)	72	21	—	83
— related parties	(19)	8	11	—	—
Dividends					
— minority interests.....	—	—	(1)	—	(1)
Debt issuance costs.....	(13)	—	—	—	(13)
Net cash provided by (used in) financing activities	43	81	31	(40)	115
Net increase (decrease) in cash and cash equivalents.....	21	67	(4)	—	84
Effect of exchange rate changes on cash balances held in foreign currencies	—	—	—	—	—
Cash and cash equivalents — beginning of period	8	74	20	—	102
Cash and cash equivalents — end of period.....	<u>\$ 29</u>	<u>\$ 141</u>	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ 186</u>

Novelis Inc.
Condensed Consolidating Statement of Cash Flows
(In millions)

	April 1, 2007 Through May 15, 2007 (Predecessor)				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities.....	\$ (21)	\$ (181)	\$ (28)	\$ —	\$ (230)
INVESTING ACTIVITIES					
Capital expenditures.....	(1)	(10)	(6)	—	(17)
Changes to investment in and advances to non-consolidated affiliates.....	—	1	—	—	1
Net proceeds from settlement of derivative instruments.....	(5)	23	—	—	18
Net cash provided by (used in) provided by investing activities.....	(6)	14	(6)	—	2
FINANCING ACTIVITIES					
Proceeds from issuance of debt.....	—	150	—	—	150
Principal repayments.....	—	(1)	—	—	(1)
Short-term borrowings — net					
— third parties.....	45	9	6	—	60
— related parties.....	(15)	11	4	—	—
Dividends					
— minority interests.....	—	—	(7)	—	(7)
Debt issuance costs.....	(2)	—	—	—	(2)
Proceeds from the exercise of stock options.....	1	—	—	—	1
Net cash provided by (used in) financing activities.....	29	169	3	—	201
Net increase (decrease) in cash and cash equivalents.....	2	2	(31)	—	(27)
Effect of exchange rate changes on cash balances held in foreign currencies					
Cash and cash equivalents — beginning of period.....	6	71	51	—	128
Cash and cash equivalents — end of period.....	\$ 8	\$ 74	\$ 20	\$ —	\$ 102

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

The Company's Equity Shares are listed on the BSE and NSE. As the Company's shares are actively traded on the BSE and NSE, stock market data has been given separately for each of these Stock Exchanges.

Whilst reviewing the information provided below, it should be noted that each Equity Share of Rs. 10 was split into ten Equity Shares of Re. 1 each pursuant to the resolution passed by the shareholders of our Company on August 6, 2005. The trading in Equity Shares after the split commenced from August 30, 2005.

The high and low closing prices recorded on the BSE and NSE for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.

BSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
April 1, 2005 to August 29, 2005	1,460.00	August 18, 2005	42,584	1,066.00	June 2, 2005	91,013	1,242.84
August 30, 2005 to March 31, 2006	186.25	March 30, 2006	1,703,087	112.60	October 31, 2005	1,271,773	145.87
2007	251.40	May 12, 2006	1,469,445	125.25	March 7, 2007	1,130,600	172.68
2008	223.30	November 15, 2007	1,836,151	126.70	April 3, 2007	627,099	171.20

Note:

The Equity Shares of the Company were sub-divided into face value of Re. 1 each from August 30, 2005

The average price has been computed based on the daily closing price of Equity Shares

Source: www.bseindia.com

NSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
April 1, 2005 to August 29, 2005	1,459.40	August 18, 2005	105,837	1067.00	June 2, 2005	109,811	1243.07
August 30, 2005 to March 31, 2006	186.90	March 30, 2006	5,480,625	112.65	October 31, 2005	3,804,158	145.87
2007	251.30	May 12, 2006	8,524,482	120.00	March 8, 2007	2,381,638	172.67
2008	240.00	November 15, 2007	7,379,748	120.00	May 10, 2007	2,910,990	171.19

Note:

The Equity Shares of the Company were sub-divided into face value of Re. 1 each from August 30, 2005

The average price has been computed based on the daily closing price of Equity Shares

May 10, 2008 and May 14, 2008 recorded a low price of Rs. 120 for the year 2008. May 14, 2008 traded 3,824,039 shares

Source: www.nse-india.com

The high and low prices and volume of Equity Shares traded on the respective dates during the last six months is as follows:

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (Rs.)
March, 2008	210.40	March 5, 2008	3,497,314	147.20	March 24, 2008	992,976	178.53
April, 2008	201.40	April 30, 2008	522,419	164.50	April 1, 2008	568,169	180.20
May, 2008	206.35	May 15, 2008	2,760,361	167.40	May 12, 2008	560,959	188.82
June, 2008	193.55	June 2, 2008	561,992	138.05	June 30, 2008	459,221	166.91
July, 2008	159.90	July 11, 2008	2,418,853	132.50	July 1, 2008	575,439	143.90
August, 2008	147.40	August 11, 2008	537,793	120.00	August 28, 2008	1,491,957	136.34

Note:

The average price has been computed based on the daily closing price of Equity Shares

January 4, 2008 and January 7, 2008 recorded a high price of Rs. 221 for the month Jan 2008. Jan 7, 2008 traded 1,115,653 shares

Source: www.bseindia.com

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (Rs.)
March, 2008	210.70	March 5, 2008	8,205,802	147.55	March 24, 2008	2,732,354	178.63
April, 2008	200.90	April 30, 2008	3,576,792	154.20	April 4, 2008	1,781,246	180.35
May, 2008	206.40	May 15, 2008	8,757,873	167.60	May 12, 2008	1,625,446	188.81
June, 2008	192.85	June 2, 2008	2,155,023	138.45	June 27, 2008	2,608,579	166.95
July, 2008	159.90	July 11, 2008	6,743,784	132.60	July 1, 2008	2,304,098	143.92
August, 2008	146.90	August 11, 2008	1,330,358	119.50	August 28, 2008	13,062,175	136.41

Note:

The average price has been computed based on the daily closing price of Equity Shares

Source: www.nseindia.com

The market price was Rs. 126.65 on BSE on August 18, 2008, the trading day immediately following the day on which Board meeting was held to finalize the offer price for the Issue.

The market price was Rs. 129.55 on NSE on August 18, 2008, the trading day immediately following the day on which Board meeting was held to finalize the offer price for the Issue.

The market price on September 12, 2008 on BSE was Rs. 121.05 and on NSE was Rs. 121.35.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise stated, the following discussion and analysis of our financial condition and results of operations is based on our restated consolidated financial statements. You should also read the sections titled "Risk Factors" and "Forward Looking Statements" beginning on page xiii and page iv, respectively, which discuss a number of factors and contingencies that could impact our financial condition and results of operations.

Unless otherwise stated, "financial year" refers to the 12 month period ending March 31 of that year and "calendar year" refers to the 12 month period ending December 31 of that year. Our audited and restated consolidated and standalone financial statements are prepared in accordance with Indian GAAP, the accounting standards prescribed by the ICAI and the relevant provisions of the Companies Act. In accordance with Indian GAAP, the effects of the restatement are shown as restatements of individual line items in our income statement to arrive at net profit.

Overview

We are one of the leading producers of aluminium and copper in India and the world. Our Indian aluminium production operations are integrated. For the calendar year 2007, we were the sixth largest aluminium producer in Asia and the eleventh largest in the world in terms of volume, according to the CRU International Limited's Aluminium Quarterly Industry and Market Outlook, April 2008. On May 15, 2007, we acquired Novelis Inc., the world's largest aluminium rolled products producer based on shipping volume for the calendar year 2007. Through the acquisition of Novelis, our aluminium products business has achieved economies of scale, increased our global reach and given us access to advanced technology critical to our future growth. In our copper production operations, we are a custom smelter and, according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008, we own and operate one of the largest single location smelters in the world in Dahej, India. We source a portion of our copper requirements from our copper mines in Australia and also purchase copper concentrate at London Metal Exchange linked prices for smelting and refining. We then sell the refined copper and continuous cast rod at LME-linked prices in the domestic and export markets. For the calendar year 2007, we were among the top 10 producers of copper in the world by capacity, according to Brook Hunt – The Long Term Outlook for Copper – Metal Service, 1st Quarter Data Volume 2008.

Acquisition of Novelis

On May 15, 2007, we acquired Novelis through our indirect wholly-owned subsidiary, AV Metals Inc., pursuant to a plan of arrangement (the "Arrangement") entered into on February 10, 2007. As a result of the Arrangement, AV Metals acquired all of Novelis' outstanding common shares at a price of U.S.\$44.93 per share, and all outstanding stock options and other equity incentives were terminated in exchange for cash payments. The aggregate purchase price for Novelis' common shares was U.S.\$3.4 billion. Immediately following the Arrangement, the common shares of Novelis were transferred from AV Metals to its wholly-owned subsidiary, AV Aluminum Inc. We also assumed U.S.\$2.8 billion of Novelis' debt for a total transaction value of U.S.\$6.2 billion.

On June 22, 2007, Novelis issued 2,044,122 additional common shares to AV Aluminum for U.S.\$44.93 per share resulting in an additional equity contribution of approximately U.S.\$92 million. This contribution was equal in amount to certain payments made by Novelis related to change in control compensation to certain employees and directors, lender fees and other transaction costs incurred by Novelis. As this transaction was approved by Novelis and executed subsequent to the Arrangement, the U.S.\$92 million cash payment was not included in the determination of total purchase price.

As a result of the acquisition of Novelis, our results of operations for the year ended March 31, 2008 are not comparable to our results of operations for the year ended March 31, 2007.

Recent Developments

Unaudited Interim Quarterly Financial Results Disclosure. Each of the Company and Novelis has published unaudited interim financial results for the quarters ended June 30, 2008 and 2007.

Restatement. Novelis has restated its consolidated financial statements as of March 31, 2008 and for the period from May 16, 2007 through March 31, 2008 to reflect non-cash accounting adjustments to correct errors in its application of purchase accounting for an equity method investment which led to a misstatement of its provision for income taxes during the period it was finalizing its purchase accounting. This discussion and analysis of our financial condition and results of operations is based on our restated consolidated financial statements which includes the effect of such restatement.

See “Recent Developments” beginning on page 15 of this Letter of Offer for these recent developments.

Our Business Segments

We evaluate and report our financial results in two business segments:

Aluminium. Our Indian operations consist of bauxite mining, alumina refining, smelting and converting primary metal into value-added products. We have dedicated sources of critical raw materials for our Indian operations such as bauxite, power and, to a limited extent, coal, and have committed supply sources for auxiliary chemicals. Our finished products include alumina produced from our plants that we generally use for our own captive needs, the excess of which we sell to third parties, primary aluminium in the form of ingots, billets and wire rods, value-added products such as rolled products, extrusions, foils and alloy wheels and speciality alumina products used in a range of industries including water treatment chemicals, refractories, ceramics, cryolite, glass, fillers and plastics, conveyor belts and cables, among others. In addition, we manufacture intermediate products required for our own production such as power and carbon anode. Our Indian aluminium operations are located in 10 states and one union territory in India, with three refineries, that are capable of producing 1,160 ktpa of alumina and two smelters that are capable of producing 471 ktpa of aluminium.

Our subsidiary, Novelis, is the world leader in aluminium rolled products in terms of shipment volume for the calendar year 2007. Novelis is also the largest aluminium rolled products producer in Europe, South America and Asia, and the second largest producer in North America for the calendar year 2007. Novelis is also the world leader in recycling used aluminium beverage cans, recycling approximately 36 billion used beverage cans for the financial year 2008. It currently operates in 11 countries and produces aluminium sheet and foil products for customers in high-value markets including automotive, transportation, packaging, construction and printing.

Copper. Our copper operations consist of producing copper (through smelting, refining copper from copper concentrate and converting refined copper cathode into continuous cast rod). We also manufacture precious metals (gold, silver and selenium, which are recovered from the anode slime as by-products), phosphatic fertilizers and sulphuric acid, which are produced from the by-products generated through the copper manufacturing process. Our custom copper smelting facility comprises of three smelters at Dahej, India, and has a total installed capacity of 500 ktpa. Our copper operations are supported by our two copper mines located in Australia, as well as our in-house jetty, power plants and oxygen plants located in the vicinity of our copper smelter in Dahej. We sell refined copper in the form of cathodes and continuous cast rods and also sell precious metals, phosphatic fertilizers, sulphuric acid and other by-products.

The following table summarizes our net sales and operations revenues and operating profit from the two business segments, for the periods indicated:

					Financial Year							
	2008				2007				2006			
	Net Sales and Operating Revenue	% of Total Net Sales	Operating Profit*	% of Total Operating Profit*	Net Sales and Operating Revenue	% of Total Net Sales	Operating Profit*	% of Total Operating Profit*	Net Sales and Operating Revenue	% of Total Net Sales	Operating Profit*	% of Total Operating Profit*
	(Rs. in million, except for percent data)											
Aluminium	470,338.20	78.4	31,453.72	73.7	73,933.39	38.2	29,525.87	79.9	60,401.87	50.35	21,104.06	105.4
Copper	123,344.92	20.6	9,368.16	22.0	115,613.81	59.7	6,112.30	16.5	56,013.44	46.70	(2,125.17)	(10.6)
Others	6,445.11	1.0	1,863.93	4.4	4,217.97	2.2	1,336.09	3.6	3,539.48	2.95	1,053.68	5.3
Total	600,128.23	100.0	42,685.81	100.0	193,765.17	100.0	36,974.26	100.0	119,954.79	100.00	20,032.57	100.0

* Does not include the effect of certain unallocable items such as unallocable income, interest expenses and taxes.

Factors Affecting Our Results of Operations

Several factors that affect our results of operations include commodity price movements, operating costs and efficiency, product and market mix, governmental regulations affecting our operations, duties or taxes, and exchange rates.

Commodity Prices

Commodity prices, especially prices for copper and aluminium, have a significant impact on our results of operations. Commodity prices are influenced by changes in global economic conditions, related industry cycles, demand-supply dynamics, attempts by individual producers to capture market share and also by speculation in the market. In addition to market fluctuations, our average selling prices can be affected by contractual arrangements and hedging strategies. Commodity price fluctuations and market cycles have historically had a material impact on our results of operations and are expected to continue to do so in the future.

LME Price for Aluminium

We sell alumina, primary aluminium and value-added aluminium products in the Indian and international markets. We price our aluminium products by reference to Indian or international market prices. Pricing in India is influenced by the movements in the LME price for aluminium, regional premiums, exchange rates and import duty changes. In the international markets, we sell primary metal with reference to LME prices, but are able to charge a regional premium that generally reflects the cost of securing the metal from an alternative source of supply.

Alumina prices are negotiated and are usually determined with reference to the LME price for aluminium. We sell alumina under long-term contracts as well as in spot sales. Our decision on the manner of sale is influenced by the demand-supply and pricing outlook for alumina in the international markets. The market price for alumina has historically fluctuated independently and significantly from the market price for aluminium.

Most of our sales of value-added aluminium products is conducted under a conversion model, which allows us to pass through increases or decreases in the price of aluminium to our customers. Nearly all of the flat rolled products have a price structure with two components: (i) a pass-through aluminium price based on the LME plus local market premiums and (ii) a “conversion premium” price based on the conversion cost to produce the rolled product and the competitive market conditions for that product. Sales contracts representing approximately 10.0% of Novelis’ total shipments for the financial year 2008 provide for a

ceiling over which metal prices could not contractually be passed through to certain customers, unless adjusted. As a result, we were unable to pass through the complete increase in metal prices for sales under these contracts, which negatively impacted our margins when the price we paid for metal was above the ceiling price. For the period May 16, 2007 to March 31, 2008, Novelis was unable to pass through approximately U.S.\$194 million of metal purchase costs associated with sales under these contracts.

Novelis' exposure to metal price ceilings is expected to be approximately 8.0% of estimated shipments for the financial year 2009. Based on actual metal price ceiling losses of U.S.\$78 million during the first quarter of the financial year 2009 and a June 30, 2008 aluminum price of U.S.\$3,075 per ton, and Novelis' best estimate of a range of shipment volumes, Novelis estimates that it will be unable to pass through aluminum purchase costs of approximately U.S.\$318 — U.S.\$338 million for the financial year 2009 and U.S.\$240 — U.S.\$260 million in the aggregate thereafter. In connection with the allocation of purchase price (i.e., total consideration) for the acquisition of Novelis, we established reserves totaling U.S.\$655.00 million as of May 15, 2007 (determined on a U.S. GAAP basis), to record these contracts at fair value. Fair value effectively represents the discounted cash flows of the forecasted metal purchase costs in excess of the metal price ceilings contained in these contracts.

On certain sales contracts Novelis experiences timing differences on the pass through of changing aluminium prices based on the difference in the price we pay for aluminium and the price we ultimately charge our customers after the aluminium is processed. Generally, and in the short-term, in periods of rising prices our earnings benefit from this timing difference while the opposite is true in periods of declining prices. We refer to this timing difference as "metal price lag". For the period May 16, 2007 to March 31, 2008, metal price lag negatively impacted Novelis results by U.S.\$15 million.

Certain of our sales contracts, most notably in Europe, contain fixed metal prices for stipulated periods of time, such as four to 36 months. In some cases, this can result in a negative impact on sales, compared to current prices, as metal prices increase because the prices are fixed at historical levels. The impact, positive or negative, on sales under these contracts has not been included in the metal price lag effect quantified above, as we enter into forward metal purchases simultaneous with the sales contracts to mitigate our exposure to changing metal prices on sales under these contracts.

LME prices for aluminium have been volatile and cyclical in the past and we expect this to continue. The following table sets out LME average market cash settlement prices per ton in U.S. Dollars for the periods indicated:

	Financial Year			
	2008	2007	2006	2005
	(in U.S.\$/ton)			
LME Aluminium.....	2,624	2,665	2,028	1,779

(Source: Calculated from daily cash settlement price of LME)

LME Price for Copper

The prices we pay for copper concentrate and the prices we charge for our copper products are based on the LME price for copper. However, because we are a custom copper smelter, we attempt to make the LME price a pass through for us as both our copper concentrate purchases and sales of finished goods are based on LME prices. Nevertheless, we are exposed to differences in the LME price between the quotational periods for the purchase of copper concentrate and sale of the copper, and any decline will adversely affect us. While we hedge against such risks, at times we are exposed to timing and quantity mismatches. We also sourced approximately 26% of our copper concentrate requirements on an arms length basis for the financial year 2008 from the copper mines held by our 51% owned subsidiary.

We sell our products at a premium to LME price for the relevant quotational period, which is affected by global demand and supply of refined copper and prevailing freight costs. In India, we price copper at the landed cost of imported metal that reflects LME, regional premiums, import duties and current exchange rates. In the international markets, we sell our copper products with reference to LME prices, but are able to charge a regional premium that generally reflects the cost of securing the metal from an alternative source of supply. Our Australian copper mining operations however are affected by LME fluctuations.

LME prices for copper have been volatile. We expect this price volatility to continue to affect our profitability. The following table sets out LME average market cash settlement prices per ton of copper for the periods indicated:

	Financial Year			
	2008	2007	2006	2005
	(in U.S.\$/ton)			
LME Copper	7,521	6,985	4,099	3,000

(Source: Calculated from daily cash settlement price of LME)

TcRc

The level of TcRc also has a significant impact on the profitability of our copper business. We purchase copper concentrate at the LME price for the relevant quotational period, less TcRc. TcRc are influenced by global factors such as the supply and demand of copper concentrate, prevailing and forecasted LME prices and contango or backwardation prevailing in the market, and mining and freight costs. Our TcRc are influenced by the benchmark price set by certain large Japanese smelters.

The following table shows our average TcRc realised for the periods indicated:

	Financial Year			
	2008	2007	2006	2005
	(in U.S.cents/pound)			
TcRc Copper	23.96	34.01	22.03	11.63

Until the calendar year 2004, copper prices were low and no new, significant mining projects had commenced operations. Beginning in the calendar year 2005, copper prices began to increase which initiated new investment in the mining industry. We expect these new mines to commence operations in the calendar years 2009 and 2010, which will increase the amount of copper concentrate available in the market.

TcRc are negotiated on a calendar year basis. Through the calendar year 2006, TcRc included a price participation element whereby copper smelters received a percentage of sales of copper if copper prices were higher than a certain LME level. For the calendar year 2007, the table above has nine month data with full price participation and three month data with part price participation. In 2008, TcRc has decreased because of delays in new mining projects and a shortage in the supply of copper.

We use a blend of contract and spot TcRc, with the former accounting for 57.0% in the financial year 2008. While contract rates are negotiated annually, the spot price fluctuates depending on current concentrate demand and supply conditions and LME price. We typically expect spot TcRc to account for 20.0% to 25.0% of total purchases by copper content.

Operating Costs and Efficiency

Given the nature of our business, operating costs and efficiencies are critical to maintaining our competitiveness and profitability. For additional details about the expenses in our aluminium business, see

“Our Business — Our Aluminium Business — Our Key Raw Materials and Manufacturing and Operating Expenses” beginning on page 68 of this Letter of Offer. For additional details about the expenses in our copper business, see “Our Business — Our Copper Business — Our Key Raw Materials and Cost of Production” beginning on page 77 of this Letter of Offer.

Aluminium

In our aluminium business, our costs can be broadly categorised into power, fuel, raw materials, labour, maintenance and other off-site expenses such as freight and port handling charges. Of these, power, fuel, bauxite and aluminium (for Novelis’ operations) were our most significant expenses in the financial years 2008, 2007 and 2006, comprising between 62% and 75% of our aluminium costs.

The following table sets forth a breakup of our aluminium business raw materials and manufacturing and operating expenses for the periods indicated:

	Financial Year		
	2008	2007	2006
	(Rs. in million)		
Expenditure			
Bauxite, aluminium and other raw materials.....	301,509.00	12,335.99	10,545.72
Power and fuel	28,281.94	15,163.48	14,894.74
Other manufacturing and operating expenses	109,093.54	16,908.05	13,857.35
Total raw material and manufacturing and operating expenses.....	438,884.48	44,407.52	39,297.81

Bauxite, aluminium and other raw materials forms a significant component of our costs. Bauxite quality, costs and availability have a significant bearing on our costs and efficiencies, thus impacting profitability. We source most of our requirements from our own bauxite mines with the rest coming from third party suppliers. In the financial years 2008, 2007 and 2006, we purchased 1,183.66 kt, 1,060.30 kt, 1,018.33 kt of bauxite, respectively, which accounted for 31.2%, 29.7% and 28.4% of our requirements, respectively. The principal components of bauxite costs are mining costs, royalties and freight. The Indian government has increased royalty payments in recent periods and may do so again. See “Risk Factors — External Risk Factors — Changes in tariffs, royalties, customs duties and government assistance may reduce our domestic premium, which would adversely affect our profitability and results of operations” beginning on page xxxviii of this Letter of Offer.

Novelis purchased or tolled approximately 2,100 kt of primary aluminium during the financial year 2008 in the form of sheet ingot, standard ingot and molten metal, as quoted on the LME, approximately 46.0% of which it purchased from Alcan. Following Novelis’ spin-off from Alcan, it has continued to purchase aluminium from Alcan pursuant to metal supply agreements with Alcan.

Novelis operates facilities in several plants to recycle post-consumer aluminium, such as used beverage cans, collected through recycling programs. In addition, it has agreements with several of its customers where it takes recycled processed material from their fabricating activity and re-melts, casts and rolls it to re-supply them with aluminium sheet. Other sources of recycled material include lithographic plates, where over 90.0% of aluminium used is recycled, and products with longer lifespan, like cars and buildings, which are just starting to become high volume sources of recycled material. Novelis purchased or tolled approximately 1,000 kt of recycled material during the financial year 2008. The majority of recycled material that Novelis re-melts is directed back through its can-stock plants. The net effect of these activities in terms of total shipments is that approximately 34% of Novelis’ rolled products production for financial year 2008 was made with recycled material.

Our other key raw materials for our aluminium business include carbon and caustic soda.

We benefit from low cost and stable supply of power from our captive power plants in India. For the financial year 2008, the average cash cost of power at our Renuagar power plant was Rs.1.40 per kilowatt hour, and the average per unit cost of power at our Hirakud power plant was Rs.0.64 per kilowatt hour. Any change in power cost and efficiencies may have a material impact on us. Energy prices have increased substantially in the recent past and rising energy costs worldwide expose Novelis to reduced operating profits as changes cannot immediately be recovered under existing contracts and sales agreements, and may only be mitigated in future periods under future pricing arrangements. Novelis uses natural gas, electricity, fuel oil and transport fuel as sources of energy in its operations. Energy prices are impacted by several factors, including the volatility of supply and geopolitical events, both of which have created uncertainty in the oil, natural gas and electricity markets, which drive the majority of Novelis' manufacturing and transportation energy costs. The majority of energy usage occurs at Novelis' casting centers, at Novelis' smelters in South America and during the hot rolling of aluminium. See "Risk Factors — Risks Relating to our Business — A significant portion of our Indian energy requirements are met by our own power plants, any disruption to these power plants could increase our production costs. Additionally, Novelis' operations consume energy and its profitability may decline if energy costs were to rise, or if its energy supplies were interrupted" beginning on page xiv of this Letter of Offer.

Copper

In our copper business, apart from copper concentrate which is impacted by LME prices, power and fuel are the biggest cost drivers. We operate our dedicated power plant with imported coal. Hence, any change in global coal prices, exchange rates and freight costs affects operations.

The following table sets forth a breakdown of our copper business raw materials and manufacturing and operating expenses for the periods indicated:

	Financial Year		
	2008	2007	2006
	(Rs. in million)		
Copper concentrate, ammonia and other materials.....	102,918.43	100,916.94	51,551.13
Power and fuel	2,680.86	3,317.80	3,886.33
Other manufacturing and operating expenses	8,377.47	5,266.77	2,701.15
Total raw material and manufacturing and operating expenses.....	<u>113,976.76</u>	<u>109,501.51</u>	<u>58,138.61</u>

We typically obtain 70% to 80% of our other copper concentrate requirement from suppliers under long-term and spot agreements. During the financial year 2008, approximately 26% of our copper concentrate came from our copper mines in Australia. We source ammonia from the Middle Eastern countries, including Qatar and Saudi Arabia, pursuant to contracts renewed on an annual basis and on a spot basis, as and when required. Rock phosphate is currently sourced from Jordan and Togo, pursuant to contracts renewed on an annual basis with the price fixed for the term of the contract.

The electricity requirements of our copper smelter and refinery are primarily met from our own power generation. Coal is currently sourced from South Africa, India, Australia and China through a competitive bidding process. Most of the coal is used for our power plant and a small portion of it is used for our smelting process.

Product and Market Mix

Our results of operations are impacted by the product and market mix within each of the business segments and our profitability and return ratios will be affected by the mix of aluminium and copper in our overall operations.

In our aluminium business, the market mix has significant impact on our operations since domestic prices of aluminium are determined with reference to landed cost of imported metal, which usually reflects LME price, regional premium, and import duties. On the other hand, export selling prices equal LME price and regional premium only. In addition, the product mix also impacts our results given that value-added products command higher prices due to mark-up over LME price reflecting the extent of value addition. The growing share of value added products also helps us minimize volatility in our results of operations, particularly after the acquisition of Novelis. As a result, we have focused on increasing our proportion of sales of value added products in recent years. In the financial year 2008, sales in India accounted for 79.2% of aggregate aluminium sales and value-added products accounted for 54.5% of aggregate aluminium sales.

We sell alumina, aluminium and value-added products in and outside India. The following table sets forth our actual sales in tonnage terms for the financial years 2008, 2007 and 2006:

	Financial Year		
	2008	2007	2006
	(in metric tons)		
Hydrate and alumina (standard metallurgical and specials)	259,627	299,762	388,646
Primary aluminium (ingot / billets / wire rods).....	369,418	207,042	214,680
Value-added products (rolled, extrusion and foils).....	2,890,700	234,313	212,654
Wheels ⁽¹⁾	173,537	188,772	199,403

(1) Data for wheels is provided for number of pieces rather than in metric tons.

In our copper business, we also focus on increasing our production volumes of value added products such as continuous cast rods. For the financial years 2008, 2007 and 2006, we sold 48.6%, 36.17% and 44.50%, respectively, of our copper production in India and the rest outside India. As India is already a net exporter of copper, our increased production resulting from any capacity expansions will be sold primarily in the export markets. In addition, as our sales outside India are primarily focused on regions that are at close proximity to India such as North Asia, Southeast Asia and the Middle East, our freight costs to such markets tend to be lower as compared to many other copper exporting countries. We intend, however, to grow domestic volumes, through development of new applications and increased sales to existing customers.

The following table sets forth our actual sales, in tonnage terms, for the financial years 2008, 2007 and 2006:

	Financial Year		
	2008	2007	2006
	(in metric tons)		
Copper:			
Copper cathodes	185,774	196,586	145,374
Continuous cast rods	138,543	109,700	88,331
Precious metals:			
Gold.....	9.18	10.48	6.74

	Financial Year		
	2008	2007	2006
	(in metric tons)		
Silver	53.47	48.72	35.97
Other by-products:			
Phosphatic fertilizers	148,250	220,935	217,176
Sulfuric acid.....	765,167	559,033	294,740

Duties and Taxes

Indian Operations

Our Indian operations are subject to various applicable duties, incentives, royalties and taxes and as a result, are significantly impacted by changes in import duties, export incentives and taxes. The pricing of both aluminium and copper in India are determined with reference to landed cost of imports and duties which influence our average selling prices and hence our profitability. On the other hand, we benefit from a reduction in customs duties on imports to India of key inputs such as copper concentrate, coal for our copper operations and caustic soda, fuel oil and coke for our aluminium operations. Also, our results of operations are impacted by export incentives as we exported outside India nearly 20.8% of aluminium and 51.4% of copper produced in the financial year 2008.

Import Duties

The import of aluminium and copper in India currently attracts a basic duty of 5.0%. The customs duty on imported aluminium (other than for certain aluminium products) was reduced from 7.5% to 5.0% effective January 22, 2007. The customs duty on imported copper was reduced in stages from 35.0% in February 2002 to the current level of 5.0%. The basic import duty on copper concentrate was also brought down from 5.0% to 2.0% effective January 22, 2007. The current import duty on coal in India is 5.0%. Imports in India also attract an additional surcharge of 3.0% of the applicable duties.

Though the import duty rates have been reduced substantially over the years, the Government of India may reduce import duties even further and the timing and extent of such reductions cannot be predicted. Any such reduction will have a direct impact on domestic pricing and profitability of both aluminium and copper operations.

Export Incentives

The Government of India provides incentives to Indian companies on exports in the form of duty exemption, remission of duty on import of inputs required for export production and concessional import duty for import of capital equipment with accompanying export obligation. Further, the goods exported are not subject to excise duty, which is otherwise levied on manufactured goods removed from factory for consumption in India.

At present, our operations benefit from the following export incentive schemes provided by the Government of India:

Duty Exemption Scheme - we are eligible to a duty drawback meaning that the material imported to India by us can be either duty free or are subject to a lower rate of tax when the imported materials are used for producing goods that are to be exported from India.

Duty Remission Scheme - for materials used in producing goods for export from India, the duty remission scheme enables the remission of duty on the applicable materials and the duty free replenishment. A duty free replenishment certificate is issued, which enables the holder to replenish the applicable materials used

in the export products without subject to a payment of import duty. The duty entitlement pass book scheme neutralises the incidence of import duty paid for the imported materials used in producing the goods for export. The neutralisation is provided by way of grant of duty credit against the exported product at a specified percentage of the FOB value of the exported product.

Export Promotion Capital Goods Scheme - a basic 3.0% customs duty is levied on capital goods that are imported to India for pre-production, production and post-production, which are further subject to an additional surcharge of 3.0%. Importers that benefit from this scheme are however subject to an export obligation, which is eight times the duty saved on importing such capital goods. The obligation is to be fulfilled over a period of eight years from the date of issuance of the applicable license under the scheme.

We benefit from the above schemes in our Indian aluminium and copper operations.

Taxes and Royalties

Our results of operations are affected by the income tax we pay on our profits and, to a lesser extent, on dividend distributions. Income tax on Indian companies is currently charged at a statutory rate of 33.99%, including a surcharge of 10.0% and education cess of 2.0% and higher education cess of 1.0%. The Indian corporate tax rate and surcharges thereon were at 33.99%, 33.66% and 33.6% for the financial years 2008, 2007 and 2006, respectively.

We are also subject to other government royalties and taxes. We pay royalties on bauxite and coal we mine. The government of India can change the amount of the royalty, but cannot do so more than once every three years. In September 2000, the Government changed the nationwide bauxite royalty from a fixed fee to a variable fee formula, which was further revised upward in October 2004 under the same formula. Royalty is calculated as a percentage of the average aluminium price on the LME during the period. The royalty on coal includes a 5.0% ad-valorem royalty plus another royalty depending on the grade of coal.

For more information on the effect of duties and taxes on our results of operations, see “Risk Factors — External Risk Factors — Changes in tariffs, royalties, customs duties and government assistance may reduce our domestic premium, which would adversely affect our profitability and results of operations” beginning on page xxxviii of this Letter of Offer.

Exchange Rates

The major currencies, whose exchange rate movement against the U.S. Dollar affect our results of operations are explained below:

Indian Rupee

In India, our products are typically priced by reference to U.S. Dollar prices, both in the Indian and international markets. However, a majority of our direct costs are incurred in the Indian Rupee in our aluminium business. In addition, our smelting and refining cost are incurred in the Rupee in our copper business. All the costs with respect to imported materials for all our businesses are generally incurred in U.S. Dollars. Towards minimizing the impact of currency fluctuations, we hedge our currency exposures from time to time in line with our risk management policy.

Euro

In Europe, where we have predominantly local currency selling prices and operating costs, we benefit as the Euro strengthens against the U.S. Dollar, but are adversely affected as the Euro weakens.

Korean Won

In Korea, where we have local currency selling prices for local sales and U.S. Dollar denominated selling prices for exports from Korea, we benefit slightly as the Won weakens, but are adversely affected as the Won strengthens, due to a slightly higher percentage of exports as compared to local sales.

Canadian Dollar and Brazilian Real

In Canada and Brazil, where we have predominately U.S. Dollar selling prices and local currency operating costs, we benefit as the local currencies weaken, but are adversely affected as the local currencies strengthen.

Australian Dollar

In our mining operation in Australia, all of our sales are denominated in U.S. Dollars, while most of the costs are denominated in Australian Dollars. The operations are affected significantly by movements in the U.S. Dollar as against the Australian Dollar. We benefit as the U.S. Dollar strengthens against the Australian Dollar, but are adversely affected as the U.S. Dollar weakens.

See “Risk Factors — Risks Relating to our Business — Our operating results are affected by movements in exchange rates, particularly between the Rupee and the Euro and the U.S. Dollar” beginning on page xiv of this Letter of Offer.

Our Business Model

The following table indicates our businesses and their key value drivers:

Business Model	Upstream Aluminium	Downstream Aluminium	Copper Custom Smelting	Copper Mining
Products	Alumina and Aluminium	Rolled, Extrusions and Foils	Copper and By-products	Concentrate
Geography	India and Brazil	Americas, Europe and Asia	India	Australia
Business Model	Integrated	Conversion/Tolling	Customer Smelter/Tolling	Mining
Products	Commodity	Value-added	Commodity and Value-added	Commodity
Production Volumes Financial Year 2008	Aluminium 580 kt Alumina 1193 kt	2926 kt	327.67 kt	77.28 kt
Nature of Sales	Third Parties	Third Parties	Third Parties	Captive, sold to the Company
Sales Volumes (KT) Financial Year 2008 and excluding captive consumption	Aluminium 369 kt Alumina 260 kt	2,891 kt	319.21 kt	Captive, sold to the Company
Sales Realisation	LME Based Price	Mark-Up over LME	LME Based Price	LME Based Price
Correlation with Aluminium LME	Positive	Neutral/ Negative	Not Applicable	Not Applicable
Correlation with Copper LME	Not Applicable	Not Applicable	Neutral/Negative	Positive

Business Model	Upstream Aluminium	Downstream Aluminium	Copper Custom Smelting	Copper Mining
Impact of LME Volatility	High	Low	Low	High
Commodity Hedging	Required	Normally Offset	Normally Offset	Required
Price Ceiling Contracts	None	Negative effect with High LME	None	None
Earning Drivers	LME Based Price	Mark-Up over LME	TcRc/By-product Sales	LME Based Price
Key Margin Drivers	Volumes/Production Cost	Product Differentiation / Conversion Cost	Volumes / Conversion Cost	Volumes / Production Cost
Margins	High and Volatile	Low and Stable	Low and Stable	High and Volatile

Capacity Expansion

Our revenues and net profit have increased with our capacity expansions over the last several years, and we intend to continue to expand our capacity to meet increased demand and our growth objectives.

After the completion of our expansion plans, we expect to benefit from increased economies of scale and improved efficiency, which will have a positive impact on our gross margins. However, these expansions will also increase our interest and depreciation expenses. These projects are being structured to leverage their proximity to good quality bauxite and coal reserves that we believe should further enhance our cost structure. For more details on certain of these expansion projects, see “Our Business — Our Aluminium Business — Our Expansion Projects” beginning on page 73 of this Letter of Offer. There are a number of risks associated with our expansion plans. See “Risk Factors — Risks Relating to our Business — Our expansion projects may require significant capital expenditure and may not be completed in the timeframe or at cost levels originally anticipated, and may not achieve the intended economic results” beginning on page xxii of this Letter of Offer.

Our Significant Accounting Policies

Please see “Annexure 20 of our Restated Consolidated Financial Statements” beginning on page F-39 of this Letter of Offer for a discussion of our significant accounting policies.

Results of Operations

The following table sets forth selected information from our results of operations as a percentage of total income for the periods indicated :

	Financial Year							
	2008		2007		2006		2005	
	(Rs. in million)	% of Total Income	(Rs. in million)	% of Total Income	(Rs. in million)	% of Total Income	(Rs. in million)	% of Total Income
Income:								
Net Sales	596,962.99	98.4	190,674.40	96.4	118,159.31	96.3	99,955.78	94.4
Operating Revenues	3,165.24	0.5	3,090.77	1.6	1,795.48	1.5	3,136.35	3.0
Net Sales and Operating Revenues	600,128.23	98.9	193,765.17	97.9	119,954.79	97.7	103,092.13	97.4
Other Income	6,560.33	1.1	4,090.63	2.1	2,805.44	2.3	2,778.83	2.6
Total Income	606,688.56	100.0	197,855.80	100.0	122,760.23	100.0	105,870.96	100.0
Expenditure:								
(Increase) / Decrease in Stocks	(1,457.20)	(0.2)	(4,501.25)	(2.3)	(10,111.91)	(8.2)	(2,242.07)	(2.1)
Trade Purchases	357.55	0.1	233.69	0.1	211.62	0.2	182.22	0.2
Consumption of Raw Materials	404,429.80	66.7	113,912.92	57.6	68,398.03	55.7	48,482.82	45.8
Employees Cost	43,415.20	7.2	5,715.71	2.9	5,028.16	4.1	4,850.43	4.6
Power and Fuel	31,166.81	5.1	18,584.94	9.4	18,011.41	14.7	15,546.73	14.7
Other Expenditure	56,178.13	9.3	15,017.66	7.6	11,428.16	9.3	10,849.03	10.2
Interest and Finance Charges	18,490.97	3.0	3,134.70	1.6	3,013.69	2.5	2,159.12	2.0
Depreciation	24,827.78	4.1	7,793.13	3.9	7,914.85	6.4	6,324.93	6.0
Impairment	54.73	-	852.40	0.4	44.54	-	-	-
Total Expenditure	577,463.77	95.2	160,743.90	81.2	103,938.55	84.7	86,153.20	81.4
Profit Before Tax and Exceptional Items	29,224.79	4.8	37,111.90	18.8	18,821.68	15.3	19,717.76	18.6
Exceptional Items (Net)	-	-	-	-	7.50	-	100.33	0.1
Profit Before Tax and Minority Interest	29,224.79	4.8	37,111.90	18.8	18,814.18	15.3	19,617.43	18.5
Provision for Current Tax	9,632.40	1.6	10,101.60	5.1	2,795.71	2.3	5,849.76	5.5
Provision for Deferred Tax	2,027.40	0.3	(478.46)	(0.2)	979.74	0.8	93.44	0.1
Provision for Fringe Benefit Tax	122.63	-	120.71	0.1	108.54	0.1	-	-
Profit Before Minority Interest	17,442.36	2.9	27,368.05	13.8	14,930.19	12.2	13,674.23	12.9
Minority Interest	2,160.61	0.4	135.79	0.1	120.61	0.1	110.11	0.1
Share in (Profit) / Loss of Associates (Net)	(997.88)	(0.2)	11.54	-	-	-	-	-
Net Profit	16,279.63	2.7	27,220.72	13.8	14,809.58	12.1	13,564.12	12.8

Net Sales and Operating Revenues

Our net sales and operating revenues primarily consist of sales from our aluminium and copper business segments. For details of the aluminium and copper products we sell, see “ — Factors Affecting Our Results of Operations — Product and Market Mix” beginning on page 157 of this Letter of Offer.

Other Income

Other income primarily consists of income from investments in the form of dividends and profit or loss from sales of such investments, and interest income. Our investments primarily include current investments in mutual funds and long term investments in joint ventures and associates.

(Increase)/Decrease in Stocks

This line item is an adjustment to our income statement which reflects increases or decreases in our process and finished goods inventory.

Trade Purchases

Trade purchases consists of purchase of items, such as coal, intended for trading activities.

Consumption of Raw Materials

Consumption of raw materials includes costs of raw materials such as bauxite, copper concentrate, primary aluminium and aluminium scrap, including used beverage cans, amongst others.

Employee Cost

Employee cost includes salaries, wages and bonus to our employees, contributions we make to provident fund and other funds, retirement benefits we provide to employees and expenses incurred for staff welfare.

Power and Fuel

Power and fuel includes the cost of coal and other fuel for the operation of our power plants, cost of purchase of power at our facilities in and outside India, and other cost for operating our power plants in India.

Other Expenditure

Other expenditure primarily consists of selling and distribution and administration costs, including shipping costs and costs of consumables.

Interest and Finance Charges

Interest and finance charges primarily consist of interest and finance charges on our indebtedness, including debentures, fixed loans and other indebtedness.

Depreciation

Depreciation expenses primarily consist of depreciation on our fixed assets, including our smelters, refineries, power plants, rolling mills and mining equipment. Depreciation also includes amortization of intangible assets such as customer relationships, tradenames and technology.

Impairment

We recognise impairment expenses when we believe the net present value of recoverable amount of an asset is lower than the carrying value in the books.

Financial Year 2008 Compared to Financial Year 2007

As a result of the acquisition of Novelis on May 15, 2007, our results of operations for the financial year 2008 include the impact of such acquisition and therefore are not comparable to our results of operations for the financial year 2007.

Net Sales and Operating Revenues

Net sales and operating revenues increased to Rs.600,128.23 million for the financial year 2008 from Rs.193,765.17 million, primarily as a result of the contribution of Rs.399,089.85 million from the operations of Novelis for the period May 16, 2007 to March 31, 2008. Our net sales and operating revenues also increased as a result of an increase in volumes of primary aluminium, copper and value added products partially offset by an appreciation of the Rupee.

Net sales and operating revenues for our aluminium segment increased to Rs.470,338.20 million for the financial year 2008 from Rs.73,933.39 million for the financial year 2007. Sales from our Indian aluminium operations decreased by 3.1% to Rs. 71,414.13 million in the financial year 2008 from Rs.73,675.86 million in the financial year 2007 on account of an appreciation of the Rupee and decline in customs duty, despite an increase in sales volume. Sales from our Novelis operations generated Rs.399,089.85 million with a volumes of 2,787 kt sold for the period May 16, 2007 to March 31, 2008.

In connection with the allocation of purchase price (i.e., total consideration) paid by the Company for the acquisition of Novelis, Novelis established reserves totaling U.S.\$655.00 million as of May 15, 2007 (determined on a U.S. GAAP basis), to record metal price ceiling contracts at fair value. Fair value effectively represents the discounted cash flows of the forecasted metal purchase costs in excess of the metal price ceilings contained in these contracts. These reserves are being accreted into Novelis' net sales over the remaining lives of the underlying contracts, and this accretion will not impact future cash flows. For the year ended March 31, 2008 (during the period from May 16, 2007 through March 31, 2008 only), Novelis recorded accretion of U.S.\$270.00 million (determined on a U.S. GAAP basis).

Net sales and operating revenues for our copper segment increased by 6.7% to Rs.123,444.92 million for the financial year 2008 from Rs.115,613.81 million for the financial year 2007, primarily due to higher LME prices, increased volumes, increased sales of value added continuous cast rods and increased by-product prices, despite an appreciation in the Rupee.

Other net sales and operating revenues increased by 52.8% to Rs.6,445.11 million for the financial year 2008 from Rs.4,217.97 million for the financial year 2007, primarily due to an increase in sales of caustic soda and income from our joint venture, Idea Cellular Limited.

Other Income

Other income increased by 60.4% to Rs.6,560.33 million for the financial year 2008 from Rs.4,090.63 million for the financial year 2007, primarily due to higher interest income on income tax refunds, higher treasury income and the receipt of interim dividends from long-term investments. However our other income decreased as a percentage of our total income from 2.1% in the financial year 2007 to 1.1% in the financial year 2008.

Total Expenditure

Total expenditure increased to Rs.577,463.77 million for the financial year 2008 from Rs.160,743.90 million for the financial year 2007, primarily due to the increase in the scale of operations as a result of the acquisition of Novelis, including as a result of other one-time expenditures, such as interest and financial charges and other expenditures, incurred in connection with the acquisition of Novelis. Novelis' total expenditure was Rs.400,603.62 million which constituted 69.37% of our total expenditure for the financial year 2008. Additionally, our total expenditure also increased as a result of increases in consumption of raw material, interest costs and employee costs, primarily because of increased production volumes in our Indian operations.

Consumption of Raw Materials

Consumption of raw materials increased to Rs.404,429.80 million for the financial year 2008 from Rs.113,912.92 million for the financial year 2007, primarily due to the increase in production as a result of the acquisition of Novelis. Consumption of raw materials for the Novelis operations was Rs.288,640.36 million for the financial year 2008, a substantial portion of which was due to metal purchased for Novelis' rolling operations. Additionally, our Indian operations also had to account for higher copper concentrate prices and carbon costs and an increase in the production of copper and aluminium in the financial year 2008, which caused an increase in consumption of raw materials.

Employee Cost

Employee cost increased to Rs.43,415.20 million for the financial year 2008 from Rs.5,715.71 million for the financial year 2007, primarily due to the increase in number of employees to 32,889 as of March 31, 2008 from 20,731 as of March 31, 2007, as a result of the acquisition of Novelis. Employee cost at Novelis was Rs. 36,678.90 million. Employee cost also increased on account of an increase in salaries.

Power and Fuel

Power and fuel cost increased by 67.7% to Rs.31,166.81 million for the financial year 2008 from Rs.18,584.94 million for the financial year 2007, primarily due to the increase in power and fuel consumed as a result of the acquisition of Novelis, which purchases a portion of its power requirements through long term power purchase agreements. Novelis incurred Rs.11,866.61 million towards power and fuel expenses in the financial year 2008. Our power and fuel costs also increased as a result of increased power generation from our captive power plants and the increase in prices of coal and fuel oil. However, our power and fuel costs has reduced as a percentage of net sales, from 9.4% in the financial year 2007 to 5.1% in the financial year 2008. This reduction is primarily due to Novelis' conversion business model which is less power and fuel intensive as compared to our Indian integrated metal production operations, as well as a reduction in the consumption of power and fuel in our copper business.

Other Expenditure

Other expenditure increased to Rs.56,178.13 million for the financial year 2008 from Rs.15,017.66 million for the financial year 2007, primarily due to the increase in the scale of operations as a result of the acquisition of Novelis, including as a result of other one-time expenditure incurred in connection with the acquisition of Novelis. Novelis' other expenditure for the financial year 2008 was Rs.39,548.19 million, mainly comprising costs of consumption of stores and spares, repairs and maintenance and freight forwarding.

Interest and Finance Charges

Interest and finance charges increased to Rs.18,490.97 million for the financial year 2008 from Rs.3,134.70 million for the financial year 2007, primarily due to a significant increase in outstanding total indebtedness during the financial year 2008 as a result of the acquisition of Novelis. Our indebtedness primarily increased as a result of the assumption of Novelis' existing indebtedness at the time of the acquisition and

because we incurred additional indebtedness to acquire Novelis. Our interest and finance charges include Rs.8,768.59 million as a result of borrowings by Novelis and Rs.6,162.34 million incurred towards the bridge loan for the Novelis acquisition. Additionally, the interest and finance charges incurred by Novelis include a one time debt issuance cost of Rs.1,481.67 million. Our indebtedness also increased as a result of the incurrence of additional indebtedness in our Indian operations. In addition, our interest and finance charges also increased as a result of the commissioning of the additional aluminium production capacity at the smelter in Hirakud and the refinery in Muri.

Depreciation

Depreciation costs increased to Rs.24,827.78 million for the financial year 2008 from Rs.7,793.13 million for the financial year 2007, primarily due to an increase in our total assets as a result of the acquisition of Novelis. Novelis' depreciation costs was Rs.15,777.37 million for the financial year 2008 as a result of the consideration paid by the Company being pushed down to Novelis and allocated to its assets acquired and liabilities assumed based on their estimated fair value. The increase in asset values, all of which is non-cash, is charged to depreciation and amortization expense in future periods based on the estimated useful lives of the individual assets. Our depreciation costs also increased as a result of the commissioning of an aluminium smelter at Hirakud and a refinery at Muri.

Tax

Provision for current tax decreased by 4.6% to Rs.9,632.40 million for the financial year 2008 from Rs.10,101.60 million for the financial year 2007, primarily due to a reduction of profit before tax and an increase in income tax depreciation. Deferred tax provision was at Rs.2,027.40 million for the financial year 2008 as compared to a benefit of Rs.478.46 million for the financial year 2007, and was primarily due to the acquisition of Novelis, including the effect of purchase price accounting, and the effect of higher income tax depreciation due to higher capitalisation. Provision for fringe benefit tax increased by 1.6% to Rs.122.63 million for the financial year 2008 from Rs.120.71 million for the financial year 2007, primarily due to an increase in fringe benefit expenditure.

Minority Interest

Minority interest increased to Rs.2,160.61 million for the financial year 2008 from Rs.135.79 million for the financial year 2007, primarily due to an increase in profit from Bihar Caustic and Chemicals Limited and Aditya Birla Minerals Limited.

Share in (Profit) / Loss of Associates (Net)

The share in profit of associates was Rs.997.88 million for the financial year 2008 as compared to a loss of Rs.11.54 million for the financial year 2007, primarily as a result of profits from Consorcio Candonga, an associate of Novelis.

Net Profit

Net profit decreased by 40.0% to Rs.16,279.63 million for the financial year 2008 from Rs.27,220.72 million for the financial year 2007. The decrease in profit was as a result of the net loss in Novelis' operations of Rs.2,270.03 million, the increase in interest and finance charges and the appreciation of the Rupee. This decrease in net profit was partially offset by an increase in profit from our copper operations.

Financial Year 2007 Compared to Financial Year 2006

Net Sales and Operating Revenues

Net sales and operating revenues increased by 61.5% to Rs.193,765.17 million for the financial year 2007 from Rs.119,954.79 million for the financial year 2006, primarily due to higher LME prices of aluminium and copper, and increases in sales volumes of primary aluminium, copper and value added products.

Net sales and operating revenues for our aluminium segment increased by 22.4% to Rs.73,933.39 million for the financial year 2007 from Rs.60,401.87 million for the financial year 2006, primarily due to higher LME prices and increases in sales volumes of primary aluminium and value added products. Net sales and operating revenues for our copper segment increased by 106.4% to Rs.115,613.81 million for the financial year 2007 from Rs.56,013.44 million for the financial year 2006, primarily due to higher LME prices, increased sales volumes, particularly of value added continuous cast rods. Other net sales and operating revenues increased by 19.2% to Rs.4,217.97 million for the financial year 2007 from Rs.3,539.48 million for the financial year 2006, primarily due to an increase in sales of caustic soda and income from our joint venture, Idea Cellular Limited.

Other Income

Other income increased by 45.8% to Rs.4,090.63 million for the financial year 2007 from Rs.2,805.44 million for the financial year 2006, primarily due to receipt of dividends from current and long-term investments, interest income from higher interest income on income tax refunds and certain long-term investments and profit from the sale of certain investments.

Total Expenditure

Total expenditure increased by 54.7% to Rs.160,743.90 million for the financial year 2007 from Rs.103,938.55 million for the financial year 2006, primarily due to an increase in production volumes and the cost of raw materials, such as copper concentrate, power and fuel and an increase in other expenditure. The production of copper was however affected by planned shut-downs of a copper smelter for 26 days in the financial year 2007 and 35 days in the financial year 2006 and due to disruptions in operations as a result of inclement weather. However, our total expenditure, as a percentage of net sales, for the financial year 2007 was 81.2% as compared to 84.7% in the financial year 2006, mainly on account of higher sales.

Consumption of Raw Materials

Consumption of raw materials increased by 66.5% to Rs.113,912.92 million for the financial year 2007 from Rs.68,398.03 million for the financial year 2006, primarily due to increase in production and increase in the prices of caustic soda, bauxite and copper concentrate. See “ – Factors Affecting our Results of Operations – Product and Market Mix” beginning on page 157 of this Letter of Offer.

Employee Cost

Employee cost increased by 13.7% to Rs.5,715.71 million for the financial year 2007 from Rs.5,028.16 million for the financial year 2006, primarily due to an annual increases in salaries, wages and bonus and expenditure on employee welfare.

Power and Fuel

Power and fuel cost increased by 3.2% to Rs.18,584.94 million for the financial year 2007 from Rs.18,011.41 million for the financial year 2006, primarily due to an increase in power and fuel consumed as a result of an increase in the production volumes and an increase in the prices of fuel oil and coal.

However, our power and fuel costs, as a percentage of net sales, declined to 9.4% in the financial year 2007 from 14.7% in the financial year 2006.

Other Expenditure

Other expenditure increased by 31.4% to Rs.15,017.66 million for the financial year 2007 from Rs.11,428.16 million for the financial year 2006, primarily due to an increase in consumption of stores and spare parts and processing and operation charges due to higher production volumes, repairs and maintenance costs, provision for doubtful debts and miscellaneous expenditure.

Interest and Finance Charges

Interest and finance charges increased by 4.0% to Rs. 3,134.70 million for the financial year 2007 from Rs.3,013.69 million for the financial year 2006, primarily due to an increase in interest on debentures and other fixed loans and finance charges incurred as a result of the commissioning of additional aluminium production capacity at the smelter in Hirakud.

Depreciation

Depreciation costs decreased by 1.5% to Rs.7,793.13 million for the financial year 2007 from Rs. 7,914.85 million for the financial year 2006, primarily due to a decrease in our total assets as a result of the impairment of certain assets in the financial year 2006, partially offset by an increase in depreciation costs on account of the commissioning of the Hirakud smelter in the financial year 2007 and the copper smelter in Dahej in the financial year 2006. Additionally, there was an impairment of assets of Rs.852.40 million in the financial year 2007, primarily on account of impairment of certain assets in our copper business.

Tax

Provision for current tax increased to Rs.10,101.60 million for the financial year 2007 from Rs.2,795.71 million for the financial year 2006, primarily due to an increase in profit before tax and a lower proportion of income exempt from tax. Deferred tax was a benefit of Rs.478.46 million for the financial year 2007 from a provision of Rs.979.74 million for the financial year 2006, primarily due to deferred tax assets created for impairment and capitalisation of income from loans for specific projects. Provision for fringe benefit tax increased by 11.2% to Rs.120.71 million for the financial year 2007 from Rs.108.54 million for the financial year 2006, primarily due to an increase in fringe benefit expenditure.

Net Profit

Net profit increased by 83.8% to Rs.27,220.72 million for the financial year 2007 from Rs.14,809.58 million for the financial year 2006, primarily due to an increase in production volumes, better realisations, increased LME and TcRc and an increase in sales of value added products.

Financial Year 2006 Compared to Financial Year 2005

Net Sales and Operating Revenues

Net sales and operating revenues increased by 16.4% to Rs.119,954.79 million for the financial year 2006 from Rs.103,092.13 million for the financial year 2005, primarily due to increase in aluminium production volumes and increased LME.

Other Income

Other income increased by 1.0% to Rs.2,805.44 million for the financial year 2006 from Rs.2,778.83 million for the financial year 2005, primarily due an increase in profit from fixed assets sold or discarded by

us, receipt of dividends from current and long-term investments, interest income from inter-corporate deposits and other deposits in banks and miscellaneous income.

Total Expenditure

Total expenditure increased by 20.6% to Rs.103,938.55 million for the financial year 2006 from Rs.86,153.20 million for the financial year 2005, primarily due to an increase in consumption of raw materials and power and fuel.

Consumption of Raw Materials

Consumption of raw materials increased by 41.1% to Rs.68,398.03 million for the financial year 2006 from Rs.48,482.82 million for the financial year 2005, primarily due to increase in copper LME.

Employee Cost

Employee cost increased by 3.7% to Rs.5,028.16 million for the financial year 2006 from Rs.4,850.43 million for the financial year 2005, primarily due to an increase in salaries, wages and bonus, expenditure on employee welfare and contributions to provident and other funds. The increase was mainly attributable to annual increases in salaries and welfare expenses.

Power and Fuel

Power and fuel cost increased by 15.9% to Rs.18,011.41 million for the financial year 2006 from Rs.15,546.73 million for the financial year 2005, primarily due to an increase in power and fuel consumed in the ordinary course of business.

Other Expenditure

Other expenditure increased by 5.3% to Rs.11,428.16 million for the financial year 2006 from Rs.10,849.03 million for the financial year 2005, primarily due to the increase in production volumes in our aluminium business.

Interest and Finance Charges

Interest and finance charges increased by 39.6% to Rs.3,013.69 million for the financial year 2006 from Rs.2,159.12 million for the financial year 2005, primarily due to an increase in interest on debentures and other loans and finance charges incurred on account of higher working capital in our copper business.

Depreciation

Depreciation costs increased by 25.1% to Rs.7,914.85 million for the financial year 2006 from Rs.6,324.93 million for the financial year 2005, primarily due to an increase in our total assets and mining rights.

Tax

Provision for current tax decreased by 52.2% to Rs.2,795.71 million for the financial year 2006 from Rs.5,849.76 million for the financial year 2005. Provision for deferred tax increased by 21.1% to Rs.979.74 million for the financial year 2006 from Rs.93.44 million for the financial year 2005 primarily due to change in the effective tax rates. Provision for fringe benefit tax increased to Rs.108.54 million for the financial year 2006 from nil for the financial year 2005, primarily due to the imposition of such tax for the first time in financial year 2006.

Net Profit

Net profit increased by 9.1% to Rs.14,809.58 million for the financial year 2006 from Rs.13,564.12 million for the financial year 2005.

Liquidity and Capital Resources

We operate in a capital-intensive industry. Our primary liquidity needs have been to finance our operations, working capital needs, acquisitions and expansions, dividend payments and debt servicing. We paid a total of U.S.\$3.4 billion in connection with the acquisition of Novelis. Our expansion projects also require a high level of expenditure and in the three year period ended March 31, 2008, we spent an aggregate of Rs.70,625.63 million on such projects, including on projects to expand our alumina, aluminium and copper capacities and acquisitions of mines. We have historically funded such capital expenditures through a combination of internal cash flows, offerings of securities and borrowings. We have obtained cost effective debt in the past, having achieved the following long-term domestic credit ratings - “AA” from CRISIL, a subsidiary of Standard & Poors in India and “AA” from FITCH in India.

The following table sets forth a summary of our cash flows for the periods indicated:

	As of and for the year ended March 31			
	2008	2007	2006	2005
	(Rs. in million)			
Net cash generated from operating activities	53,999.15	34,114.77	12,103.54	19,182.73
Net cash (used in) investing activities.....	(180,723.93)	(63,363.51)	(19,381.14)	(25,696.52)
Net cash generated from financing activities	129,145.32	29,031.18	12,936.00	8,410.83
Net increase / (decrease) in cash and cash equivalents	2,420.53	(217.56)	5,658.40	1,897.04

Cash in the form of bank deposits, current account balances and cash on hand represent our cash and cash equivalents.

Operating Activities

Net cash generated from operating activities was Rs.53,999.15 million for the financial year 2008, and consisted of profit before tax and minority interest of Rs.29,224.79 million, as adjusted for a number of non-cash items, primarily depreciation of Rs.24,827.78 million and write-off and amortization of fair value adjustments of Rs.9,482.08 million, and other items, primarily interest and finance charges of Rs.18,490.97 million and investments, net, of Rs.6,029.93 million, and changes in working capital, primarily trade and other receivables of Rs.8,104.16 million and a direct tax payment of Rs.9,353.60 million. The change in trade and other receivables was primarily as a result of the acquisition of Novelis and the increase in the LME for copper. The increase in net cash generated from operating activities for the financial year 2008 includes Rs.24,851.07 million of cash generated from Novelis’ operations. The increase in net cash generated from operating activities was primarily due to higher cash profit and also decrease in inventories and receivables offset by decrease trade payables on a consolidated basis. While the working capital increased in our Indian operations due to an increase in level of operations, there was a reduction of working capital on a consolidated basis.

Net cash generated from operating activities was Rs. 34,114.77 million for the financial year 2007, and consisted of profit before tax and minority interest of Rs.37,111.90 million, as adjusted for non-cash items, primarily depreciation of Rs.7,793.13 million, and other items, primarily interest and finance charges of Rs.3,134.70 million and investments, net, of Rs.3,867.19 million, and changes in working capital, primarily trade and other receivables of Rs.4,192.16 million and inventories of Rs.3,149.38 million. Net cash generated from operating activities increased primarily due to higher cash profits due to better realisation led by stronger LME and a weaker Rupee. The change in inventory and trade and other receivables was primarily as a result of increased sales volume and an increase in the LME for copper and aluminium.

Net cash generated from operating activities was Rs.12,103.54 million for the financial year 2006, and consisted of profit before tax and minority interest of Rs.18,814.18 million, as adjusted for a number of non-cash items, primarily depreciation of Rs.7,914.85 million and provisions written back, net, of Rs.1,475.57 million, and other items, primarily interest and finance charges of Rs.3,013.69 million and investments, net, of Rs.2,495.64 million, and changes in working capital, primarily increase in inventories of Rs.18,037.33 million, increase in trade payables of Rs.14,989.37 million and increase in trade and other receivables of Rs.7,664.47 million. The change in trade and other receivables was primarily as a result of increased sales volume and an increase in the LME for copper and aluminium.

Investing Activities

Our net cash used in investment activities was Rs.180,723.93 million, Rs.63,363.51 million and Rs.19,381.14 million for the financial years 2008, 2007 and 2006, respectively.

For the financial year 2008, we used Rs.139,024.65 million in connection with the acquisition of Novelis, Rs. 27,857.47 million for the purchase of fixed assets such as equipment at Muri and Hirakud and Rs. 21,502.67 million for the purchase of investments, net, which primarily included investments in mutual funds.

For the financial year 2007, we used Rs.45,817.79 million for the purchases of units of various debt schemes of mutual funds, and Rs. 28,664.10 million for the purchases of fixed assets such as equipment at Muri and Hirakud and development of our copper mines in Australia.

For the financial year 2006, we used Rs.27,225.45 million for the purchases of fixed assets such as for the expansion of our copper smelter capacity at Dahej, expansion of aluminium capacity at Hirakud, development of our copper mines in Australia and the enhancement of our aluminium rolling capacity in Mouda while generated Rs.7,755.97 million from the sale of fixed assets.

Financing Activities

Our net cash provided by financing activities was Rs.129,145.32 million, Rs.29,031.18 million and Rs.12,936.00 million for the financial years 2008, 2007 and 2006, respectively.

For the financial year 2008, we incurred Rs.126,162.28 million of long-term borrowings which substantially comprised of the bridge loan for acquiring Novelis. We also raised capital of Rs.25,242.05 million from the receipt of remaining payments from the issuance of partly paid shares in the financial year 2006 and a preferential allotment of equity shares and warrants to the Promoters. Such amount was partially offset by interest and finance charges of Rs.23,118.06 million.

For the financial year 2007, we borrowed Rs.32,997.57 million of long-term debt and generated Rs.18,039.52 million from the receipt of payments from the issuance of partly paid shares in the financial year 2006 and the issuance of shares by Aditya Birla Minerals Limited through its initial public offering. Such amount was partially offset by repayments of short-term borrowings of Rs.10,976.84 million, interest payments of Rs.6,505.50 million and dividend payments of Rs.4,523.57 million.

For the financial year 2006, we incurred Rs.11,910.15 million of short-term borrowings, net, and generated Rs.5,512.77 million from the receipt of initial payments from the issuance of partly paid shares in the financial year 2006. The interest paid in the financial year 2006 was Rs.3,169.19 million and dividend paid was Rs.2,126.96 million.

Indebtedness

The following table summarises our outstanding indebtedness as of March 31, 2008.

Particulars	The Company – Standalone	Subsidiaries & Joint Ventures	The Company - Consolidated
	(Rs. in million)		
Secured Loans.....	62,054.23	46,975.78	109,030.01
Unsecured Loans:			
Bridge Loan Guaranteed by the Company	–	121,119.59	121,119.59
Other Loans	21,231.61	72,143.12	93,374.73
Total	83,285.84	240,238.49	323,524.33

We have agreed under our various bond indentures to customary restrictive covenants, including covenants restricting our ability to enter into any merger, consolidation, reorganisation, scheme of arrangement or compromise with creditors or shareholders or to effect any scheme of amalgamation. In addition, principal and interest payments under our bonds become immediately due and payable if any indebtedness of ours accelerates before maturity and such amounts are not repaid in full within a reasonable period after the default is declared. We have also granted various security interests over our properties and assets. We believe that we can operate within the terms of our covenants for the foreseeable future. For details of our standalone indebtedness, see “Description of Certain Indebtedness” beginning on page 185 of this Letter of Offer.

AV Minerals has incurred debt under a facility agreement originally entered into on May 10, 2007 and amended and restated subsequently (the “Facility”). AV Minerals, a subsidiary of the Company is the borrower under the Facility and AV Metals, an indirect subsidiary of the Company and the Company are guarantors. The Facility consists of a U.S.\$2.13 billion Tranche A Loan and a U.S.\$900 million Tranche B Loan, each of which is repayable in full on November 10, 2008. The interest rate on each lender's portion of each loan is a floating rate based on the aggregate of (i) margins of 0.30% for the first 12 months, and 0.80% thereafter; (ii) LIBOR for the loan amount multiplied by a statutory reserve rate, as specified in the Facility; and (iii) a mandatory premium calculated in accordance with the terms of the Facility. The Company, in addition to the guarantee by AV Metals, has guaranteed the obligations of AV Minerals capped at U.S.\$ 4.00 billion and has provided indemnities to the lenders capped at U.S.\$ 30.00 million for any loss suffered by them as a result of any loss suffered by the lender and has also agreed to increase the capped indemnity and guarantee, in the event that the caps were to be inadequate. Additionally, the Facility contains a number of restrictive covenants, which restricts and limits the Company and each of AV Metals and AV Minerals. For example, the Company is required to comply with specified financial ratios and tests, including a minimum interest expense coverage ratio and maximum leverage ratios, and restrictions on capital expenditure programmes which could restrict its ability to conduct its business and reduce operational flexibility.

We have executed a commitment letter on September 8, 2008 with certain banks and institutions to enter into a senior secured facility of a principal amount of up to US\$1.0 billion, to be executed on or prior to November 10, 2008, the date of termination of the Facility. According to the indicative terms and conditions of the commitment letter, the entire amount under the senior secured facility will be guaranteed by the Company, AV Metals Inc. and certain of the Company’s material subsidiaries, as defined in the commitment letter. Additionally, the collateral under the senior secured facility is expected to comprise, a pledge of 100% of the shares of AV Minerals, AV Aluminum and AV Metals, first charge over all assets and bank accounts of AV Minerals and AV Metals and negative pledge over existing and future assets over the Company and some of its subsidiaries, as specified in the commitment letter. The senior secured facility is repayable in three instalments across five years from the date of drawing down the amount and the interest rate will be the sum of the weighted average margin of 2.80% based on an average life of 3.95 years and LIBOR. We intend to use all amounts available under such senior secured facility to repay the existing indebtedness of AV Minerals. We cannot assure you that we will be able to enter into such senior secured facility on the terms and schedule contemplated or at all. Our inability to enter into such facility would adversely affect our business, results of operations, financial condition and cash flows. See “Risk Factors —

Risks Relating to our Business — We intend to refinance the borrowings incurred for the acquisition of Novelis from the Net Issue Proceeds, cash flows from operations and borrowings under a senior secured facility agreement we intend to enter” beginning on page xviii of this Letter of Offer.

The following table summarizes Novelis’ outstanding indebtedness as of March 31, 2008:

Particulars	Interest Rate	Rs. in million
Secured Loans:		
Floating Rate Term Loan	4.70%	38,138.62
Other Loans	Variable Rates	2,994.98
Unsecured Loans:		
7.25% Senior Notes, due February 2015	7.25%	58,594.93
Other Loans	Variable Rates	7,780.93
Total		107,509.46

Lease Obligations

Our future obligations under non-cancelable operating leases are as under:

Particulars	Rs. in million
Not later than one year	1,406.83
One to five years	3,057.80
Later than five years	1,555.40

Our future obligation towards minimum lease payments under the finance leases taken on or after April 1, 2001 are as under:

Particulars	Rs. in million
Less than one year	382.16
One to five years	1,376.81
Later than five years	1,878.59

Off-Balance Sheet Arrangements

The following discussion addresses the applicable off-balance sheet items for us.

Derivative Instruments

In conducting our business, we use various derivative and non-derivative instruments to manage the risks arising from fluctuations in exchange rates, interest rates, aluminium LME prices, copper LME prices, gold and silver prices and energy prices. Such instruments are used for risk management purposes only. We may be exposed to losses in the future if the counterparties to the contracts fail to perform. We are satisfied that the risk of such non-performance is remote, due to our monitoring of credit exposures.

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 March 31, 2008 stood at Rs. 220.00 million, arising from hedging transactions undertaken by the Company for its commodities and foreign currency related exposures.

(Rs. In million)			
Category	Nature	Outstanding Amount	MTM Gain/ (Loss)

Commodity	Forward cover, option	25,892.99	(140.00)
Foreign Exchange, Currency	Forward cover, option	12,193.42	(80.00)

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 its normal business activities only. The above mark to market loss is expected to flow back through future cash flows. The Company intends to adopt AS 30 on Financial Instruments: Recognition and Measurement early. Pending the adoption of AS 30, the Company has not provided for the losses on mark to market basis. However there are no material outstanding derivatives transactions of any of the Indian Subsidiaries. The foreign subsidiaries account for derivative transaction under IFRS or US GAAP which comply with the requirements prescribed by the Institute of Chartered Accountants of India for similar transactions.

The fair values of our financial instruments and commodity contracts as of March 31, 2008 on consolidated basis including the above were as follows:

(Rs. in Millions)			
	Maturity Dates (Fiscal Year)		Net Fair Value
Foreign exchange forward contracts	2009 through 2012		(13,780.92)
Foreign exchange options.....	2009		(400.65)
Cross-currency swaps	2009 through 2015		(6,761.19)
Interest rate currency swaps	2009 through 2011		160.08
Interest rate swaps	2009 through 2010		(600.30)
Aluminium forward / swap contracts	2009 through 2011		3,168.80
Aluminium options	2009 through 2011		(4,320.50)
Copper option/forward contracts	2009 through 2011		(1,204.10)
Electricity swap	2017		560.28
Natural gas swaps	2009 through 2010		200.10
Gold forward contract.....	2009		(6,159.94)
Silver forward contracts.....	2009		(767.80)
Total fair value			(29,906.14)

USD converted at Rs.39.97/USD

AUD converted at Rs 36.49/AUD

Others

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Capital Expenditure

Historical Capital Expenditure

The following table sets forth our historical capital expenditure by segment for the financial years 2008, 2007 and 2006.

	Financial Year					
	2008		2007		2006	
	Rs. in million	%	Rs. in million	%	Rs. in million	%
Aluminium.....	22,469.26	75.3	15,943.50	67.9	10,236.4	59.2
Copper	4,035.88	13.5	6,877.83	29.3	5,368.93	31.0
Others	3,349.32	11.2	654.71	2.8	1,689.82	9.8
Total	29,854.46	100.0	23,476.04	100.0	17,295.1	100.0

Planned Capital Expenditure

Our actual capital expenditure may differ materially from these planned amounts. We may adjust the amount of our capital expenditures based on our cash flow from operations, the progress of our expansion plans and market conditions. We intend to fund our planned capital expenditure through cash from operations as well as with equity and debt financing.

The following table sets forth our planned capital expenditure for the period indicated.

	Financial year ending March 31,		
	2009	2010	2011
	(Rs. in million)		
Aditya Refinery, Smelter and Power Project.....	15,995	26,260	37,180
Uktal Refinery Project.....	13,973	14,970	9,912
Mahan Smelter and Power Project.....	7,300	18,150	22,960
Others	1,000	13,640	17,050
Total	38,268	73,020	87,102

Of such planned capital expenditure for the financial year ending March 31, 2009, Rs.15,995 million, Rs.13,973 million, Rs.7,300 million and Rs.1,000 million has been spent on the Aditya refinery, smelter and power project, Uktal refinery project, Mahan smelter and power project and others, respectively. For details regarding these expansion projects, see “Our Business — Our Expansion Projects” beginning on page 73 of this Letter of Offer.

Market Risks

We are exposed to risk from changes in commodity prices (especially LME price fluctuations of aluminium and copper and to a lesser extent, gold and silver), foreign currency exchange rates and interest rates. We enter into various hedging transactions to manage these risks. See “— Off Balance Sheet Arrangements — Derivative Instruments” beginning on page 173 of this Letter of Offer.

Price Risk Management Policy

We have a commodity risk management policy and foreign exchange management policy to provide framework for management of price-risk exposures in these areas. The policy enumerates hedging objectives, risk management authority structure, limits and controls and reporting requirements.

Our risk management board has been authorized by our board of directors to oversee our various risk management aspects, strategies for various exposures and compliances with policies. Formation of price-view and various tactical decision-making is done in committees, namely, the price management committee for the commodities and exchange management committee for exchange rate risk. Novelis has a risk management committee. These committees report to the risk management board in case of the Company, and to the audit committee of Novelis, in case of Novelis.

Commodity Price Risk Management

Our revenues, profits and cash flows are significantly impacted by changes in the prices of alumina, aluminium, copper, gold, silver, coal and other energy products. In accordance with our risk management policy, we endeavor to reduce our exposure to commodity price-risk movements by entering into commodity hedging contracts. The principal objectives of such hedging activity are to reduce volatility of future cash-flows and to increase predictability of future revenues. Our commodity hedging activities can be divided into following:

Timing mismatch risk. This is the price risk arising in our copper and aluminium conversion business due to timing mismatch of purchases of raw materials and sale of finished products. We use various hedging and spread risk management tools to hedge this risk.

Absolute price risk. We have downside price risk on the primary metals that we produce, upside price risk on the sales contracts under ceilings, upside price risks on energy and upside price risk on the raw materials we procure from third parties. We use various derivative tools for hedging these risks from time to time, including price participation exposures in the copper concentrate contracts through which we receive a percentage of the amount by which the price of copper exceeds a certain benchmark.

Currency Risk Management

We are exposed to fluctuations in exchange rates of Indian Rupees, U.S. Dollars, Euros, Korean Wons, Canadian Dollars, Brazilian Reals and Australian Dollars, as a result of revenue or expenditure in such currencies. See “ – Factors Affecting Our Results of Operations – Exchange Rates” beginning on page 159 of this Letter of Offer. Further, we have significant capital expenditure plans in India. Some of this capital expenditure will be incurred in foreign currencies. As a result of this, we carry risk of movements in foreign currencies against our functional currency. Our capital expenditure program contemplates imports of capital goods and technology, exposing us to volatilities in currencies of countries from where we intend to import. We use various tools such as foreign currency forward and option contracts to periodically hedge currency risk in accordance with our foreign exchange risk management policy.

Interest Rate Risk Management

We borrow in the normal course of business to fund our working capital and expansion plans. Our borrowings are exposed to interest rate risk. Most of our long-term borrowings are at fixed rates and our short-term borrowings contracts are exposed to interest rate changes every time new loans are drawn. We enter into interest rate-swap contracts to manage our interest rate risk from time to time. We have currently hedged most of our foreign currency-denominated floating rate debt. We also sometimes hedge our Rupee denominated floating rate debt.

Seasonality

The construction industry and the consumption of beer and soda are sensitive to weather conditions and as a result, demand for aluminium rolled products in the construction industry and for can feedstock can fluctuate by season. Our quarterly financial results could fluctuate as a result of climatic changes, and a prolonged series of cold summers in the different regions in which we conduct our business could have a material adverse effect on our financial results.

Effects of Inflation

The All India Consumer Price Index increased by 6.4% in financial year 2008 from 125 points in financial year 2007 to 133 in financial year 2008. We price our products sold in India depending on various factors, including inflation. Inflation also affects the conversion cost of our products as many of our principal inputs are purchased in India. Also, inflation impacts interest rates and thus our funding costs. However, due to the relatively stable rate of inflation in recent years, inflation has not had a significant impact on our results of operations.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

The Consolidated and Standalone financial statements included in this Letter of Offer have been prepared in accordance with applicable Indian GAAP including applicable provisions of the Companies Act, 1956 of India and the guidelines prescribed by the Securities and Exchange Board of India. Indian GAAP differs in certain respects from US GAAP.

The following table summarises significant differences between US GAAP and Indian GAAP in so far as they are relevant to the Consolidated and Standalone financial statements of the Company. The following table may not include all the differences that exist between US GAAP and Indian GAAP. US GAAP is generally more prescriptive and comprehensive than Indian GAAP regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the Notes thereto. Various US GAAP and Indian GAAP pronouncements, including guidance provided by the US Securities and Exchange Commission, have been issued for which the mandatory application date is later than March 31, 2008. These together with standards that are in the process of being developed in both jurisdictions could have a significant impact on future comparisons between US GAAP and Indian GAAP.

Sr. No	Item	US GAAP	INDIAN GAAP
1.	Financial statement presentation	Certain standards require specific presentation of certain items. Public companies are subject to SEC rules and regulations, which generally require two years comparatives (to the current year) for all statements except for the balance sheet, which require one comparative year comprehensive financial information. Presentation also varies based on industry.	The Indian Companies Act & other industry specific laws like those for banking, insurance, etc specify formats for various industries. One year comparative financial information required.
2	Content of Financial Statement	Balance sheet, Income Statement, Statement of changes in stock holders equity, other comprehensive income and accumulated other comprehensive income, cash flow and notes to account.	Balance sheet, Income Statement, cash flow and notes to account. There is no standard or requirement for comprehensive income statement. However, this is included in Reserves and Surplus.
3	Extra ordinary items disclosure	Extraordinary items, although permitted are restricted to those items that are both infrequent / non recurring and unusual in nature. Presented separately on the face of income statement net of taxes after results from operations.	Extraordinary items are income or expense that arises from events or transactions that are clearly distinct from the ordinary activities of the entity and are disclosed separately in the statement of profit and loss as a part of net profit or loss for the period in a manner that it's impact on current profit/ loss can be perceived.
4	Correction of errors	The correction of material errors usually results in the restatement of relevant prior periods.	The effect of correction of errors must be included in the current year income statement with appropriate disclosure as a prior period item. Comparatives are not restated.
5	Dividends	Dividends are accounted for when approved by the board of directors / shareholders. If the approval is after year end, the dividend is not considered to be a subsequent event that needs to be reflected in the financial statements. However for SEC registrants stock dividend, stock splits or reverse stock splits consummated	Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

Sr. No	Item	US GAAP	INDIAN GAAP
		after the Balance Sheet date but before the issuance of the financial statements generally require adjustment with the balance sheet for the effect of the stock dividend, stock split or reverse stock split. Earnings per share data is required to be retrospectively adjusted for all periods in these instances.	
6	Mandatorily redeemable preferred shares	Mandatorily redeemable preferred shares are generally classified as a liability and any payments related to them, even if characterized as a dividend, are recorded as interest expense.	Instruments characterized as preferred shares are recorded as equity, even if they are mandatorily redeemable. Payment related to them is characterized as dividend.
7	Issuance and redemption costs for borrowings	Debt issuance costs and redemption premiums are amortized using effective interest method over the life of the debt	Debt issuance costs are generally recognized as expense in the period incurred. Redemption premiums payable may be amortized in the Profit and loss Account. Redemption premiums are permitted to be recognized in the securities premium account in certain instances.
8	Guarantees	A guarantor is required to recognize at inception a liability for the fair value of the obligation undertaken in issuing the guarantee, except for certain types of guarantees that are accounted for as derivatives or are reported as equity or guarantees between parents and subsidiaries.	These are required to be disclosed as contingent liabilities.
9	Preparation and presentation of Consolidated Financial Statements	Consolidation is required, no exemption is allowed. Precludes consolidation where control is not with majority owner. In addition, consolidation is precluded if the owner is not the primary beneficiary of variable interest entity.	It is not mandatory for Companies to prepare Consolidated Financial Statements under AS 21. However Listed enterprises are Mandatorily required by the terms of Listing agreement of SEBI to prepare and present Consolidated Financial Statements. Preclude consolidation of a Subsidiary when control over the subsidiary is likely to be temporary. In the CFS the precluded subsidiaries are accounted as per AS 13 and reasons for not consolidating are disclosed.
10	Accounting for investments in subsidiaries in parents' separate financial statements	Either using equity or cost method. Significant influence dictates whether equity method is used.	Actual cost for long term investment (unless permanent diminution) and net realizable value or cost, whichever is less, for current investments.
11	Investment in joint ventures for preparing consolidated financial statements	Generally use equity method	Generally use proportionate consolidation method.

Sr. No	Item	US GAAP	INDIAN GAAP
12	Types of borrowing costs eligible for capitalization	Generally includes only interest. Interest cost includes premium or discount on borrowing as well as issue cost.	Includes interest, certain ancillary costs and exchange differences that are regarded as an adjustment of interest.
13	Presentation and recognition approach for deferred taxation	The standard is based on the balance sheet approach. The tax rate applied on deferred tax item is the enacted tax rate. Deferred Tax assets / liability is classified as Current and Long term, based on the classification of the related non – tax assets /liabilities for financial reporting. Tax assets not associated with an underlying Assets / Liability are classified based on the expected reversal period.	The standard is based on the income statement approach. The tax rate applied on deferred tax items is the substantially enacted tax rate. Deferred Tax assets / liability is classified as Long term.
14	Reconciliation of actual and expected tax expense	Required for public companies only. Expected tax expense is computed by applying the domestic federal statutory tax rates to pre tax income from continuing operations. Non public companies must disclose the nature of the reconciling items but not amounts.	No such requirement.
15	Measurement of provisions	Where it is probable that a liability has been incurred but the reasonable estimate of the cost is a range, an amount should be accrued. If an amount within the range is better estimate than any other amount within the range then that amount should be accrued. When no amount within the range is a better estimate than any other amount, the minimum amount in the range should be provided. A provision should be discounted only where the aggregate amount of the liability and the timing of future cash payments are fixed or reliably determinable.	The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. However, the provision should not be discounted to its present value.
16	Recognition of restructuring provisions	Recognize, when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of asset to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan.	A provision should be recognized when: a) an enterprise has a present obligation as a result of a past event; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation.
17	Basis of valuation of property, plant and equipment	Generally required to use historical cost except in certain specific cases, for example in quasi reorganization or push down accounting. Revaluation is not permitted.	May use either revalued amount or historical cost. Revalued amount is fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses.
18	Depreciation	Allocated on a systematic basis to each accounting period over the useful life of the asset. A change in estimate of useful life is accounted for as a change in an accounting estimate. A change in depreciation policy is to be accounted for as a change in accounting estimate and the effect to be taken in the current year's income statement under FAS	Rates prescribed under Companies Act 1956 are for the minimum depreciation provision. Where applicable , higher depreciation based on the useful life of the assets should be provided. Assets lives are not prescribed by Companies Act 1956 but can be derived from depreciation rates. Permitted method of

Sr. No	Item	US GAAP	INDIAN GAAP
		154. The appropriateness of depreciation method and period used should be assessed at each reporting date.	depreciation are Straight Line Method and Written Down Value Method. When a change in the method of depreciation is made it amounts to change in the accounting policy and accordingly depreciation is recalculated in accordance with the new method from the date of the asset coming into use. Any surplus or deficiency arising is taken to the profit and loss statement. Estimates of residual value once determined are not reviewed.
19	Method of accounting for business combinations	Transfer of net assets or share of entities under common control are accounted for at predecessor value. All business combinations except for those involving not-for-profit entities and combinations of entities under common control must be accounted for using the purchase method.	Restricts the use of pooling of interest method to circumstances, which meets the criteria listed for an amalgamation in the nature of merger. In all other cases the purchase method is used.
20	Excess of fair value of net assets acquired over the acquisition costs.	Allocate on a pro rata basis to reduce the carrying amounts of certain non-current non financial assets acquired, with any excess recognized as an extra ordinary gain.	Recognize in the capital reserve or revenue reserve depending on the method of accounting followed for amalgamation.
21	More than one class of ordinary shares	Where an entity has more than one class of common shares with different dividend and / or participation rights, then two class method is used to calculate EPS. The two class method is an earning allocation method that calculates earning per share for each class of common share and participating security according to dividend declared and participation rights in undistributed earnings.	If an enterprise has more than one class of equity shares, net profit or loss for the period is apportioned over the different class of shares in accordance with their dividend rights.
22	Disclosure of earning per share (EPS)	Basic and diluted income from continuing operations, discontinued operations, extraordinary items, cumulative effect of a change in accounting policy and net profit or loss per share	Basic and diluted earnings per share on the face of the statement of profit and loss account. Where the statement of profit and loss includes extraordinary items, the enterprise should disclose basic and diluted earning per share computed on the basis of earning with and without extraordinary items.
23	Revenue recognition guidance	Revenue generally is realized or realizable and earned when all of the following criteria are met: a) persuasive evidence that an arrangement exists b) delivery has occurred or services have been rendered c) the seller's price to the buyer is fixed or determinable; and d) collectibility is reasonably assured. In most instances SAB – 104 requires delivery to have occurred to validate that significant evidence exist that the risk and reward for the ownership have passed.	In a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions have been fulfilled: a) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and b) no significant uncertainty exists

Sr. No	Item	US GAAP	INDIAN GAAP
			regarding the amount of consideration that will be derived from the sale of the goods.
24	Measurement of inventories	Measurement is done at lower of cost or market. Market means current replacement cost except that: a) Market should not exceed the net realizable value and b) Market should not be less than net realizable value reduced by a normal profit margin. FIFO, LIFO and Weighted average are acceptable methods of determining the cost. Same cost formula should be used consistently by all inventories that are of similar nature and use to entity.	At cost or net realizable value whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. It is not expressly mandate in AS-2 to use the same cost formula consistently for all inventories that have a similar nature and use to entity. LIFO is prohibited.
25	Reversal of Inventory write downs	Prohibited	Permitted
26	Cash flow statement presentation	Direct or indirect method may be used, but more specific guidance given for items to include in each category.	Direct or indirect method may be used. Indirect method is required for listed companies.
27	Classification of interest received and paid in Cash Flow	Operating activity	For a financial enterprise, interest paid and received is classified as operating activity. For other enterprise, interest paid is classified as financing or operating activity while interest received is classified as investing or operating activity.
28	Classification of dividend received in Cash Flow	Operating activity other than return of investment	For a financial enterprise, operating activity. For other enterprises, investing activity
29	Disclosure of taxes paid in Cash Flow	Supplemental	Operating activity unless there is specific identification with financing or investing activity
30	Disclosure of cash flows from extra ordinary items	No separate disclosure required	Separate disclosure required in the respective classification.
31	Reportable segment and required disclosures	The approach used for segment reporting is management approach which is based on the way management organizes segment internally to make operating decisions and assess performance. The management approach, in general provides that external financial reporting will closely conform to internal reporting, thus giving financial statement users the ability to view the reporting entity's segment in the same manner as internal decision makers. In addition standard requires	A reportable segment is a business segment or a geographical segment identified as primary or secondary, for which segment information is required to be disclosed. Statute specifies reporting format for both primary and secondary information, where it requires considerably less disclosure on the secondary segment.

Sr. No	Item	US GAAP	INDIAN GAAP
		that all public enterprises report information about revenues for each product and service, about countries in which the enterprise earns revenues and holds assets, and about major customers, even if this information is not used by the enterprise in making operating decisions.	
32	Disclosure requirement regarding discontinued /discontinuing operations in relation to segment reporting	The financial statements of current and prior periods include results of operations prior to the measurement date should disclose the results of operations of a disposed component less applicable income taxes as a separate component of income before extraordinary items.	An enterprise should disclose the business or geographical segments in which the discontinuing operations are included.
33	Segment results	Approach used for the segment reporting is management approach which is based on the way management organizes segments internally to make operations decisions and to assess performance.	Segment result is segment revenue less segment expense, where segment revenue/ expense do not include extraordinary items.
34	Intangible assets	When allocating purchase price of a business combination, companies need to identify and allocate such purchase price to intangible assets, based on specific criteria. Intangibles that have an indefinite useful life are required to be tested, at least annually, for impairment. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.	Intangible assets are capitalized if specific criteria are met and are amortized over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 10 years should be reviewed at least at each financial yearend even if there is no indication that the asset is impaired.
35	Currency used in presentation of stand alone and consolidated financial statement	Option to present financial statement in any currency other than the functional currency.	An enterprise normally uses the currency of the country in which it is domiciled. If a different currency is used, the reason for using that currency should be disclosed.
36	Exchange rate	At each balance sheet date, recorded balances that are denominated in a currency other than the functional currency of the recording entity shall be adjusted to reflect the current exchange rate. Either current exchange rate or historical exchange rate is permitted in translating goodwill and fair value adjustments to assets and liabilities arising from purchase accounting for acquisition of foreign entity if foreign currency is functional currency. Goodwill and fair value adjustment are deemed part of acquired asset/ liabilities and translated at current rate.	At each balance sheet date: a) foreign currency monetary items should be translated using the closing rate; b) non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction, and c) non- monetary items which are carried at fair value or other similar valuation denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined.

Sr. No	Item	US GAAP	INDIAN GAAP
37	Functional currency determination	If indicators are mixed and functional currency is not obvious, use judgment to determine the functional currency that most faithfully represents the economic results of the entity's operations by focusing on the currency of the economy that determines the pricing of transactions. However, no specific hierarchy of factors to consider. Generally the currency in which the majority of revenues and expenses are settled would be used.	Does not have such concept.
38	Criteria for classification of Non-current asset or disposal group held for sale	Where carrying amount of asset will be covered principally through the sale transaction rather than through continuing use, the following conditions are to be satisfied: a) Management having the authority to approve the action, commits to a plan to sell the asset (disposal group) b) An active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated. c) The asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups). d) The sale of the asset (disposal groups) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale, within one year except in certain specific circumstances where the sales may be completed after one year	With respect to a discontinuing operation, the initial disclosure event is the occurrence of one of the following, whichever occurs earlier: a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or b) the enterprise's board of directors or similar governing body has both c) approved a detailed formal plan for the discontinuance and d) made an announcement of the plan.
39	Leases: Scope	Also governs the accounting for lease agreements to use land	Specifically excludes the accounting of lease agreements to use land.
40	Impairment methodology / measurement	Impairment is recorded when an asset's carrying amount exceeds the expected future cash flows to be derived from the asset on an undiscounted basis. Impairment losses are measured by is the difference between the carrying value and fair value.	Impairment is recorded when an asset's carrying amount exceeds its recoverable amount i.e. the higher of the assets value in use (discounted present value of asset's expected future cash flows) and fair value less cost to sell.
41	Calculating impairment of indefinite life intangible assets	Goodwill and indefinite-lived intangible assets are tested for impairment at least annually at reporting unit level	Goodwill and other indefinite life intangible assets are included in cash generation unit. The CGU is tested for impairment.
42	Subsequent reversal of an impairment loss	Restoration of a previously recognized impairment loss is prohibited	Reversal is permitted. An impairment loss recognized for goodwill should not be reversed in the subsequent period unless: a) the impairment loss was caused by a specific external event of an exceptional nature that is not

Sr. No	Item	US GAAP	INDIAN GAAP
			expected to recur b) subsequent external events have occurred that reverse the effect of that event.
43	Recognition of Actuarial Gains and Losses – Employee benefits	Provides options to recognize actuarial gains and losses: a) Corridor approach b) Alternative amortization methods can be used if the corridor approach results in equal or greater amortization amount.	As per AS 15 (revised) immediate recognition of actuarial gains and losses in statement of profit and loss account.
44	Termination Benefits – Recognition of Liability	Recognize special (one time) termination benefits generally when they are communicated to employees unless employees will render service beyond a “minimum retention period” in which case the liability is recognized ratably over the future service period. Recognize contractual termination benefits when it is probable that employees will be entitled and the amount can be reasonably estimated.	A provision should be recognized when: a) An enterprise has a present obligation as a result of a past event; b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) A reliable estimate can be made of the amount of the obligation.
45	Recognition of past service cost related to benefits that have vested	Generally amortized over the remaining service period or life expectancy	Recognized immediately

DESCRIPTION OF CERTAIN INDEBTEDNESS

Details of Secured Borrowing

The Company's secured borrowings on a stand alone basis as on July 31, 2008 are as follows:

A. Secured Loan

Term Loans

S. No.	Lender	Date of Availment/ Execution of Agreement	Total sanctioned amount (in Rs. million)	Amount Outstanding as on July 31, 2008 (in Rs. million)	Rate of Interest	Re-payment Terms
1.	Industrial Development Bank of India (IDBI) Limited, Syndicate bank, Punjab National Bank, Bank of Baroda, Union Bank of India, Oriental Bank of Commerce. The Jammu & Kashmir Bank limited, Andhra Bank, Indusind Bank limited, United Bank of India, Canara Bank, Central Bank of India, Allahabad Bank, Indian Bank, Corporation Bank, Indian Overseas Bank, UCO Bank, The Bank of Rajasthan Limited and State Bank of Patiala	March 29, 2005	49,500.00	45,756.13	65 basis point above the benchmark rate prevailing on each disbursement date. *	Repayment has to be in accordance with the amortization schedule.
2.	IDBI Limited, State Bank of India, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra and State Bank of Travancore	January 27, 2006	12,500.00	8,899.28	65 basis point above the benchmark rate prevailing on each disbursement date. *	Repayment has to be in accordance with the amortization schedule.
3.	Term Loans from Government of Uttar Pradesh under subsidized Housing Scheme for Industrial Workers	February 4, 1980	2.21	0.21	9.97%	In 2008-2009, 2009-2010 and 2010-11

* Liquidated Damages: in case of default in payment of installment of principal, interest and all other monies (except Liquidated Damages) on their respective due dates, the borrower will pay on the defaulted amounts, liquidated damages at the rate of 2% per annum for the period of default. Liquidated damages will be payable in the manner and on the dates as specified in the loan agreement for the payment of interest.

Working Capital Loans

S. No.	Lender	Date of Availment/ Execution of Agreement	Total sanctioned amount (in Rs. million)	Amount Outstanding as on July 31, 2008 (in Rs. million)	Rate of Interest	Re-payment Terms
1.	Standard Chartered Bank, SBI, PNB, Bank of America, Citi Bank, Sundicate Bank, Union Bank, HSBC, Bank of Baroda, Deutsche Bank	March 30, 2004	2,500.00	73.50	Prime lending rate of the respective banks	Not applicable
2.	UCO Bank, State Bank of India, Allahabad Bank, Bank of America, Citi Bank, Standard Chartered Bank, ABN AMRO Bank N. V., IDBI Limited, Union Bank of India, HSBC, HDFC Bank, ICICI Bank	June, 20 2005	4,200.00*		Prime lending rate of the respective banks	Not applicable
4.	State Bank of India	January 3, 2006	1,800.00	18.99	Benchmark prime lending rate	Not applicable

* Rs. 3,000 million is as fund based limited and Rs. 1200 million is as non-fund based limit

B. Secured Redeemable Non-Convertible Debentures

S. No.	Debenture Trustee	Total Sanctioned Amount (in Rs. million)	Amount Outstanding as on July 31, 2008 (in Rs. million)	Rate of Interest	Redemption Terms
1.	State Bank of India, New Issues & Securities Service Division, Mumbai Main Branch, Mumbai Samachar Marg, Fort, Mumbai 400 023	2,500	2,500	6.50%	To be redeemed at par on September 6, 2009
2.	State Bank of India, New Issues & Securities Service Division, Mumbai Main Branch, Mumbai Samachar Marg, Fort, Mumbai 400 023.	1,000	1,000	6.39%	To be redeemed at par on September 15, 2009

As security for the repayment of the loans, we have created charge on a variety of our assets for the repayment of our loans and debt obligations. These assets are as follows:

1. First mortgage and charge in favour of the lenders on all the borrowers' immovable properties, both present and future and first charge by way of hypothecation on all the borrowers' movables;
2. Hypothecation on the Company's entire current assets;
3. Hypothecation of the Company's inventory and receivable on pari-passu basis;
4. Legal registered mortgage on the Company's freehold lands situate at Village Madhwas, Taluka Kalol, district Panchmahal, Gujarat bearing survey no. 81/4, 81/5, 81/6 admeasuring 4,755 square meters; and

5. First mortgage and charge in the favour of trustees on the Gujarat properties situate at Kalol called Private Plot No. 14 admeasuring 1657.50 square meters by way of English mortgage.
6. Hypothecation of Workers' Quarters at the Renukoot Plant.

Details of Unsecured Borrowing

The Company's unsecured borrowings on a stand alone basis as on July 31, 2008 are as follows:

S. No.	Lender	Amount Outstanding as on July 31, 2008 (in Rs. million)	Date of availment
1.	Employees' and other Deposits	28.28	Various
2.	Foreign Currency Loans (PCFC)	599.88	In July, 2008
3.	Buyer's Credit Loan	31,035.22	Between February, 2008 to July, 2008
4.	DBS Bank Limited	1,119.31	November 4, 2005
5.	Mizhuo Corporate Bank Ltd	1,124.25	March 1, 2006

Our Company can not undertake the following actions without intimation to and the prior approval of our lenders and debenture trustees:

- (i) Sell, dispose of, pull down or remove any building or structure forming part of mortgaged property;
- (ii) Change our capital structure or amend the Memorandum of Association/Articles of Association;
- (iii) Formulate any scheme of amalgamation or reconstruction or undertake any merger or compromise with our creditors or shareholders;
- (iv) Invest in shares or advance funds to or place a deposit with any other concern other than in the normal course of business;
- (v) Declare dividends for any year except out of profit relating to that year;
- (vi) Sell or transfer whole or substantial part of our business;
- (vii) Revaluation of assets;
- (viii) Issue of debentures;
- (ix) Acceptance of deposits from the public;
- (x) Change our management control or our promoter's control or material change in composition of our Board of Directors;
- (xi) Undertake any guarantee/obligations on behalf of any other company;
- (xii) Undertake any new project or change the scope of present projects; and
- (xiii) Take loans from other lenders.

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against the Company, our Directors, our Promoter or group companies and there are no defaults, non payment of statutory dues, over dues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by the Company (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956). The following are the outstanding litigation or pending litigations or suits or proceedings against the Company involving a claim of Rs. 25 million and more, and criminal complaints or cases, defaults, non payment or overdues of statutory dues, proceedings initiated for any economic or civil offences and disciplinary action taken by SEBI or stock exchanges against the Company, its subsidiaries and other group companies and outstanding or pending litigations or suits or proceedings against the subsidiaries and other group companies. The compiled position of claims against the Company involving an amount of less than Rs. 25 million is provided on a consolidated basis. The position of claims involving the outstanding and pending litigation or suits or proceedings against foreign subsidiaries involving a claim of U.S.\$ 5 million or more, and criminal complaints or cases, defaults, non payments or overdue statutory dues, proceedings initiated for any economic or civil and disciplinary action taken by any regulator or government authority is given separately.

Litigation involving the Directors

Mr. Kumar Manglam Birla

1. Two complaints (S.T.C. no. 505 and 506 of 2003) have been filed by the State of Tamil Nadu, represented by the Labour Enforcement Officer, Tiruchirappalli, before the Judicial Magistrate, Ariyalur against Mr. Kumar Mangalam Birla in his capacity as chairman of Grasim and against certain others persons. In the letter dated February 14, 2003, the said Labour Enforcement Officer had requested Grasim to rectify the irregularities, mentioned in their inspection report of January 7, 2003, in relation to the contractors under the control and supervision of Grasim and Mr. Kumar Mangalam Birla, Mr. S.K. Maheshwari and Mr. K.C Birla and ordered Grasim to pay wages in accordance with guidelines given by the Cement Wage Board amounting to approximately Rs. 7.5 million and Rs. 2.87 million to the workers under the two cases respectively. An application was filed before the Judicial Magistrate, Ariyalur for the discharge of the petitions against Mr. Kumar Mangalam Birla and Mr. S.K. Maheshwari. The said Judicial Magistrate by his order dated February 27, 2004 dismissed the said application. Criminal miscellaneous petitions (no. 5405 and 5406 of 2004) were filed in the High Court at Chennai for discharge of the petition against Mr. Kumar Mangalam Birla and S.K Maheshwari. The High Court at Chennai, in its order dated April 28, 2004, stayed all further proceedings and set aside the order dated February 27, 2004 of the Judicial Magistrate. The matters are currently pending.
2. A criminal case (case no. 1477(C) of 2001) was filed by Satyabhama Devi, a shareholder of Grasim, in the Court of the Judicial Magistrate, First Class, Patna, against Mr. Kumar Mangalam Birla in his capacity as chairman of Grasim and against certain other persons, alleging that she applied for 710 debentures of Grasim and paid Rs. 49,700 for them. It is alleged that when she sold her shares in the secondary market after conversion of her debentures, Grasim stopped the transfer. Grasim has contended that these debentures did not belong to Satyabhama Devi. The said Judicial Magistrate, by his order dated October 10, 2001, directed issue of summons against Mr. Kumar Mangalam Birla and the others accused. Mr. Kumar Mangalam Birla filed criminal miscellaneous petition (no. 1305/2002) in the High Court at Patna requesting for quashing of the impugned order passed by the said Judicial Magistrate. The High Court at Patna by its order dated July 22, 2002 stayed further proceedings in the said case (case no. 1477(C) of 2001). The matter is currently pending.

3. Purshottam Traders, Kota, Rajasthan have filed a criminal complaint (Suit No. 481/2007) against Mr. Kumar Mangalam Birla in his capacity as chairman of Grasim before the District Judge at Kota, under sections 420, 406, 467, 468 and 471 of the Criminal Procedure Code for claiming additional discount on Birla Plus cement sale, expenses of the foreign trip, exclusive discount and token appreciation. The total claim filed is for Rs. 0.83 million. On the basis of complaint, the said court has directed the Police station at Gumanpura, Kota to investigate the case. The Police have submitted their final report to the said court after conducting investigation in the matter stating that the case is of a civil nature and not criminal and the complaint has therefore been rejected. The hearing of the suit has been fixed for October 18, 2008.
4. A notice has been issued in the name of Mr. Kumar Mangalam Birla by the Assistant Conservator of Forests, Bannerghatta National Park, Bangalore alleging that there has been an encroachment of 4 acres of forest land in Basavanapura by Grasim Jan Seva Trust. A survey was undertaken and the said land currently occupied by the said trust has been established as forest land. The said trust has now surrendered the said land and the matter is under progress.
5. Mr. Pankaj Mishra filed an application under section 156(3) of Criminal Procedure Code, before the Court of Chief Judicial Magistrate, Sonebhadra against Mr. Kumar Mangalam Birla in his capacity as Chairman of the Company and P. Balakrishnan in his capacity as Chief Executive Officer of the Company and certain other persons, for an order directing In-charge P.S. Anapara to register and investigate offence under sections 120-B, 420, 466, 468 and 471 of Indian Penal Code, alleging misappropriation of forest transit fees and Freight Tax by transporting overloaded coal. The matter was transferred to the court of Additional Chief Judicial Magistrate, Sonebhadra who vide order dated March 7, 2007, directed for registration of complaint under section 190 of the Criminal Procedure Code and the complaint (no. 151/07) was registered. Against this order, Pankaj Mishra filed Criminal Revision (No. 17/2007), under section 397 of Criminal Procedure Code, before the District Judge, Sonebhadra who, vide order dated May 23, 2007, allowed the revision, with the direction to trial court to hear the applicant afresh on June 8, 2007. Against this order the Company filed Criminal Revision (No. 1565/2007) under section 397 Criminal Procedure Code, before the High Court at Allahabad. The High Court at Allahabad, vide order dated June 4, 2007, stayed the proceedings of the trial court. The matter is yet to be listed before the High Court and the trial court has fixed September 25, 2008 as the date for further order.
6. Charanjeet Singh, one of the hirers of the erstwhile Birla Global Finance Limited (now merged with Aditya Birla Nuvo Limited) had filed a case (no. 2339/02) against Mr. Kumar Mangalam Birla, S.K. Mitra and an ex-employee of the Lucknow Branch, Ashish Goel in the Court of the Metropolitan Magistrate, Kanpur for cheating, mischief and causing damage under sections 417, 418, 419 and 420 of the Indian Penal Code in relation to a hire purchase transaction of the Company. The Company then filed criminal miscellaneous petitions (no. 8607/03 and 8608/03) on behalf of Mr. Kumar Mangalam Birla and S.K. Mitra in the High Court at Allahabad under section 482 of the Criminal Procedure Code, 1973 against Charanjeet Singh. The High Court at Allahabad granted a stay on the proceedings at the Court of the Metropolitan Magistrate, Kanpur vide its order dated October 16, 2003. The stay is still in force and there are no further developments in the case.
7. Mr. Suresh Kumar Rai has filed a case (IDA no. 65/2008) in Second Bandra Labour Court against Mr. Kumar Mangalam Birla, Birla Global Finance Ltd ("BGFL"), Birla Global Finance Co Ltd (BGFCL) and others alleging that his service has been illegally terminated on September 1, 2007. Mr. Suresh Kumar Rai also alleged that his overtime wages, privilege leave with wages, bonus wages and medical allowance, totalling approximately Rs.0.187 million, have been withheld. The matter last came up for hearing on June 5, 2008 and has now been adjourned to September 16, 2008. BGFCL has entered its Appearance and has filed its written statement as directed by the

court. . The matter is pending for further hearing.

8. Mr. Suresh Kumar Rai has also filed a case (COM (ULP) No. 17 of 2008) against Mr. Kumar Mangalam Birla, Birla Global Finance Ltd (“BGFL”), BGFCL and others, in the third Bandra Labour Court alleging that his termination from service, is illegal and hence he should be reinstated with full back wages. The matter is currently pending for hearing.
9. AM Estates, a real estate broking agency, filed a suit (civil suit no. 762 of 2008) before the Civil Judge Senior Division, Gurgaon, against Mr. Kumar Mangalam Birla and against certain other persons, for specific performance of the contract and restraining the Ardee City to transfer possession of the Hyper site. AM Estates is yet to file the rejoinder and the matter is posted on February 2, 2009.

Mr. C.M. Maniar

1. Certain complaints under Section 138 of the Negotiable Instruments Act, 1881 for dishonour of cheques, have been pending against REPL Engineering Limited, and its directors which included Mr. C.M. Maniar. Mr. C. M. Maniar was a non-executive director of REPL Engineering Limited and resigned from the Board of REPL Engineering Limited on August 28, 1997. There are 12 complaints against REPL Engineering Limited in which Mr. C.M. Maniar is mentioned as an accused and these proceedings are still pending before various courts.
2. Some complaints under Section 138 of the Negotiable Instruments Act, 1881 for dishonour of cheques, have been pending against Pharmaceutical Products of India Limited and its directors which included Mr. C. M. Maniar. Mr. C.M. Maniar was a non-executive director of Pharmaceutical Products of India Limited and resigned from the Board of Pharmaceutical Products of India Limited on April 24, 2001. These proceedings against Mr. C.M. Maniar in his capacity as a director of Pharmaceutical Products of India Limited are still pending before various lower courts.
3. Certain complaints under Section 138 of the Negotiable Instruments Act, 1881 for dishonour of cheques, have been filed against Avon Products Limited in which Mr. C.M. Maniar has been made one of the accused. Mr. C.M. Maniar was never a director on the board of Avon Products of India. The complaints are pending.

The following directors have been made parties to an environmental matter in their capacity as a Director of the Company: (i) Mr. Kumar Mangalam Birla; (ii) Mrs. Rajashree Birla; (iii) Mr. D. Bhattacharya; (iv) Mr. C.M. Maniar; (v) Mr. E. B. Desai; (vi) Mr. S.S. Kothari; (vii) Mr. M.M. Bhagat; and (viii) Mr. K. N. Bhandari. For further details, please refer to section titled “Outstanding Litigation and Defaults – Litigation involving the Company – Criminal cases filed against the Company” on page 190 of this Letter of Offer.

Litigation involving the Company

A. Criminal cases

(i) Criminal cases filed against the Company

1. Three criminal miscellaneous petitions have been filed by former employees of the Company before various High Courts against the Company in relation to the criminal complaints filed by the Company under Section 630 of the Companies Act, 1956. The respective High Courts have stayed the lower court proceedings in all the cases. The cases are currently pending.
2. Three criminal cases have been filed by the State of Uttar Pradesh against a Company official on

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- grounds of non-compliance with the rules regarding methods of work, non-compliance of standing orders and acts causing fatal accident. In all the cases, the Company has filed criminal miscellaneous applications before the Allahabad High Court, wherein the High Court has stayed the lower court proceedings. The cases are currently pending.
3. Two criminal cases have been filed by the State of Uttar Pradesh against the security personnel of the Company under sections 147, 148, 149, 307, 504, 506, and 427 of the Indian Penal Code before the Court of the Judicial Magistrate, Sonebhadra. In both cases, the Company has filed criminal revision petitions before the Allahabad High Court against summons issued by the lower court wherein the respective lower court proceedings have been stayed. The cases are currently pending.
 4. Six criminal cases have been filed by the State of Jharkhand against the Company officials for various unauthorised activities which include encroachment of public road, illegal construction of roads, illegal mining and cutting tress. All the cases were challenged before the Jharkhand High Court. In three matters, the Jharkhand High Court stayed the proceedings before the lower court till the pendency of the appeals. In one of the cases, cognizance of the matter awaits appropriate sanction. All the cases are currently pending.
 5. Two criminal cases have been filed by the State of Uttar Pradesh against the Company officials in relation to the death of two employees in separate incidents. In both cases, the orders of the respective lower courts have been appealed against before the Allahabad High Court. In one of the cases, the High Court has stayed the lower court proceedings till the pendency of the appeals. The other case was decided in the Company official's favour and the State of Uttar Pradesh has appealed against the said order. The cases are currently pending.
 6. A compensation case has been filed against the Company before the Court of the Additional District and Sessions Judge, Lohardaga under section 140 and 166 of the Motor Vehicles Act, 1988. The Court granted interim relief claimed under section 140 in favour of the claimant. The amount involved in the dispute is Rs. 0.3 million. The matter is currently pending.
 7. The Central Excise Department, Madurai has launched prosecution against the Company (erstwhile Indal) and an employee of the Company, on grounds of evading excise duty before the Sessions Court, Madurai. The Company filed an application under Section 482 of the Code of Criminal Procedure, 1973 before the Madras High Court to quash the said proceedings. A stay order dated July 26, 2002 with respect to the proceedings in the Sessions Court has been granted by the Madras High Court. The matter is currently pending.
 8. The District Forest Officer, Kolhapur has filed two criminal cases before the Radhnagiri Court, against the Mines Manager of the Company and others for alleged breach of forest laws while mining at Iderganj. The matters are currently pending at various stages of adjudication.
 9. Two cases have been filed by different Inspector of Factories against the Company before different Judicial Magistrate Courts on various grounds including (i) failure to appoint a Welfare Officer amounting to a violation of the Factories Act, 1948, and (ii) an explosion in the power section of the Company's Kalwa plant. Both the matters are currently pending.
 10. On February 16, 2006, Mr. V.R. Ghadge, Regional Officer, Gujarat Pollution Control Board, Bharuch filed a case (135/2006) before the Judicial Magistrate First Class, Vagra under sections 3, 15 and 16 of the Environment Protection Act, 1986 ("EPA") for alleged breach of the order of Central Government under sub-rule 3 of Environment Protection Rules, 1986 ("EPR") and Rule 5 of the Environment Management Plan Notification No. SO.60 (E), against the Company and others. The case was based on the complaint of Mr. Amit Jetwa, an environmental activist, stating
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- that Birla Copper had started the construction activities of a certain unit before obtaining clearance from Ministry of Environment and Forests. Mr. Amit Jetwa filed an application dated March 30, 2007, before Judicial First Class Magistrate, Vagra under the Environment Protection Act, 1986, mentioning the names of the Chairman, Managing Director and all the Directors of the Company as accused and also against the Regional Officer, Gujarat Pollution Control Board, Bharuch, on grounds of deliberate exclusion of the names of certain directors/personnel of the Company by the said Regional Officer. The complaints have been transferred to the Judicial Magistrate First Class, Bharuch (case no. 4850/2007) for lack of jurisdiction in Vagra. The next date of hearing is on September 17, 2008.
11. The Chief Agricultural Officer issued five SCNs against the Company for violation of the Fertilizer Control Order, 1985. The Company replied to all the SCNs. In one of the cases, the result in relation to the Di-Ammonium Phosphate analysis of the Company's fertilizer sample is awaited. In two cases, the Company received negative results in relation to the Di-Ammonium Phosphate analysis of its fertilizer samples. The Director Agriculture ordered all the collected samples to be sent for re-testing. In two cases, the collected samples failed to meet the prescribed standard even after re-testing. The Company requested the Director Agriculture to issue warning letters and close these matters. In the other two cases, the results of retesting are awaited. In a different case, one petition was filed under Section 19(a) of the Fertiliser Control Order 1985, Section 7 and 12 AA of the Essential Commodities Act 1955 before the Court of Judicial Magistrate Class I, Barnala, against the Company regarding the Di -Ammonium Phosphate testing of the Company's fertilizer sample that failed to meet prescribed specifications, even after retesting. The matters are currently pending at various stages of adjudication.
- (ii) *Criminal cases filed by the Company*
1. 45 criminal cases have been filed by the Company against its former employees before various lower courts under section 630 of the Companies Act, for encroachment of Company land/premises. The cases are currently pending at various stages of adjudication before various courts including the High Courts.
 2. 12 criminal cases against various miscreants have been filed by the Company before various courts for offences which include, assault, un-lawful entry, threats, trespassing, encroachment and offences under sections 279, 337, 338, and 427 of the Indian Penal Code. These cases are currently pending at various stages of adjudication.
 3. A writ petition was filed by the Company before the Ranchi High Court against the State of Jharkhand based on the order dated July 24, 2004 passed by the Deputy Collector, Latehar directing the Company to pay penalty amounting to Rs. 0.92 million towards stamp duty evasion in relation to the deeds executed in the year 1999. The High Court, through stay order dated October 12, 2004, directed the Deputy Collector Latehar, to refrain from taking any coercive action against the Company for a period of six weeks commencing from October 12, 2004. The matter is currently pending.
 4. Two criminal cases have been filed by the Company, against Agents Aluminium Company Limited and Zephyr Containers Private Limited, before various lower courts for the recovery of dues. In both cases, the defaulting parties have appealed against the orders passed in the Company's favour. The amount in dispute is Rs. 5.1 million. The matters are currently pending.
 5. The Company has filed 29 criminal cases against defaulting companies and various individuals before various Courts under Section 138 of the Negotiable Instruments Act, 1881. The aggregate amount involved in dispute is Rs. 34.75 million. The matters are at various stages of adjudication.

B. Labour suits

(i.) Labour cases filed against the Company

1. 76 cases have been filed by previous employees, and government authorities before various fora against the Company. The cases have been filed on various grounds, which include, (i) termination, (ii) not allowing the worker to resume duty, (iii) illegal termination, (iv) justifiability of the lay off of workmen and the quantum of lay off compensation (v) payment of wages for the alleged lock out period, (vi) challenging termination of their service by the contractor, (vii) inadequate adjudication of bonus, (viii) an accident at the Company's plant of a workman employed by the sub-contractor, and (ix) claims of back wages. The aggregate amount claimed in these matters is Rs. 12.46 million. These cases are pending at various stages of adjudication.
2. The Deputy Director, Employees State Insurance, Kanpur confirmed a demand of Rs. 2.05 million on account of payments made for Hindalco Dairy, Vishram Griha (Allahabad) and Building Construction Department through order dated August 12, 2005. The Recovery Officer has issued recovery notice dated September 26, 2005 for recovery of said amount along with interest of Rs. 2.29 million. The Company has filed an appeal on October 19, 2005 before the ESI Court at Mirzapur after depositing 50% of the demand amount and an interim stay has been granted in favour of the Company till the next date of hearing. The matter is currently pending.
3. 36 contract workers at the Taloja plant canteen have filed an appeal against the Company before the Bombay High Court against the order of the Industrial Tribunal in relation to a dispute arising out of the workers seeking permanent employment. The Bombay High Court has granted a stay against the order of the Industrial Tribunal. In relation to this appeal, the Company has filed a writ petition challenging the notification dated October 10, 2003 issued by the Government of Maharashtra which provided that the engagement of contract labour in the canteen of Taloja plant had to be abolished. Both the matters are pending before the Bombay High Court and an interim stay has been granted in the Company's favour. The matter is currently pending.
4. In addition to the above cases, 63 labour related cases, which have been filed against the Company for claims aggregating to Rs. 17.45 million, which are pending in various Courts.

(ii) Labour cases filed by the Company

1. 22 writ petitions have been filed by the Company before various High Courts against previous employees regarding various disputes that include encashment of wages in lieu of leave and payment of gratuity dues. The aggregate amount involved is Rs. 0.01 million. All the cases are currently pending at various stages of adjudication.
2. Three review petitions have been filed by the Company before various High Courts against orders passed in relation to dismissal of the writ petitions, and on grounds of being aggrieved by the order to reinstate dismissed employees of erstwhile Pennar, regarding various disputes which include termination of workmen without providing the required notice period and remission of pay. The matters are currently pending.
3. The Company had filed an application before the Presiding Officer, Industrial Tribunal, Bangalore against a workman regarding misconduct by the workman, which resulted in his dismissal pursuant to an internal inquiry. The workman initiated a dispute before the Deputy Labour Commissioner. The Deputy Labour Commissioner issued an endorsement dated October 16, 2007 upholding the dismissal of the workman and sent its failure report to the Labour Department, Bangalore rejecting the workman's plea.
4. Two labour cases have been filed by the Company before the Industrial Court, Nagpur against

former workmen on various grounds which include workmen indulging in acts of unfair labour practices. The matters are currently pending.

5. The Company has filed an appeal before the Employee Provident Fund Appellate Tribunal, Delhi (the "EPFAT") against the order dated February 20, 2007 passed under section 7A of the Employee Provident Fund Act, and Miscellaneous Provisions Act, 1952 ("EPF") by the Regional Provident Fund Commissioner, Vashi. The order directs the Taloja unit of the Company to apply for fresh exemption under Section 17 of the EPF Act. The EPFAT through an order dated February 26, 2007 stayed the execution of the Regional Provident Fund Commissioner's order. The matter is currently pending.
6. Four writ petitions have been filed under Article 226 of the Constitution of India, before the Calcutta High Court against the Income Tax authority, the Company and others, by the employees who had availed the voluntary retirement scheme ("VRS") in the year 1999 – 2002 for refund of Income Tax deducted at source by the Company from their VRS benefits in accordance with the Income Tax Rules. These cases are pending at various stages of adjudication.

C. Civil Cases

(i) Cases filed against the Company

1. Centre for Public Interest Litigation (the "Petitioner") has filed a writ petition before the Delhi High Court against the Union of India and Ministry of Environment and Forest seeking issuance of directions to ensure that the fly ash generated as industrial waste by thermal power plants is utilized for the purpose of making cement or bricks and other building materials. The Fly Ash Notification was brought into force on September 14, 1999. Subsequently, the Delhi High Court issued directions to ensure compliance of the aforesaid notification. The Company filed an affidavit dated August 22, 2003 certifying that it has reported compliance with the said notification. The Company through its letter dated February 26, 2004, furnished requisite details regarding implementation of the objectives of the Fly Ash Notification to the Ministry of Environments and Forests. The Delhi High Court through order dated September 25, 2006 adjourned the writ petition sine die as a transfer petition has been filed in the Supreme Court. The matter is currently pending.
2. A writ petition has been filed before the Allahabad High Court against the Company seeking to restrain the Company from constructing an ash dam in district Sonbhadra on the ground that such construction would allegedly cause air and water pollution. Meanwhile, the Company has completed the construction of the ash dam. The matter is currently pending.
3. A writ petition has been filed against the Company and others (the "Respondents") on the grounds that an enquiry conducted by the Sub-divisional Magistrate, Sonbhadra in an accident on the ash dam in 1996 was not properly conducted. The writ petition further states that the ash dam being built by the Company is in breach of applicable environmental norms. Additionally, the petitioner has also sought an ad-interim order directing the respondent to conduct a fresh enquiry into the accident. The Allahabad High Court admitted the writ petition vide order dated April 12, 2002. The Court further directed the District Magistrate, Sonbhadra to personally make a local spot inspection in relation to the incident that took place in 1996 and submit his report. The District Magistrate submitted a report of his findings to the Court on May 22, 2002. The matter is currently pending.
4. Two writ petitions have been filed against the Company and others before Orissa High Court challenging the orders the Central Government recommendation and approval to grant mining lease in favour of the Company. The matters are currently pending at various stages of adjudication.

5. Indian Bank has filed an application against the erstwhile Renusagar Power Company, its directors and the Company before Debt Recovery Tribunal, Calcutta claiming differential interest amounting to Rs. 6.5 million with interest from the date of execution of documents till the date of payment in full regarding term loan of Rs. 34.5 million availed by the Company. The matter is currently pending.
6. A writ petition has been filed against the State of Uttar Pradesh, the Company and others before the Allahabad High Court, challenging the notification dated April 7, 2000 declaring the property held by the Company in Renukoot, Uttar Pradesh as an Industrial Township. Notices have been issued to the respondents and the writ petition is currently pending.
7. 30 land related cases/writs have been filed before various courts against the Company on grounds of disputes arising in relation to (i) eviction (ii) demolition of property (iii) declaration of tenancy status, (iv) the ownership of certain plots of land in possession of the Company, (v) inadequate compensation for land acquisition and (vi) construction of a movie hall. The cases are pending at various stages of adjudication.
8. Three civil suits have been filed by various individuals before the Civil Judge, Dudi and Civil Judge Robertsganj against the Company (the "Respondent") in relation to (i) construction over the structure of a bus stop, (ii) declaration of title, and (iii) restraining the Company from transferring lost shares. The matters are pending at various stages of adjudication.
9. The District Mining Officer, Lohardaga has issued six demand notices amounting to Rs. 32.1 million towards payment of increased surface rent with effect from January 1, 2005 on the mining leases for bauxite situated in Lohardaga and Gumla. The Company has submitted its reply to the SCNs. The SCNs are currently pending. A writ petition has been filed by the Company before High Court, which is currently pending.
10. The Forest Department officials stopped the trucks/ dumpers transporting, on behalf of M/s Prism Cement Limited and M/s Jaiprakash Associates Limited, dry fly ash generated at the Company's power plant located at Renusagar and demanded a transit fee at the rate of Rs. 38 per tonne in accordance with letter no. 82/Renukoot/37 dated November 16, 2007 (the "Fly Ash Letter") issued by the Deputy Divisional Forest Officer, Renukoot Forest Division, Renukoot. The Fly Ash Letter stated that the dry fly ash comes within the category of forest produce and therefore, transit fee is chargeable thereon. The Company filed a writ petition dated November 23, 2007 before the Allahabad High Court, on grounds of, challenging the levy of transit fee. The Allahabad High Court through order dated November 29, 2007 stated that the Forest Department will not charge/ demand transit fee on the transportation of dry fly ash from the Renusagar Power Plant of the Company to M/s Prism Cement Limited and M/s Jaiprakash Associates Limited till further orders. The matter is currently pending.
11. A special civil suit was filed before the Court of Civil Judge, (Senior Division), Bharuch against the Company on the grounds of breach of contract terms and for the recovery of the forfeited performance bank guarantee amount. The plaintiff alleges that it was illegal for the Company to forfeit the PBG on account of malpractice by the driver as the Plaintiff was willing to settle any losses accrued which could not have amounted to more than 0.025 million. The amount involved in the dispute is Rs. 0.4 million along with interest. The matter is currently pending.
12. Two writ petitions under article 226 of the Constitution of India have been filed by the Bombay Environmental Action Group and another against the Company in the Bombay High Court. In one of the petitions, the High Court has granted a stay order dated April 1, 1998 restraining the Company from carrying on any mining activity in the Iderganj, Kolhapur until further orders. The stay order is operational as on date. The other petition was filed seeking cancellation of the renewal of mining lease granted to the Company as the same allegedly falls within the Radhanagari

Sanctuary area in Kolhapur. The renewal of lease was stayed. In both the petitions the respective stay orders granted against the Company are operational as on date.

13. Under Article 226 of the Indian Constitution the Andhra Pradesh High Court, noted the fact, that several polluting industries were operating in the catchments and upstream areas of Osman sagar and Himayat sagar lakes on February 26, 2006. The Division Bench issued SCNs on February 22, 2006 against 47 industries operating within 10 Km radius of Osman sagar and Himayat sagar lakes. The SCN demanded as to why the Court should not issue a mandatory order for the relocation of these Companies from the present sites. The Company was one of the industries which were issued a SCN. The Company filed counter affidavit dated March 13, 2006 before the Andhra Pradesh High Court wherein the Company prayed exemption under the order for re-location. The case is currently pending.
14. A petition was filed by Hoogly Alloy and Steels Private Limited before the City Civil Court, Calcutta against the Company, on grounds of a dispute arising out of disagreement a sale order. The petitioners prayed for a temporary injunction restraining the Company from cancelling the said sale order, and that the time of the sale order be extended till August 20, 2008. The Court issued an *ex-parte* order dated February 25, 2008 granting the same. The Company moved to the court for vacation of the interim order. The matter is currently pending.
15. Air India Limited filed a case against the Company before the Estate Officer, Air India Limited. The Estate officer, Air India, issued a SCN dated November 21, 2003 to the Company under Section 7 of the Public Premises (Eviction of Unauthorized Occupants) Act, 1971 demanding an aggregate of amount of Rs. 300 million as damages along with interest. The SCN has been issued in respect of the alleged unauthorized occupation of the Company on an area of 10,496.80 sq. ft. on the 15th floor of the Air India Building, situated at Nariman Point, Mumbai, and simple interest thereon. The Company filed its reply dated December 29, 2003 before the Estate Officer, Air India. The Estate Officer passed an order dated March 4, 2004 adjourning the hearing of the matter till further notice. The final arguments in the matter were concluded on June 25, 2008. The matter is currently pending disposal.
16. An appeal has been filed before the State Consumer Dispute Redressal Commission, Haryana against a share broker ("Respondent no. 1"), the Company and others. The appeal has arisen in relation to dispute regarding the sale, by Respondent no. 1, of 500 equity shares of the Company owned by the appellant. The appeal is currently pending.
17. Citi Bank N.A. has filed a suit for recovery of Rs. 42.75 million against M/s Chandgothia Transport Corporation. The Company has also been arrayed as a defendant in the suit on the grounds that the Company has credit balance of M/s. Chandgothia Transport Corporation and therefore, the amount claimed against M/s Chandgothia Transport should be paid by the Company. The Company has filed its reply and the matter is currently pending.
18. A suit has been filed against the Company and others before the Civil Judge (Senior Division), Mirzapur regarding non-receipt of 350 bonus shares by the plaintiff. Further, the plaintiff has obtained a stay on transfer of 200 shares in favour of the U. P. Stock Exchange Association Limited. The Company has filed its reply and the suit is currently pending. In relation to the said matter, the U. P. Stock Exchange Association Limited has filed civil suit before the Civil Judge (Senior Division), Kanpur Nagar seeking (i) declaration to the effect that they are the owners of the aforesaid 200 shares, (ii) permanent injunction restraining the Company from issuing duplicate share certificates in relation to the said shares and seeking the transfer of the shares in their. The suit is currently pending.
19. The Company has filed a writ petition before the Allahabad High Court challenging the notification no. XG2117/48/pt.VI dated November 7, 2006 issued by the Government of India

whereby the rate of freight of coal transported through railways was increased. The writ petition is currently pending.

20. A money suit has been filed against the Company before Civil Judge, Howrah. The amount in dispute is Rs. 0.033 million. The Company has challenged the jurisdiction over the matter and filed a petition under Order VII Rule 11, Civil Procedure Code for rejection of the plaint. The matter is currently pending.
21. Apart from the cases described hereinabove there are two civil cases filed against the Company for amounts aggregating to Rs. 1.7 million.

(ii.) *Cases filed by the Company*

1. The Company had filed 72 land related cases/writs/appeals before various courts, on grounds of dispute arising in relation to (i) unauthorised construction over the Company land, (ii) eviction (iii) demolition of unauthorised construction and (iv) encroachment over the Company land, (v) interference in possession of the Company land (v) possessory rights. The matters are currently pending at various stages of adjudication.
2. A suit was filed against the Company before the Civil Judge (Junior Division), Dudhi which was thereafter transferred to Civil Judge (Senior Division), Sonebhadra, seeking permanent injunction restraining the Company from evicting the plaintiff. Subsequently, the Company filed a suit on November 26, 1984 for eviction and demolition. Both the cases were consolidated and disposed off through a common judgement dated September 12, 1996. Aggrieved by the order dated September 12, 1996, the plaintiff filed an appeal before Additional District Judge, Robertsganj which was dismissed in default of appearance of the appellant through order dated August 18, 2004. The appellant, thereafter, filed an application dated September 15, 2005 for restoration of the appeal. The application is currently pending. Meanwhile, the Company has filed execution application on December 22, 2004, which is currently pending.
3. One SLP has been filed by the Company before the Jharkhand High Court in relation to refund of cess. The amount involved is Rs. 175.5 million. The case is currently pending.
4. The Company had filed a writ petition in the Jabalpur High Court against the decision of South Eastern Railway to retrospectively revise plot rents such that a claim of Rs. 5.1 million is due from the Company. The Jabalpur High Court granted a stay in favour of the Company. The case has since been transferred to Bilaspur High Court. The case is currently pending.
5. The Company had filed a complaint case against the Managing Director of UP Airways and others (the "Respondents") before the State Consumer Disputes Redressal Commission, Uttar Pradesh claiming refund on purchase of tickets, interest and compensation, amounting to an aggregate of Rs. 1.35 million regarding disputes arising in relation to flights operated by the Respondent on the Delhi-Allahabad-Muirpur-Lucknow which were completely stopped by the Respondents on May 7, 1996, thereby leaving the Company with 172 valid unused tickets. The Commission, vide an order dated May 13, 2004 decided the matter in favour of the Company and awarded them a sum of Rs. 0.66 million as refund due to the discontinuance of service along with an interest of 6 per cent from the date of deposit of the amount by the Complainant to the date of refund. The Managing Director, UP Airways and UP Airways filed a first appeal against the aforesaid order of the State Commission, before the National Consumer Disputes Redressal Forum. The National Commission admitted the appeal vide order dated February 11, 2004, which is currently pending.
6. The Company has filed three suits in the court of Civil Judge (Senior Division), Sonebhadra seeking (i) permanent injunction restraining the defendants from selling the land owned by the

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- Company, and (ii) to restrain the Defendants from constructing a pathway on land owned by the Company. The suits are currently pending at various stages of adjudication.
7. The Company has filed a suit, in the court of Civil Judge (Senior Division), Mirzapur against certain individuals (the “Defendants”). The Company has sought (i) specific performance of the agreement dated October 7, 1972 executed by the Company and father of one Mr. Hiralal, (ii) cancellation of order dated April 4, 2008 passed by Sub-Divisional Officer, Mirzapur in case no. 1/72, (iii) cancellation of sale deed dated March 18, 2008, and (iv) permanent injunction restraining the Defendants from interfering with the possession of Company’s office located in Putlighar building, Mirzapur. The suit is currently pending.
 8. The Company has filed a revision application under Section 54 of the Mineral Concession Rules, 1960 before the Revisional Tribunal Mines, Delhi against the order of the Government of Maharashtra dated February 16, 2002, granting mining lease rights to Mr. RM Mohite in Kolhapur copper mines having an area of 1312.41 hectares. The matter was heard and subsequently concluded on June 20, 2004. The order of the tribunal is presently awaited.
 9. A suit has been filed by the Company before the Civil Judge, Belgaum against an individual on grounds of trespassing on the Company’s property. The Company prayed for relief by way of an injunction restraining the trespasser from entering the premises. The Court rejected the Company’s plea for interim relief. The Company filed a civil revision petition before the High Court. The Court directed the parties to maintain *status quo*. In another related case, a civil suit was filed against the Karnataka Industrial Area Development Board, to which, the Company was not made a party to even though the land in dispute belonged to Company. The civil court rejected the Company’s application to be joined in the proceedings as a party. The rejection order was challenged before the High Court, whereby the High Court directed the civil court to include the company as a defendant. Both the cases were decided in the Company’s favour. The Company is to obtain a copy of the order.
 10. The Company a filed writ petition before the Kerala High Court against the demand/disconnection notice which followed the decision of the Kerala State Electricity Board (“KSEB”) of February, 1998 to withdraw the facility of clubbing electricity availed of by the Company. The Company availed the facility of clubbing power it received through different power supply systems (66 KV, 110 KV and 11 KV Lines) during electricity failure. The aggregate amount involved in the dispute for the period from February 1998 to June 1998 is Rs. 66.3 million. The Kerala High Court has stayed proceedings on September 24, 1998 in relation to recovery of the amount in dispute and directed KSEB not to disconnect power supply till disposal of the matter. The matter is currently pending.
 11. The Company filed a petition under Section 21 of the Consumer Protection Act, 1986 on July 23, 2004 before the National Consumer Disputes Redressal Commission, New Delhi against the New India Assurances Company on grounds of rejection of a legitimate claim and deficiency in service. Twelve drums of anode slime belonging to the Company were stolen during transit. The Company alleges that such losses are covered under their Marine Insurance Policy and New India Assurances should honour their claim. The amount in dispute is Rs. 28.5 million. The matter is currently pending.
 12. The Company filed a Special Civil Application on October 29, 2004 before the Ahmedabad High Court against the Gujarat Energy Transmission Corporation Limited (“GETC”), erstwhile Gujarat Electricity Board (“GEB”). The Company challenged the order dated June 26, 2004 passed by Gujarat Electricity Regulatory Commission, Ahmedabad, which held that the petition filed by erstwhile GEB was maintainable and that parallel operating charges can be levied under the Electricity Act, 2003, and the Gujarat Electricity Industry (Regularisation and Regulation) Act, 2003. The Company filed six Civil Applications in the High Court, Ahmedabad to amend the
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- respective Special civil applications. The Court through a common oral order allowed all the amendments. The matter is currently pending.
13. The Company has filed Title Suit in the court of the Civil Judge, Sambalpur against the encroachment of land held by the Company at Hirakud against various persons. The case is currently pending.
 14. A writ petition was filed by the Company before the Patna High Court at Ranchi for quashing the demand notice dated September 20, 1997 issued by the Employee State Insurance Corporation and for restraining the Employee State Insurance Corporation from realizing any amount pursuant to the said demand notice. The aggregate amount involved is Rs. 1.56 million in addition to a interest on account of employee state insurance for the period from July 1994 to November 1996. The High Court passed an order dated December 16, 1997, staying the demand of Rs. 1.56 million on the condition that the Company deposit a sum of Rs. 0.5 million and further directed the Company to furnish security other than cash and bank guarantee to the satisfaction of the Court. The court also ordered the Jharkhand Government to reconsider the issue. Pursuant to the Court's orders, the Department of Labour Employment and Training, and the Government of Jharkhand exempted the operation of the ESI, Act 1984 from the period of July 1, 1994 to June 30, 1996. The matter is currently pending.
 15. Sixteen civil suits have been filed by the Company against various defaulters before the Chief Judicial Magistrate, Silvassa for recovery of dues aggregating to Rs. 31.56 million. The cases are pending at various stages of adjudication.
 16. The Company had filed an appeal on October 11, 2001 before the Bombay City Civil Court against Air India Limited on grounds of being aggrieved from the order dated October 3, 2001 passed by the Estate Officer in the eviction case filed by Air India under Section 7 of the Public Premises (Eviction of Unauthorized Occupants) Act, 1971. The court vide an oral order dated October 29, 2001 stayed the eviction until final disposal of the matter. The final arguments in the matter were heard on June 18, 2008. The appeal is currently pending disposal.
 17. The Company has filed two cases against the Syndicate Bank for non-payment against letters of credit issued in respect of a sum of Rs. 2.52 million owed to the Company by M/s Ramakrishna Metals Private Limited and M/s Ishwar Metals. The required documents were lodged with the Syndicate Bank against the letters of credit, but were rejected by the Syndicate Bank. The matters are pending disposal.
 18. The Company has filed 12 cases, under section 138 read with section 141 of the Negotiable Instruments Act, 1881. In one of the cases, the Bombay High Court has adjudicated an amount of Rs. 3.4 million in favour of the Company. The aggregate amount involved in the dispute is Rs. 118 million. The matters are at various stages of adjudication.
 19. Two cases have been filed by the Company before the Calcutta High Court against Daga Nylomet Private Limited and M/s Bright Metals on grounds of non-payment of dues. The aggregate amount involved is Rs. 17 million along with the applicable rate of interest that may be awarded by the Court. In one of the cases an injunction was granted in favour of the Company. Both the cases are currently pending.
 20. A case had been filed against the Company before the Civil Judge (Junior Division), Kanpur Nagar (the "CJJD") regarding dispute in relation to the transfer of 100 shares of the Company. The CJJD passed an ex-parte order dated March 16, 1998. The Company filed an application for the dismissal of the ex-parte order along with an application for condonation of delay in filing. The said application was dismissed. Aggrieved by the said order, the Company filed an appeal before the District Judge, which was dismissed through order dated May 23, 2007. The Company has
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- filed writ petition before the Allahabad High Court challenging the order passed by the District Judge. The writ petition is currently pending. Meanwhile, the plaintiff has filed an application before the Civil Judge (Junior Division), Kanpur Nagar (the “CJJD”) regarding execution of the order dated March 16, 1998, which is currently pending.
21. The Indian Railways has filed a writ petition before the Jharkhand High Court against the order of the Railway Rates Tribunal, whereby the levy of additional freight from the Company by Indian Railways was disallowed. The writ petition is currently pending.
 22. Apart from the cases described hereinabove there are 95 cases filed by the Company. The approximate amounts in these cases are an aggregate of Rs. 31.59 million.

D. Tax proceedings

I. Direct Taxes

(a) Income Tax Proceedings in respect of the Company excluding de-merged undertaking of Indian Aluminum Company Limited

Appeals filed by the Income Tax Department before the High Court

1. The Income Tax Department has filed an appeal before the Bombay High Court challenging the order of the ITAT, Mumbai for the assessment year 1993-1994. The appeal has been filed on various grounds including allowing deduction under Sections 43B, 80HHC and 80I of the IT Act, allowing expenses incurred for earning income from service charges and allowing premium payable on redemption of debentures as expenses. The aggregate amount involved is Rs. 76.80 million. The appeal is currently pending.
2. The Income Tax Department has filed an appeal before the Bombay High Court challenging the order of the ITAT, Mumbai for the assessment year 1994-1995. The appeal has been filed on various grounds including allowing deduction under Sections 43B, 80HHC and 80I of the IT Act, allowing premium payable on redemption of debentures as expenses and allowing expenses incurred for earning income from service charges. The aggregate amount involved is Rs. 66.92 million. The appeal is currently pending.
3. The Income Tax Department has filed an appeal before the Bombay High Court challenging the order of the ITAT, Mumbai for the assessment year 1995-1996. The appeal has been filed on various grounds including allowing deduction under Sections 80HHC and 80I of the IT Act, allowing premium payable on redemption of debentures as expenses and allowing expenses incurred for earning income from service charges. The aggregate amount involved is Rs. 116.38 million. The appeal is currently pending.
4. The Income Tax Department has filed an appeal before the Bombay High Court challenging the order of the ITAT, Mumbai for the assessment year 1996-1997. The appeal has been filed on various grounds including allowing deduction under Sections, 35AB, 36(1)(iii), 80HHC, 80I, 80 O of the IT Act, allowing premium payable on redemption of debentures as expenses, allowing expenses incurred for earning income from service charges, deduction under Section 80M of the IT Act on gross basis, foreign travelling expenses on wives of employees and commission paid to stockists. The aggregate amount involved is Rs. 289.49 million. The appeal is currently pending.

Appeals filed by the Income Tax Department before the ITAT

1. The Income Tax Department has filed an appeal before the ITAT, Mumbai against the order of Commissioner of Income Tax (Appeals), Mumbai for the assessment year 2003-2004. The appeal

has been filed on various grounds including deletion of disallowance of deduction under Sections 35D, 36(1)(iii), 80HHC, 80IA, 80M of the IT Act, allowance of exemption under Section 10(23G) of the IT Act and allowance of certain expenses. The aggregate amount involved is Rs. 2,018.22 million. The appeal is currently pending.

2. The Income Tax Department has filed an appeal before the ITAT, Mumbai against the order of Commissioner of Income Tax (Appeals), Mumbai for the assessment year 2004-2005. The appeal has been filed on various grounds including deletion of disallowance of deduction under Sections 14A, 35D, 36(1)(iii) read with Section 14A, 43B, 80HHC, 80IA and 80M of the IT Act, allowance of exemption under Section 10(23G) of the IT Act, allowance of certain expenses and treating service charges as income from other sources. The aggregate amount involved is Rs. 1,422.94 million. The appeal is currently pending.

Appeals filed by the Company before the ITAT

1. The Company has filed an appeal before the ITAT, Mumbai against the order of the Commissioner of Income Tax (Appeals) for the assessment year 2003-2004. The appeal has been filed on various grounds including disallowance of write off of inter-corporate deposits, deduction under Section 80 HHC of the IT Act and disallowance of certain expenses. The aggregate amount involved is Rs. 233.77 million. The matter is currently pending.
2. The Company has filed an appeal before the ITAT, Mumbai against the order of Commissioner of Income Tax (Appeals), Mumbai for the assessment year 2004-2005. The appeal has been filed on various grounds which include disallowance of certain expenses, deduction under Sections 36(1)(iii), i.e. interest on borrowed funds capitalized in books and 80HHC of the IT Act and disallowance of short term capital loss covered under Section 94(7) of the IT Act. The aggregate amount involved is Rs. 474.71 million. The appeal is currently pending.

Appeals filed by the Company before the Commissioner of Income Tax (Appeals)

1. The Company has filed an appeal before CIT (Appeals), Mumbai against the order of assessing officer for the assessment year 2005-2006 on various grounds which include disallowance deductions under Sections 36(1)(iii), 43B, 80IA, 80IB of the IT Act, disallowance of expenses on account of commission paid, allocation of interest to dividend income, disallowance of short term capital loss covered under Section 94(7) of the IT Act and additions made to the income of the Company on account of international transactions with associate enterprises. The aggregate amount involved is Rs. Rs. 3,330.67 million. The appeal is currently pending.

In addition, appeals have been filed by the Company before the Commissioner of Income Tax (Appeals) against the orders of the tax authorities in respect of the erstwhile Renusagar Power Company for the assessment years 1978-1979, 1979-1980 and 1980-1981. The matters are currently pending.

(b) Income Tax Proceedings in respect of de-merged undertaking of Indian Aluminium Company Limited

Appeals filed by the Income Tax Department before the High Court

1. The Income Tax Department has filed a petition, under Section 256(1) of the IT Act, before the Calcutta High Court against the order of ITAT, Kolkata. The ITAT, Kolkata had through its order dismissed the contention of the Income Tax Department regarding disallowance of transit house expenses. The petition pertains to the assessment year 1981-1982 and the aggregate amount involved is Rs. 0.48 million. The petition is currently pending.

2. The Income Tax Department has filed a reference application before the Calcutta High Court against the order of ITAT, Kolkata for the assessment years 1985-1986, 1986-1987 and 1988-1989. The reference application has been filed regarding depreciation on account of exchange rate fluctuations and the aggregate amount involved is Rs. 1.57 million. The application is currently pending.
3. The Income Tax Department has filed a reference application before the Calcutta High Court against the order of ITAT, Kolkata dated December 15, 2006 for the assessment years 1997-1998 and 1998-1999 regarding various issues which include (i) allowing “Pot Relining” and “Restart Expenses”, (ii) additions under Section 115JA of the IT Act and, (iii) and disallowance of deductions in accordance with Section 35DDA of the IT Act. The aggregate amount involved is Rs. 62.40 million. The reference application is currently pending.

Appeals filed by the Company before the High Court

1. The Company had filed an application under Section 256(2) of the IT Act in the Calcutta High Court regarding disallowance of entertainment expenses amounting to Rs. 0.48 million. The application pertains to assessment year 1981-1982. The matter is currently pending before the Calcutta High Court.
2. The Company has filed a writ petition in the Calcutta High Court regarding the applicability of special audit under Section 142(2A) of the IT Act. The writ petition pertains to assessment year 1987-1988. The writ petition is currently pending before the Calcutta High Court and the assessment arising from special audit is also pending.
3. The company has filed a reference application before the Calcutta High Court against the order of the ITAT, Kolkata for assessment year 1990-1991 on various grounds including deduction under Section 80 HHC, deduction under Section 80IA, deduction under Section 32AB and prior year expenditure. The aggregate amount involved is Rs. 33.45 million. The matter is currently pending before the Calcutta High Court.
4. The Company has filed a reference application before the Calcutta High Court against the order of the ITAT, Kolkata dated December 15, 2006 for assessment year 1997-1998 regarding various issues which include, (i) disallowance of agency commission paid for arranging loan and software development expenses, which were held to be capital in nature, and (ii) disallowance of deduction under Section 36(1)(iii) of the IT Act. The aggregate amount involved is Rs. 7.99 million. The reference application is currently pending.
5. The Company has filed a reference application before the Calcutta High Court against the order of ITAT, Kolkata for assessment year 2002-2003 regarding various issues which include disallowance of deduction under Section 80IB of the IT Act, disallowance of deduction for, (i) the expenditure incurred by the Company, (ii) service charges paid by the Company, (iii) contribution towards pension scheme under Section 43B of the I. T. Act and (iv) interest paid on borrowed funds, and MODVAT credit. The aggregate amount involved in the matter is Rs. 136.76 million. The reference application is currently pending.
6. The Company had filed an appeal before the Commissioner of Income Tax (Appeals) (“CIT(A)”) against the order passed by the assessing order for the assessment years 1974-1975 and 1979-1980. The assessing officer had disallowed relief claimed by the Company under Section 80J of the IT Act. CIT(A) had allowed the appeal filed by the Company. The Company and the Income Tax Department challenged the order passed by the CIT(A) before the ITAT, Kolkata. The ITAT, Kolkata upheld the order passed by CIT(A). Consequently, the Company and the Income Tax Department filed reference applications before the ITAT, Kolkata. Accordingly, ITAT, Kolkata referred certain questions of law in relation to the instant matter to the Calcutta High Court under

Section 256(1) of the IT Act. The aggregate amount involved is Rs. 17.37 million. The matter is currently pending.

Appeals filed by the Income Tax Department before the Income Tax Appellate Tribunal

1. The Income Tax Department has filed an appeal with the ITAT against the order dated December 11, 2006 passed by the Commissioner of Income Tax (Appeals), Kolkata for the assessment year 2003-2004. The appeal has been filed on various grounds which include allowing of deduction (i) under Sections 43B and 80IA of the IT Act, (ii) for commission paid and (iii) for repairs and maintenance undertaken by the Company. The aggregate amount involved is Rs. 326.56 million. The appeal is currently pending.

Appeals filed by the Company before the Income Tax Appellate Tribunal

1. The Company has filed an appeal with the ITAT, Kolkata against the order dated December 11, 2006 passed by the Commissioner of Income Tax (Appeals), Kolkata for the assessment year 2003-2004. The appeal has been filed on various grounds which include (i) disallowance of deductions under Sections 80IB and 80HHC of the IT Act, (ii) disallowance of deduction on account of commission paid, service charges paid, expenditure incurred and contribution made to the employee's state insurance, by the Company and, (iii) applicability of Section 94(7) of the IT Act. The aggregate amount involved in the matter is Rs. 220.05 million. The appeal is currently pending.

Appeals filed by the Company before the Commissioner Income Tax (Appeals)

1. The Company has filed an appeal before the CIT(A), Kolkata against the order dated March 30, 1992 passed by the Assessing Officer for the assessment year 1989-1990. The appeal has been filed on various grounds which include disallowance in relation to (i) "Pot Relining" and "Restart Expenses", (ii) Rule 6D of the Income Tax Rules, 1962, (iii) development and improvement expenses and (iv) Section 43B of IT Act. The aggregate amount involved is Rs. 110.43 million. The appeal is currently pending.
2. The Company has filed an appeal before the CIT(A), Kolkata for assessment year 1995-96 against the order passed by the Deputy Commissioner of Income Tax, Kolkata. The Deputy Commissioner had passed the said order while giving effect to order of ITAT Kolkata against the order of the Commissioner of Income Tax under Section 263 of the IT Act regarding the excess deduction allowed under Section 80M of the IT Act. The aggregate amount involved is Rs. 8.5 million. The appeal is currently pending.
3. For the assessment year 1995-96, The Company has filed an appeal before the CIT (A), Kolkata challenging reassessment order dated March 28, 2003 passed by the assessing officer in terms of Section 147 of the IT Act. The reassessment was undertaken on account of income escaping assessment order on valuation of closing stock and advances to International Advanced Process Technologies Limited. The aggregate amount involved is Rs. 87.74 million. The appeal is currently pending.
4. The Company has filed an appeal before the Commissioner of Income Tax (Appeals), Kolkata against the regular assessment order dated March 28, 2003 passed by assessing officer for assessment year 2000-2001. The appeal has been filed on various grounds which include disallowance of deduction for bad debts, loss on sale of assets and expenditure incurred for current repairs and expenses for voluntary retirement scheme. The aggregate amount involved is Rs. 231 million. The appeal is currently pending.

5. The Company has filed an appeal before the Commissioner of Income Tax (Appeals), Kolkata against the order of the assessing officer for the assessment year 2000-2001. The appeal has been filed against order under Section 154/143(3) of the IT Act regarding mistake apparent on record for wrong consideration of capital gain as per audit objection. The aggregate amount involved is Rs. 12.21 million. The appeal is currently pending.
6. The Company has filed an appeal before the Commissioner of Income Tax (Appeals), Kolkata against assessment order dated March 29, 2004 passed by the Assessing Officer for the assessment year 2001-02 on various grounds including disallowance of (i) MODVAT, (ii) deduction under Sections 80IA and 80IB of the IT Act, (iii) expenses incurred on current repairs, (iv) write down of long term investments, and (v) interest on borrowings in terms Section 36(1)(iii) of the IT Act. The aggregate amount involved is Rs. 284 million. The appeal is currently pending.
7. The Company has filed an appeal before the Commissioner of Income Tax (Appeals), Kolkata against the order of the assessing officer dated February 28, 2008 for the assessment year 2001-2002. The appeal has been filed against order under Section 154/143(3) of the IT Act regarding mistake apparent on record for wrong consideration of capital gain as per audit objection. The aggregate amount involved is Rs. 34.78 million. The appeal is currently pending.
8. The Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the regular assessment order dated December 22, 2006 for the assessment year 2004-05. The appeal has been filed in relation to various issues including disallowance of (i) deduction regarding payment of commission and service charges, (ii) deduction under Section 35DDA of the IT Act, (iii) depreciation on aircraft, and (iv) expenditure on repairs and maintenance. The aggregate amount involved is Rs. 256.38 million. The appeal is currently pending.
9. The Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the regular assessment order dated December 24, 2007 for the assessment year 2005-06. The appeal has been filed on various grounds which include disallowance of deduction (i) under Sections 43B, 40A(2)(b) of the IT Act and (ii) expenditure incurred on repairs and maintenance and additions made on account of unutilised MODVAT credit. The aggregate amount involved is Rs. 3.6 million. The appeal is currently pending.

II. Indirect Taxes

(a) Central Excise Cases

1. The Assistant Commissioner, Central Excise, Mirzapur, served a demand notice dated February 16, 1994 on the Company calling upon it to pay a sum aggregating Rs. 145.9 million in respect of excise duty on the electricity purchased by the Company from Renusagar on the ground that the excise on manufacture of electricity by Renusagar has been included in the prices of aluminium from time to time fixed by the Central Government in the relevant period. The demand notice stated that out of the total sum of Rs. 145.9 million of the demand dated September 30, 1984, the Company has made provision for Rs. 54.70 million in its accounts and the balance amount has been sequestered in the Aluminium Regulation Account constituted under the Aluminium (Control) Order, 1970 which ought to have been deposited to the credit of the Central Government as envisaged under the provisions of Section 11D of the Central Excise Act, 1944. The Company has filed a writ petition before the Delhi High Court which was admitted by the Delhi High Court through order dated July 9, 1993. . The Delhi High Court further stayed the demand notice dated February 16, 1994 till final orders were passed in the writ petition. The matter is currently pending.
2. A demand cum SCN dated April 2, 2007 was issued to the Company by Commissioner, Central Excise, Allahabad. The demand cum SCN stated that the Company had manufactured and sold

- 19,422.115 MT of aluminium dross and dust valued at Rs. 672.05 million during the period from March 1, 2002 to September 30, 2006 without reversal of amount of Rs. 61.17 million. The demand cum SCN, further, enquired as to why the said amount should not be recovered from the Company along with appropriate interest under Rules 12 and 14, CENVAT Credit Rules, 2004 and penalty imposed under Rules 13 and 15, CENVAT Credit Rules, 2004. The Company filed a reply to the demand cum SCN on June 11, 2007. The hearing in the matter took place on September 19, 2007 and presently the orders are awaited.
3. A demand cum SCN dated April 27, 2007 was issued to the Company by the Commissioner, Central Excise, Allahabad. The demand cum SCN alleged that the Company had paid a commission of Rs. 557.44 million during the years from 2002-2003 to 2006-2007 to their agents but, the said amount was not included in the assessable value as per Section 4, Central Excise Act, 1944 and the rules made there-under. The demand cum SCN, further, enquired as to why the central excise duty amounting to Rs. 90.26 million should not be demanded and recovered from the Company in terms of Section 11 A(1), Central Excise Act, 1944 along with appropriate interest in accordance with Section 11 AB, Central Excise Act, 1944. The Company filed a reply to the demand cum SCN and the hearing in the matter took place on September 19, 2007. Currently the orders are awaited.
 4. A demand cum SCN dated November 26, 2007 was issued to the Company by the Commissioner, Central Excise, Allahabad for an amount of Rs. 859.73 million. The demand cum SCN alleged that the Company knowingly suppressed the actual production and clearance of alumina with an intention to evade payment of central excise duty which is now demandable and recoverable from the Company by invoking the extended period provisions as provided under the proviso to Section 11A (1), Central Excise Act, 1944 along with interest. It, further, stated that the Company appears to have contravened the provisions of Rules 4, 6, 8, 10 and 11 of the Central Excise Rules, 2002 thereby making the Company liable for penal action under Section 11AC, Central Excise Act, 1944 read with Rule 25, Central Excise Rules, 2002. The Company filed a detailed reply dated March 31, 2008. The matter is currently pending.
 5. A demand cum SCN dated April 1, 2008 has been issued to the Company by the Commissioner, Central Excise, Allahabad alleging that the Company had manufactured and sold various goods, aluminium dross and aluminium dust for the period from March 1, 2007 to December 31, 2007 which fall under sub-heading 26204010 of Central Excise Tariff Act and are chargeable to central excise duty. It further stated that the Company failed to make payment of duty in contravention of Rules 4, 6, 8, 10 and 11, Central Excise Rules, 2002 and enquired as to why an amount of Rs. 38.63 million should not be recovered from the Company along with appropriate interest and penalty. The matter is currently pending.
 6. A demand cum SCN dated April 3, 2008 has been issued to the Company by the Commissioner, Central Excise, Allahabad alleging that the Company had manufactured and sold various goods, aluminium dross and aluminium dust for the period from March 1, 2005 to February 28, 2007 falling under sub-heading 26204010 of Central Excise Tariff Act and are chargeable to central excise duty. It further stated that the Company failed to make payment of duty in contravention of Rules 4, 6, 8, 10 and 11, Central Excise Rules, 2002 and enquired as to why an amount of Rs. 63.91 million should not be recovered from the Company along with appropriate interest and penalty. The matter is currently pending.
 7. A demand cum SCN dated May 28, 2008 has been issued to the Company by the Commissioner, Central Excise, Allahabad for Rs. 164.04 million. The demand cum SCN alleged that the Company knowingly suppressed the actual production and clearance of alumina for the period from June 1, 2007 to January 31, 2008 with an intention to evade payment of central excise duty, which is now recoverable from the Company by invoking the extended period provisions as provided under the

- proviso to Section 11A (1) of the Central Excise Act, 1944 along with interest. It, further, stated that the Company appears to have contravened the provisions of Rules 4, 6, 8, 10 and 11 of the Central Excise Rules, 2002 thereby making the Company liable for penal action under Section 11AC, Central Excise Act, 1944 read with Rule 25, Central Excise Rules, 2002. The matter is currently pending.
8. A SCN dated November 1, 2000 was issued to the Company for sale of old, used and obsolete capital goods without payment of duty amounting to Rs. 0.9 million. The SCN raised a demand of Rs. 6.5 million. The Commissioner (Appeals), Central Excise through order dated December 29, 2003 dropped the demand of Rs. 5.6 million and confirmed the duty amounting to Rs. 0.9 million along with penalty of an equivalent amount. The Company deposited the said duty. The Company, thereafter, filed an appeal dated August 17, 2004 before the CESTAT, New Delhi, which was allowed through order dated January 19, 2006. Aggrieved by the said order the department filed an appeal dated August 24, 2006 before the Allahabad High Court, which is currently pending.
 9. Four demand cum SCNs were issued to the Company by Commissioner, Central Excise, Allahabad and Assistant Commissioner, Central Excise, Mirzapur. The aggregate amount involved in these demand cum SCNs is Rs. 2.87 million, which includes penalties. The matters are currently pending in appeal before Commissioner (Appeals), Allahabad.
 10. Eleven SCNs were issued to the Company by the Joint Commissioner, Central Excise, in relation to MODVAT credit taken and short payment of duty. The aggregate amount involved in these SCNs is Rs. 51.41 million. All the matters are currently pending in appeal before the CESTAT, New Delhi, which has granted stay in five matters in favour of the Company.
 11. The Commissioner, Central Excise, Allahabad has issued five different SCNs to the Company for assessment periods 1998-1999, 2000-2001, 2001-2002, 2002-2003, 2003-2004. The aggregate amount involved in these SCNs is Rs. 56.34 million. All the matters are currently pending.
 12. 10 demand cum SCNs have been issued to the Company by the Assistant Commissioner, Central Excise, Mirzapur on grounds which include, payment of service tax, excise duty and education cess. The aggregate amount involved in these demand cum SCNs is Rs. 1.99 million. The demand cum SCNs are currently pending.
 13. 11 demand cum SCNs have been issued to the Company by the Commissioner, Central Excise, Allahabad in relation to CENVAT credit; contravention of Central Excise Rules, 2002 and non-payment of excise duty, service tax and education cess. The aggregate amount involved is Rs. 110.85 million. The demand cum SCNs are currently pending.
 14. Two demand cum SCNs have been issued to the Company, on grounds of non-payment of excise duty and taking excess CENVAT credit. The aggregate amount involved in these matters is Rs. 2.26 million. The matters are currently pending.
 15. The Commissioner, Central Excise, Belapur passed an order-in-original dated February 23, 2005 against the Company demanding an aggregate amount of Rs. 7.6 million (duty of Rs 3.8 million with penalty of Rs. 3.8 million) in respect of the alleged non-inclusion of loading charges and freight upto the premises of the buyer for the ex-factory sale of scrap on "as is where is basis". The Company filed an appeal before the CESTAT, Mumbai, which has granted an unconditional stay on the recovery of the amount through an order dated June 23, 2005. In addition to the abovementioned demand, on the same issue, there are other three appeals pending with the CESTAT, Mumbai for Rs. 2.7 million (duty Rs. 1.35 million and penalty Rs. 1.35 million) wherein stay was granted by CESTAT. Further a SCN for Rs. 1.6 million were also issued for the subsequent period which is pending for adjudication by the additional commissioner.

16. Four central excise cases pertaining to CENVAT credit are currently pending against the Company involving an aggregate amount of Rs. 2.41 million. The cases are pending before various legal Courts at different stages of adjudication.
17. The Director General of Anti-Evasion issued a SCN dated April 11, 1997 to the Company demanding an aggregate amount of Rs. 20.2 million in respect of the alleged clandestine manufacture and removal of excisable goods. The Company filed a reply dated September 28, 1998 before the Commissioner of Central Excise (Adjudication), Mumbai, who passed an order dated March 23, 2005, dropping a major portion of the demand and charges of clandestine removal but confirmed the demand in respect of some differences between the physical stock of scrap and stock as reflected in the excise records. The Commissioner passed an order for payment of duty, penalty and redemption fine aggregating Rs. 8.75 million. Aggrieved by the said order the Company filed an appeal before the CESTAT. CESTAT through order dated May 16, 2007 set aside all the demands of duty and penalty. Against the said order, the excise department filed an application for rectification of mistake, which was disposed by the CESTAT through order dated September 7, 2007. The excise department has filed an appeal before the High Court against orders dated May 16, 2007 and September 7, 2007, which is currently pending.
18. The central excise department had issued seven SCNs to the Company, on grounds of inadmissible credit on capital goods, MODVAT credit on capital goods and inadmissible credit of service tax on GTA. The aggregate amount involved in these SCNs is Rs. 13.80 million. The Company has filed an appeal in one of the SCNs before the Commissioner (Appeals). All the SCNs are currently pending.
19. The Assistant Commissioner, Central Excise finalised provisional assessment of the Company through assessment order dated February 07, 2008 for the period from April 2007 to September 2007. The Company paid the differential duty of Rs. 26.15 million and filed an appeal before the Commissioner (Appeals) regarding the payment of interest. The appeal is currently pending.
20. The Superintendent, Central Excise issued a SCN dated May 9, 2002 to the Company regarding duty on the assessable value excluding freight and insurance charges. The aggregate amount involved is Rs. 0.91 million. The Company filed an appeal before Commissioner (Appeals), who ordered *de novo* adjudication. The matter is currently pending for *de novo* adjudication.
21. The Assistant Commissioner, Central Excise (Adj), Kolkata-II has issued SCNs to the Company demanding a sum of Rs. 11.4 million in respect of input credit against dross clearance. The matter is currently pending.
22. The Commissioner, Central Excise (Adj), Kolkata-II has issued SCNs to the Company demanding a sum of Rs. 47.43 million in respect of dross removed without payment of excise duty and education cess. Out of the aggregate demand of Rs. 47.43 million, CESTAT had issued an order of Rs. 10.2 million in favour of the Company. The excise authorities have, challenged the said order before the Calcutta High Court. The appeal is currently pending. The matter in relation to the balance amount of Rs. 37.23 million is currently pending before the Commissioner of Central Excise (Adj), Kolkata-II.
23. The Department of Central Excise has issued two SCNs dated December 1, 1995 and February 29, 1996 demanding an aggregate sum of Rs. 1.19 million regarding disallowance of MODVAT credit on material returned/ defective invoices raised by stock point. Out of the aggregate amount of Rs. 1.19 million, the Commissioner (Appeals) has issued an order in favour of the Company regarding Rs. 0.89 million. The matter in relation to the balance amount of Rs. 0.30 million is currently pending before the Assistant Commissioner, Central Excise, Kolkata-II.

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24. The Assistant Commissioner, Central Excise, Kolkata-II issued SCN demanding an aggregate amount of Rs. 1.31 million regarding MODVAT credit. The matter is currently pending.
 25. The Commissioner, Central Excise, Kolkata-II issued a SCN dated April 4, 2003 demanding an aggregate amount of Rs. 2.2 million on the ground that freight and insurance charged by the Company should be part of assessment value for calculation of excise duty. The matter is currently pending before the Commissioner, Central Excise, Kolkata-II.
 26. The Commissioner, Central Excise, Kolkata-II issued a SCN dated November 10, 2003 to the Company demanding an aggregate amount of Rs. 1.03 billion on the ground that the Company had already availed CENVAT credit on the inputs received on stock transfer basis from its other unit during the period from April 1, 2000 to September 30, 2002 and the inputs were not “purchased”. The matter is currently pending.
 27. The Commissioner, Central Excise, Kolkata-II issued a SCN dated July 16, 2004 to the Company demanding an aggregate amount of Rs. 249.22 million on the ground that the Company availed CENVAT credit on the inputs received on stock transfer basis from its other units for the period from January 1, 2002 to March 31, 2003 and the inputs were not “purchased”. The matter is currently pending.
 28. The Commissioner, Central Excise, Kolkata-II issued a SCN dated November 24, 2003 to the Company demanding an aggregate amount of Rs. 3.51 million on the ground that the Company had collected freight charges from its customers for the period April 2001 to February 2003 through its invoice but not on an actual basis. The Additional Commissioner confirmed the demand of Rs. 3.51 million and imposed a penalty for an equivalent amount. Aggrieved by the said order, the Company filed an appeal before CESTAT, Kolkata which is currently pending.
 29. The Commissioner, Central Excise issued a SCN dated July 21, 2004 to the Company demanding an aggregate amount of Rs. 1.08 million on the ground that the Company had collected freight charges from their customers for the period from July 2003 to May 2004 through their invoice but not on actual basis. The Additional Commissioner confirmed the demand of Rs. 1.08 million and imposed a penalty for an equivalent amount. Aggrieved by the said order, the Company filed an appeal before CESTAT, Kolkata which is currently pending.
 30. The excise department has issued 14 SCNs to the Company demanding an aggregate amount of Rs. 1.65 million on the ground that the MODVAT credit was taken at a rate of 35% in March 1993 while the Finance Bill, 1993 prescribed a uniform rate of 25%. The Company attended a personal hearing attended before Joint Commissioner, Central Excise wherein notices amounting to Rs 1.15 million were dropped. The notices in relation to the balance amount of Rs. 0.5 million are currently pending before the Assistant Commissioner, Kolkata-II.
 31. The Assistant Commissioner, Central Excise issued a SCN dated June 6, 2005 to the Company demanding an aggregate amount of Rs. 1.05 million on the ground that the Company had collected freight charges from its customers for the period June 2004 to November 2004 through their invoice but not on actual basis. The matter was transferred to the Additional Commissioner, who confirmed the demand of Rs. 1.05 million and imposed a penalty of an equivalent amount. Aggrieved by the said order the Company filed an appeal before CESTAT, Kolkata which is currently pending.
 32. The Additional Commissioner, Central Excise issued a SCN dated September 9, 2005 to the Company demanding an aggregate amount of Rs. 1.30 million on the ground that the Company had collected freight charges from its customers for the period from December 2004 to May 2005 through their invoice but not on actual basis. The Additional Commissioner confirmed the demand
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- of Rs. 1.30 million and imposed a penalty of an equivalent amount. Aggrieved by the said order the Company filed an appeal before CESTAT, Kolkata which is currently pending.
33. The Commissioner, Central Excise issued a SCN dated August 5, 2005 to the Company demanding an aggregate amount of Rs. 20.70 million on the ground that the Company considered lower cost of input materials for valuation of products dispatched to other units of the Company during the period July 2002 to December 2004. The Commissioner, Central Excise confirmed the demand of Rs. 20.70 million, imposed a penalty of equivalent amount on the Company and imposed penalty of Rs. 1.00 million on two employees of the Company. Aggrieved by the said order, the Company filed an appeal before CESTAT, Kolkata which is currently pending.
 34. The excise department had issued 28 different SCNs against the Company for an aggregate amount of Rs. 19.70 million regarding, MODVAT credit, freight realized from customers, undervaluation of goods and non-payment of excise duty . The SCNs are currently pending adjudication before various judicial and quasi-judicial fora including the Additional Commissioner, Central Excise; Commissioner (Appeals), Central Excise; CESTAT and the High Court.
 35. The Central Excise department issued SCNs Nos 1211/91 dated August 6, 1991, 2303/91 dated November 20, 2001, 868/92 dated April 20, 1992, 1277/92 dated July 10, 1992, 1768/92 dated October 22, 1992, 103/93 dated January 12, 1993, 1/93-94 dated June 16, 1993 and 7/93-94 dated November 15, 1993 against the Company demanding a sum of Rs. 2.158 million after disallowing MODVAT credit claimed by the Company on inputs used in the manufacture of aluminium by electrolysis during the assessment years 1991-92, 1992-93 and 1993-94. The Assistant Commissioner confirmed the demand by order nos: 36/92 dated April 27, 1992, 100/92 dated. September 17, 1992, 45/93 dated. April 13, 1993 and 14/94 dated April 18, 1994. The Appeals preferred before the Commissioner (Appeals) and the Tribunal have also been rejected through orders Nos. 154/92 dated. July 20, 1992, 198/92 dated. October 30, 1992, 242,243 dated. December 29, 1992, 114/93 dated. August 16, 1993 and 110/94 dated. July 15, 1994, 825/94 dated. November 10, 1994 and 594/96 dated. April 15, 1996. Since the dispute involves a question of law and involves interpretation of Rule 57 A, a Reference Application was filed and the matter was heard by the Tribunal. The case has been referred to the Kerala High Court. The Company has submitted their paper book before the High Court and the matter is pending.
 36. The Central Excise Department, Bangalore issued two SCNs demanding a payment of duty of Rs. 1.197 million on aluminium scrap sold to LME and Indal, Bangalore. The department alleged that the Company was the manufacturer of the extrusions and therefore was bound to pay the differential duty over and above what was paid by LME. The Commissioner, Bangalore, confirmed the demand. Further a penalty was also imposed. The Company filed a stay application and an appeal before CEGAT, Madras on July, 1994. The prayer for a stay was refused and the Company was asked to pre-deposit Rs. 1.19 million which was paid by the Alupuram division. The said order of the CEGAT has been challenged by filing a Reference Application in accordance with Section 35G of the Central Excise Act, 1994, which has been admitted on the grounds that questions of law arise out of the said order. The matter has been referred to the Karnataka High Court by the CEGAT, Madras. The matters are pending.
 37. The Central Excise Department and the Commissioner vide a SCN dated June 17, 2002, O-I-O No. 97/2002 dated July 24, 2002 and O-I-A No. 595/2002 dated December 12, 2002 denied Cenvat credit in respect of returned goods on the grounds that after remelting, the same type of goods were not given to the same customer, as per the Rule 16(2) of the CENVAT Credit Rules 2001 and demanded a sum of Rs. 1.39 million as duty. The Company filed an appeal in the CESTAT in this regard, which was rejected vide an order dated March 27, 2005. The Company has decided to file an appeal in the High Court under Section 35G of the Central Excise Act against the said order as it involves a substantial question of law. Payment of the demanded amount had been made as pre-

- deposit before the hearing at CESTAT. Consequent to the merger of the Company units in March 2005, the Department issued a demand dated March 16, 2005 to pay the balance amount, with interest before issuing a fresh registration in favour of the Company. The balance amount along with Rs. 0.77 million as interest has been paid under protest. The matter is currently pending.
38. The Central Excise Department issued a SCN to the Company for duty on billets in respect of finished goods amounting to Rs 0.3 million. The duty was confirmed subsequently by the Assistant Commissioner and Commissioner (Appeals). The Company filed 13 appeals in this regard and 11 appeals have been decided in favour of the Company by CESTAT, Delhi. Two appeals are currently pending before CESTAT, Bangalore.
 39. The Central Excise Department issued a SCN to the Company for an aggregate amount of Rs. 0.31 million. The Deputy Commissioner has confirmed the SCN through order dated July 26, 2005. The Company filed an appeal dated August 30, 2005 before the Commissioner (Appeals) which was rejected through order dated March 10, 2006 (the "Appellate Order"). The Company filed an appeal along with an application for stay with CESTAT, against the Appellate Order. CESTAT granted stay in favour of the Company through order dated September 20, 2006. The Appeal is currently pending.
 40. The Commissioner, Central Excise, Bhubaneswar-II issued a Demand-cum-SCN No. dated June 17, 2005 to the Company demanding an aggregate amount of Rs. 110.96 million, penalty under Section 11AC of the Central Excise Act, 1944 and interest under Section 11AB of the Central Excise Act, 1994 in respect of the alleged under-valuation of ingots and cast coils transferred to other units between July 1, 2000 to March 31, 2002, invoking the extended period of limitation. . The Company has filed its reply and the matter is currently pending.
 41. The Assistant Commissioner, SPB-II Division issued a letter dated December 13, 1995 to the Company demanding an aggregate amount of Rs. 14.2 million on the grounds of disallowance of MODVAT credit on Al. rod, htgs steel wire and steel/wooden drum used for production and packing of ACSR moose conductor for the years 1995-96 and 1996-97. The Assistant Commissioner alleged that the Company was not carrying out any manufacturing activity inside the factory and hence they are not entitled to the benefit of Rule 57F (3) of the Central Excise Rules, 1944. The Company filed a writ petition before the Orissa High Court December 22, 1995. The matter is currently pending.
 42. The Additional Commissioner of Central Excise and Customs, Bhubaneswar -II issued a SCN dated July 31, 2002 to the Company demanding duty of an amount aggregating Rs. 1.91 million in relation to sale of aluminium dross and skimming during the period from July 2001 to May 2002. The Company submitted its reply to the SCN on November 19, 2002 before the Additional Commissioner, Central Excise and Customs and the matter was heard on December 19, 2002. The hearing was then rescheduled for November 27, 2003 and subsequently for March 30, 2007 before the Joint Commissioner of Customs and Central Excise, Bhubaneswar –II. The matter is currently pending.
 43. The Joint Commissioner, Central Excise and Customs, Bhubaneswar-II (the "Joint Commissioner") issued a SCN dated December 3, 2004 to the Company demanding an amount aggregating to Rs. 1.77 million in relation to Cenvat credit on capital goods, which was taken in November 2003, December 2003, January 2004, March 2004 and April 2004. The Joint Commissioner through order dated September 30, 2005 allowed CENVAT credit of Rs. 0.99 million and disallowed CENVAT credit of Rs. 0.78 million. The company filed an appeal before the Commissioner of Central Excise (Appeals), Bhubaneswar, which was dismissed through order dated March 31, 2006. Aggrieved by the said order, the Company filed an appeal along with an application for stay of recovery before the CESTAT, Kolkata. The CESTAT through an order

dated January 15, 2007 granted stay on realisation of the entire demand till disposal of appeal. The matter is currently pending.

44. The Department of Central Excise and Customs has issued twenty nine SCNs to the Company on various grounds which include (i) non-maintenance of registers prescribed by the excise department; (ii) duty payable on sale of scrap; (iii) CENVAT credit availed on inputs used for generation of electricity; (iv) CENVAT credit availed on capital goods; and (v) duty payable in relation to sale of aluminium dross and skimming. The aggregate amount involved in these SCNs is Rs. 8.97 million. These SCNs are currently pending at various stages of adjudication.
45. The Commissioner, Central Excise, Bhubaneswar-II had issued a demand cum SCN dated June 16, 2006 to the Company demanding an aggregate amount of Rs. 25.703 million, penalty under Section 11AC of the Central Excise Act, 1944 and interest under Section 11AB of the Central Excise Act, 1994 in regarding under-valuation of aluminium ingots transferred to other units between April 1, 2002 to March 31, 2003. The Company has submitted its reply against the SCN before the Commissioner of Central Excise, Bhubaneswar – II. The matter is currently pending.
46. Four SCNs were issued to Pennar Aluminium Company Limited which has been acquired by the Company, by Central Excise authorities, based on various grounds such as reversal of MODVAT credit, demanding recovery, and clearance of aluminium dross. The aggregate amount in dispute is Rs. 2.26 million. In one of the cases, the Company has already paid the duty amounting to Rs. 0.19 million, as demanded, under protest. In one of the cases, a stay order has been obtained in the Company's favour. The matters are pending at various stages of adjudication.
47. The Joint Commissioner, Central Excise, Vapi (the "JC, Vapi") had issued four SCNs to the Company regarding various issues which include classification dispute of Glassine poly and non payment of duty on clearance of Aluminium Dross. The aggregate amount involved in the said SCNs is Rs. 1.31 million. All the SCNs are currently pending, with one being pending before CESTAT, Ahmedabad; two before Commissioner (Appeals), Central Excise, Vapi and one before the JC, Vapi.
48. The Commissioner, Central Excise, Vapi had issued a SCN dated May 1, 2007 demanding Rs 38.62 million. The SCN was issued regarding incorrect availment of exemption by the Company in terms of notifications no. 10/2003 and 10/2006 in relation to classification of aluminium casserole for the period from April 1, 2003 to January 31, 2007. The Company filed an appeal dated April 24, 2008 before CESTAT, Ahmedabad. The appeal is currently pending.
49. The Commissioner, Central Excise, Vapi had issued a SCN dated February 13, 2008 demanding Rs 13.76 million. The SCN has been issued regarding incorrect availment of exemption by the Company in terms of notification no. 10/2006 in relation to classification of aluminium casserole for the period from February 1, 2007 to December 31, 2007. The Company has filed its reply to the SCN and the matter is currently pending.
50. The Deputy Commissioner, Central Excise, Silvassa has issued a SCN dated January 16, 2008 to the Company demanding Rs 0.32 million regarding non-payment of duty on clearance of aluminium dross for the period from February 1, 2007 to December 31, 2007. The Company has filed its reply and the matter is currently pending.
51. The Deputy Commissioner, Central Excise, Raigad (the "DCCE Raigad") had issued two orders both dated June 16, 2005 settling the rebate claims of the Company for the period from July 2004 to November 2004 amounting to Rs. 945.9 million without education cess amounting to Rs. 8.13 million, stating that education cess paid for the period from July 10, 2004 to September 6, 2004 cannot be allowed as rebate, since excise notification regarding the said rebate was issued on

- September 6, 2004. The Company had challenged the orders of the DCCE Raigad through an appeal filed before the Commissioner of Excise (Appeals), Mumbai, which was decided in favour of the department of revenue. Aggrieved by the order of the Commissioner of Excise (Appeals), Mumbai, the Company filed a writ petition in the Bombay High Court, which is currently pending.
52. The Commissioner (Excise), Central Excise and Customs, Vadodara – II (the “Commissioner”), through orders dated June 2, 2003 confirmed the demand of excise duty amounting to Rs. 1.09 billion being the duty payable on the clearances of the gold bars for the period from May 2000 to February 2003. The Commissioner ordered the appropriation of the amount of Rs. 434.34 million already paid by the Company and ordered the Company to pay the differential amount of Rs. 459.35 million along with interest and a penalty of Rs. 1.09 billion as well as interest. The Company filed an appeal before CESTAT, Mumbai, passed an order dated July 17, 2006 stating that the duty can be determined on the value and at the stage of emergence of “Dore Anode”. The Company filed an application for rectification of mistake dated July 10, 2007, which is currently pending. The department of revenues filed an appeal before the Supreme Court challenging the order dated September 1, 2006, which is currently pending.
 53. The Additional Commissioner, Central Excise, had issued a SCN dated June 27, 2003 demanding an aggregate amount of Rs. 3.08 million at the rate of 16% on gold manufactured and cleared without payment of duty in respect of which supplementary invoices were issued in March 2003. Subsequently, the Additional Commissioner, Central Excise issued an order dated December 22, 2003 confirming the SCN and further imposed a penalty of Rs. 3.08 million. The Company filed an appeal dated March 11, 2004 before the Commissioner (Appeals), which was decided against the Company. Consequently, the Company filed an appeal along with an application for stay before the CESTAT, Mumbai on April 29, 2005. The appeal is currently pending before CESTAT, Ahmedabad and has CESTAT, Ahmedabad granted a stay on the recovery of dues till the appeal is pending.
 54. The Commissioner (Excise), Central Excise and Customs, Vadodara – II had issued a SCN to the Company demanding excise duty at the rate of 16% amounting to Rs. 4.6 million being the duty payable on the clearances of the gold bars for the period from May 2000 to February 2003. The Company had filed an appeal, which is currently pending.
 55. The Commissioner, Central Excise and Customs through order dated December 28, 2007 confirmed the demand of Rs. 26.44 million and imposed a penalty of Rs. 26.44 million on the Company in relation to the CENVAT credit availed by the Company. Aggrieved by the said order, the Company filed an appeal before the CESTAT, Ahmedabad. The CESTAT through order dated May 1, 2008 directed the Company to pre-deposit Rs. 5 million and waived the balance duty and penalty. The Company has deposited Rs. 5 million on May 14, 2008. The matter is currently pending.
 56. The Commissioner, Central Excise had issued a SCN dated March 7, 2003 to the Company in respect of an amount aggregating Rs. 4.23 million on account of the reversal of the CENVAT credit availed of on a conveyer belt installed at the jetty. The Company had submitted its response on June 2, 2003. The matter is currently pending before the Commissioner, Central Excise Vadodara.
 57. The Commissioner, Central Excise, Vadodara has issued a SCN dated July 13, 2001 demanding an aggregate amount of Rs. 5.16 million along with a penalty of equal amount and interest in relation to MODVAT credit on reduced CVD on import of copper cathodes at Mumbai. The Company filed its reply on September 25, 2001. The matter is currently pending.
 58. The Commissioner (Appeals) had set aside a penalty imposed on the Company amounting to Rs. 0.2 million regarding reversal of 8% duty on silver. Aggrieved by the said order, the

- Commissioner, Central Excise, Vadodara has filed an appeal before CESTAT, Mumbai which is currently pending.
59. The Commissioner, Central Excise, has issued a SCN dated October 5, 1996 to the Company demanding an amount aggregating Rs. 1.38 million in respect of the alleged irregular MODVAT credit taken on furnace oil by the Company. The Company filed an appeal before the CESTAT, New Delhi, which passed an order dated August 3, 2004 remanding the matter back to the adjudicating authority. The matter is currently pending.
 60. The Directorate of Central Excise Intelligence, Mumbai issued a demand cum SCN notice dated June 1, 2001 to the Company demanding duty amounting to an aggregate of Rs. 472.2 million on the ground of wrongly availing the benefit of the exemption contained in Notification no. 6/2000-CE dated March 1, 2000, thereby manufacturing and clearing precious metal, gold without payment of duty. The matter is currently pending.
 61. A SCN has been issued to the Company for an aggregate amount of Rs. 0.9 million for excess CENVAT credit availed by the Company during 2003-2004. The Commissioner, Central excise decided the matter against the Company and imposed a penalty of Rs. 10 million along with interest. The Company filed an appeal and an application for stay before the CESTAT, Mumbai. CESTAT, Mumbai granted stay for the payment of penalty. The Company has deposited interest of Rs. 0.9 million. The appeal is currently pending.
 62. Four SCNs have been issued to the Company for the clearance of sulphuric acid without payment of duty for the periods July 1, 2005 – June 30, 2006; July 1, 2006 – March 31, 2007; April 1, 2007 – September 30, 2007 and October 1, 2007 – March 31, 2008. The aggregate amount involved is Rs. 50.25 million. The SCNs are currently pending.
 63. The Company had imported Copper Concentrate during June-July 2003 under two bills of entry and duty amounting to Rs. 2.55 million was debited from four duty entitlement passbook licenses by utilizing 4 release advices. The said licenses were found to have been obtained fraudulently by the licence holder - M/s Hazel Mercantile Private Limited, Mumbai. Consequently, the Commissioner of Customs, Ahmedabad (the “Commissioner”) issued a SCN dated May 01, 2008 and addendum to the SCN dated May 29, 2008 to the Company for customs duty amounting to Rs. 5.04 million along with interest and penalty and goods. Further, SCN requires the Company to show-cause as to why goods under import valued at Rs. 11.13 million should not be confiscated or a why fine in lieu of confiscation be not imposed. The matter is currently pending.
 64. The Company has received six SCNs for claims of excise duty on various grounds which include rejection of rebate claimed and debiting the CENVAT credit available under the head of basic excise duty. The aggregate amount involved is Rs. 13.69 million. The matters are currently pending.
 65. The Excise Department, Bharuch had sanctioned rebate claims of the Company amounting to Rs. 205.41 million. However, the said rebate claims were appropriated by the Customs Department against the pending recovery of Rs. 1,553.06 million in relation to the order dated June 02, 2003 passed by Commissioner, Central Excise and Customs, Vadodara – II. The Company filed an appeal before the CESTAT, which was allowed through order dated March 29, 2006. Aggrieved by the said order, the Excise Department filed an appeal before the Ahmedabad High Court. The appeal is currently pending.
 66. The Assistant Commissioner, Central Excise and Customs, Ranchi, served a demand cum SCN dated May 2, 2000 on the Company calling upon it to pay a sum aggregating Rs. 0.20 million regarding disallowance of CENVAT credit on inputs and capital goods like filter cloth, refractory materials and measuring instruments. The Deputy Commissioner of Central Excise and Customs,

Ranchi through order dated October 31, 2003 (the “Order”) reduced the amount to Rs. 0.08 million. The Company filed an appeal dated (the “Appeal”) before the Commissioner (Appeals), Central Excise and Customs, Ranchi against the Order. The Appeal was dismissed and the demand was confirmed. The Company, thereafter, filed an appeal before the CESTAT, New Delhi, which was heard on September 6 2005 and the matter was transferred to a division bench. The appeal is currently pending.

67. The Assistant Commissioner, Central Excise and Customs, Ranchi (the “Assistant Commissioner”), served a demand cum SCN dated June 27, 2001 on the Company calling upon it to pay a sum aggregating Rs. 0.13 million for excess CENVAT credit availed on furnace oil procured by the Company from Indian Oil Corporation Limited. The Company filed its reply and the demand was confirmed through order dated October 29, 2003 (the “Order”). The Company filed an appeal against the Order before the Commissioner (Appeals), Central Excise and Customs, Ranchi which was disallowed through an order dated September 28, 2004 (the “Appellate Order”). Company filed appeal against the Appellate Order before the CESTAT, New Delhi, which remanded the matter to the Assistant Commissioner and allowed refund of pre-deposit amounting to Rs. 0.04 million. The balance amount of Rs. 0.09 million is pending for *de novo* adjudication before the Assistant Commissioner.
68. The Joint Commissioner, Central Excise and Customs, Ranchi, served a demand cum SCN. dated October 06, 2006 on the Company calling upon it to pay a sum aggregating Rs. 18.02 million regarding disallowance of CENVAT credit availed during the years from 2001 to 2005 on iron and steel articles, packing materials, welding electrodes and nylon ropes on the ground that all the items are neither inputs nor have they been used as raw materials for manufacture of finished products but have been used for maintenance, repairing and erecting structures in the plant. The Company has filed its reply to the SCN. The matter is currently pending.
69. The Commissioner, Central Excise and Customs, Ranchi, served a demand cum SCN dated March 30, 2007 on the Company calling upon it to pay a sum aggregating Rs. 35.70 million regarding disallowance of CENVAT credit availed during the period from January 2006 to December 2006 on iron and steel articles, packing materials, welding electrodes and nylon ropes on the ground that all the items are neither inputs nor have they been used as raw materials for manufacture of finished products but, have instead been used for maintenance, repairing and erecting structures in the plant. The Company has filed its reply to the SCN. The matter is currently pending.
70. The Commissioner, Central Excise and Customs, Ranchi issued a demand cum SCN dated March 30, 2007 to the Company calling upon it to pay a sum aggregating Rs. 12.95 million regarding disallowance of CENVAT credit availed during the period from January 2007 to June 07 on iron and steel articles, packing materials, welding electrodes, nylon ropes, on the ground that the said items are neither inputs nor have they been used as raw materials for manufacture of finished products have instead been used for maintenance, repairing and erecting structures in the plant. The Company has filed its reply to the SCN. The matter is currently pending.
71. Apart from the cases described hereinabove there are approximately 70 other excise related cases filed against the Company. The approximate amounts in these cases aggregate to Rs. 18.64 million.

(b) Customs

1. The Assistant Commissioner, Customs, Calcutta issued a SCN dated June 1, 2000 to the Company seeking to include the CIF value of Rs. 40.90 million in the price of equipment imported from KHD Humboldt Wedag AG, Germany for the production of green anode used in the process of electrolysis for production of aluminium metal, to confiscate technical manuals valued at Rs. 40

- million imported from VAW Aluminium Technologies GmbH, Germany (“VAW”) and to impose a penalty under Section 112 of the Customs Act, 1962. VAW sent the manuals to the Company vide airway bill dated June 15, 2000. The Company filed a bill of exchange for clearance of the manuals on June 21, 1999. The Company filed a writ petition before the Delhi High Court seeking release of material on April 6, 2000 and the Court ordered the release of the manuals on the Company furnishing a bank guarantee for Rs. 5 million and a Provisional Duty Assessment bond (“P.D. Bond”) for Rs. 7 million. The Company furnished the bank guarantee and P.D. bond as ordered by the Court and the manuals were, consequently, released. The bank guarantee has been subsequently extended from time to time and the present extension is valid till March 31, 2009. The Company replied to the SCN on January 31, 2001. The matter is currently pending.
2. The Assistant Commissioner, Customs, Calcutta, issued two separate orders rejecting the Company’s contentions in relation to extrusion presses imported by the Company and denied the benefit of the provisional duty paid by the Company. The aggregate amount involved is Rs. 13.70 million. The Company filed appeals before Commissioner of Customs (Appeals) and the Collector of Customs (Appeals) challenging the respective orders. The Commissioner of Customs (Appeals) allowed the appeal and remanded the matter back to the Assistant Commissioner for passing a speaking order after providing personal hearing. The matter has been heard by the Assistant Commissioner and currently the orders are awaited. The Collector of Customs (Appeals) rejected the appeal, consequent where to the Company filed an appeal before the CEGAT. The CEGAT allowed the appeal and remanded the matter back to the Collectorate of Customs, Calcutta. The matter is currently pending.
 3. The Deputy Commissioner (Customs) issued a SCN to the Company regarding import of spares extrusion press during 1991 demanding customs duty of Rs. 0.20 million. The Company filed an appeal against the SCN before the Collector of Customs (Appeal), which rejected the appeal through order dated July 29, 1992 (the “Appellate Order”). The Company filed an appeal against the Appellate Order before CEGAT, Madras who directed the Company to pre-deposit Rs. 0.20 million. The matter is currently pending before the CEGAT.
 4. The Assistant Commissioner, Customs, Mumbai, has issued an order dated June 14, 1996 finalising the assessment in respect of 400 metric tonnes of Synthetic Cryolite and requiring the Company to pay a duty of Rs. 18 million by enforcing the P.D. bond given by the Company at the time of the provisional assessment. A duty of Rs. 4.55 million as provisionally assessed was paid to get the goods cleared in May 1994. The Company filed an appeal against the order of the Assistant Commissioner before the Commissioner of Customs (Appeals) who allowed the appeal on January 5, 1998 and remanded the matter to the Assistant Commissioner. The Assistant Commissioner heard the matter on April 16, 1998 and reserved orders. The order has not so far been released.
 5. Four SCNs have been issued to the Company by the Customs Department for payment of interest on the differential duty payable arising on accord of the amendment of Section 18(3), Customs Act, 1962. The demand for interest has been made in relation to cases where the provisional assessment was done prior to the amendment and the final assessment was subsequently. The aggregate amount involved is Rs. 176.50 million. The matters are currently pending.
 6. The Directorate of Revenue Intelligence, Gandhidham Regional Unit, has issued a SCN dated July 27, 2004 to M/s. Trisun Chemical Industry, Gandhidham, for alleged irregularity in export along with all importers who have used the duty entitlement pass books (“DEPB”) issued for these exports. The Company has received a demand of Rs. 3.43 million for utilization of 4 DEPBs at Dahej. The Company has filed its reply on September 14, 2004. There has been no further progress in this matter and it is still pending before the Commissioner of Customs, Kandla.

7. The Customs Department had issued a SCN to the Company in relation to the utilisation of duty entitlement pass books ("DEPB") licenses for payment of customs duty on imports by the Company. According to investigation by the Directorate of Revenue Intelligence the said DEPB licenses had been obtained fraudulently by the exporter. The aggregate amount involved in the matter is Rs. 1.26 million. The Company had filed an appeal before the CESTAT, Ahmedabad which remanded the matter to Commissioner (Appeals) for fresh adjudication of the SCN on merits without insisting on any pre-deposit of the interest amount. The matter is currently pending.
8. The Commissioner of Customs, Ahmedabad had issued a SCN to the Company in relation to the utilisation of duty entitlement pass books ("DEPB") licenses for payment of customs duty on import of Copper concentrate by the Company during June-July 2003. According to investigation by the Special Intelligence and Investigation Branch, the said DEPB licenses had been obtained fraudulently by the exporter. The aggregate amount involved in the matter is Rs. 7.20 million. The Company has filed its reply on July 24, 2008. The matter is currently pending.
9. The Assistant Commissioner of Customs, Surat has issued a SCN to the Company for payment of cess on coal imported by the Company at the rate of Rs.10 per metric tonne. The aggregate amount involved is Rs. 0.72 million. The matter is currently pending.
10. The Commissioner Customs, Ahmedabad has filed two appeals before the Ahmedabad High Court against orders of the CESTAT in relation to refund of education cess paid by the Company. The aggregate amount involved is Rs. 0.15 million. The appeals are currently pending.
11. 23 matters are currently pending at various stages of adjudication regarding refund of education cess paid on customs duty involving an aggregate amount of Rs. 8.74 million.
12. The Company has filed an appeal before the CESTAT, Ahmedabad regarding the amount becoming due to the Company for refund after final assessment being credited to Consumer Welfare Fund by the Customs Department. The aggregate amount involved is Rs. 0.37 million. The appeal is currently pending. Further, the Customs Department has filed an application for stay before the Gujarat High Court praying for a stay on the payment of refund amount to the Company during the pendency of the appeal before CESTAT. The application is currently pending.
13. The Company had filed two drawback claims regarding exports undertaken in the months of March and May 2006 and consequently received refund for an aggregate amount of Rs. 71.17 million. Based on review issued by the Commissioner, Customs, Ahmedabad; the Deputy Commissioner, Surat filed appeals before the Commissioner (Appeals), Ahmedabad. The Commissioner (Appeals) allowed the appeal directing the Customs Department to appraise the Company of the grounds of review and grant a hearing before finalisation. The Deputy Commissioner, Customs, Surat granted hearing to the Company on June 17, 2008 and presently the decision is awaited.
14. The Company has received 23 orders directing the Company to pay differential duty on the import of copper concentrate aggregating to Rs. 231.81 million. The Company had paid duty on the import of copper concentrate which was assessed provisionally on the basis of supplier's invoice. During discharge of the cargo, the Customs Department subjected the cargo to chemical examination by Chemical Examiner, Central Excise Laboratory, Baroda for testing of moisture and metal contents. The aforesaid demand has arisen due to variation between the results of Chemical Examiner and the suppliers invoice. The Company has filed appeals before the Commissioner (Appeals), which are currently pending in 20 matters. In three of the matters the Commissioner (Appeals) directed the reassessment. The said matters are currently pending for reassessment before Deputy Commissioner, Customs, Surat.
15. The Company has filed an appeal before the Commissioner (Appeals), Ahmedabad challenging orders passed by the Deputy Commissioner, Customs ordering the Company to pay differential

duty amounting to Rs. 2.15 million. The Commissioner (Appeals) has remanded back the matter. The matter is currently pending.

16. Apart from the cases described hereinabove there are three cases filed against the Company. The approximate amounts in these cases aggregate to Rs. 1.33 million.

(c) Service Tax

1. Seven different SCNs have been issued to the Company by tax authorities on various grounds which include non-payment of interest on the delayed payment of service tax and availing CENVAT (Service Tax). The aggregate amount involved in the SCNs is Rs. 46.16 million. These cases are pending at various stages of adjudication.
2. Four SCNs were issued to the Company on various grounds which include non-payment of service tax and delayed payments of service tax. The aggregate amount involved in the said SCNs is Rs. 9.57 million. The SCNs are currently pending at various stages of adjudication.
3. Liability to pay service tax was initially imposed on the persons availing the services of 'Goods Transport Operator' and 'Clearing and Forwarding Agents'. As the Company was availing the services, it got itself registered and paid service tax till 1999. The Supreme Court of India, vide its judgment dated August 27, 1999 in the Laghu Udyog Bharti case, directed that any tax which had been paid by the customer or client of a "Goods Transport Operator" or 'Clearing and Forwarding Agents' was to be refunded within 12 weeks of them making a demand. The Company also sought the refund of Rs. 4.92 million in September and October 1999 which was rejected by the Assistant Commissioner on June 19, 2000 and Rs. 10.21 million in December 1999 and January 2000 which was rejected by the Assistant Commissioner on February 6, 2001. However, the provisions were amended to nullify the effect of the judgment and the authorities rejected the claim on the basis of those amendments. The Company filed an appeal before the Commissioner (Appeals) who passed an order dated December 24, 2001 rejecting the appeal. The Company filed an appeal before the CEGAT, New Delhi against this order, which was rejected by an order dated June 4, 2003. The Company has filed a special leave petition ("SLP") in the Supreme Court against this order of the CEGAT. Two writ petitions were filed in the Supreme Court challenging the amendments made vide sections 116 and 117 of the Finance Act 2000 to the provisions of the Service Tax Act, 1994. The writ petitions further challenged the validity of section 158 of the Finance Act, 2003 by which the provisions of Chapter V of the Finance Act, 1994 as modified by section 116 of Finance Act, 2000 have been retrospectively amended and validated in respect of services rendered by the goods transport operators and clearing and forwarding agents. Both the aforesaid writ petitions were dismissed vide order dated March 17, 2005. The SLP is pending disposal.

(d) Sales Tax/ VAT

1. The Department of Sales Tax, Thane, Maharashtra passed an assessment order dated March 30, 2005 for the financial year 1999-2000 for an aggregate demand of Rs. 1.56 million under the Bombay Sales Tax Act, 1959 in relation to defining entry under the said act for the Company's laminated, coated aluminium foil products. The Department was of the view that the said products would attract 8 per cent Sales tax while the Company valued the tax at 4 per cent. The Assessing Authority raised an additional demand of Rs. 26.49 million in respect of non-submission of C forms and interest. The Company has filed an appeal dated April 21, 2005 (the "Appeal") before the Deputy Commissioner, (Appeals), Thane for classification of entry and rate of tax, as well as for reassessment on account of non-submission of C Forms and interest. The Appeal has been allowed on August 29, 2005 both under the Bombay Sales Tax Act, 1959 and the Central Sales Tax Act ("CST Act"). By virtue of the Appeal, under the Bombay Sales Tax Act, 1959, a refund of Rs. 1.67 million has been granted to the Company as against the demand of Rs. 1.56 million. Under

- the CST Act, the demand has been reduced from Rs. 26.49 million to Rs. 8.48 million. The aforesaid refund has been adjusted against the CST demand. The said demand of central sales tax is in respect of the non-submission of Form C and interest. As per the provisions of the CST Act (TC No. 4T dated January 7, 2003), the Company has already filed the administrative relief with the sales tax authorities on April 25, 2004 for granting administrative relief as per the provisions of the CST Act. With the consideration of administrative relief, the final order will turn into a refund of around Rs. 2 million for sales tax both under the Bombay Sales Tax Act, 1859 and the Central Sales Tax Act.
2. The sales tax department raised an objection for improper documentation regarding conversion material dispatched to customers and imposed a penalty amounting to Rs. 0.47 million on the Company. The Company paid the penalty and subsequently, filed an appeal with Deputy Commissioner (Appeals) dated November 21, 2007. The appeal is currently pending.
 3. The Directorate of Commercial Taxes had passed an assessment order dated June 24, 2004 against the Company demanding an aggregate amount of Rs. 6.5 million as sales tax along with interest on the ground that Central Sales Tax on sale of flat circular sheets for the year 2001-2002 is to be paid at a rate of 4 per cent per annum and not at the rate of 2 per cent per annum. The Company has filed an appeal before the Deputy Commissioner, Commercial Taxes which was dismissed. Consequently, the Company filed a revision petition before the Revisional Board, which is currently pending.
 4. The Directorate of Commercial Taxes had passed an assessment order dated July 10, 2001 against the Company demanding an aggregate amount of 17.1 million as sales tax along with interest for the assessment year 1998-1999 under the West Bengal Sales Tax Act, 1994. The Company filed an appeal before the Deputy Commissioner, against the said order, which is currently pending.
 5. An assessment order dated October 20, 2002 was issued to the Company demanding an aggregate amount of Rs. 7.4 million as sales tax and Rs. 0.5 million as interest for the assessment year 1998-1999 under the Central Sales Tax Act, 1944. The matter is currently pending.
 6. The Assistant Commissioner had issued an assessment order dated March 16, 1998 to the Company demanding an aggregate amount of Rs. 1.34 million as central sales tax for the assessment year 1991-92 in relation to the consignment transfer and non-submission of certain statutory forms. The Company filed an appeal against the said assessment order before the Deputy Commissioner (Appeals), which was dismissed vide order dated January 17, 2000. However, the Company has received no further demand in this regard from the sales tax authorities.
 7. The Assistant Commissioner, Commercial Taxes (the "Assistant Commissioner") filed a claim of Rs. 2 million as outstanding dues for the assessment year 1999-2000. The said demand was confirmed by the Assistant Commissioner through an ex-parte order. Aggrieved by the said order the Company filed an appeal before the Deputy Commissioner. The appeal was partly allowed in favour of the Company and a refund of Rs. 0.8 million was awarded to the Company. The Company filed a revision petition for re-assessment before the Revisional Board before, which is currently pending.
 8. The Assistant Commissioner, Sales Tax, Kerala had issued 8 demand notices against the Company for an aggregate amount of Rs. 21.93 million. The cases are currently pending before various courts/ authorities at different stages of adjudication.
 9. The Assistant Commissioner, Sales Tax, Sambalpur, on receipt of the report from the intelligence wing of the commercial tax department started the re-opening proceedings under Section 12(8) of the Orissa Sales Tax Act for the year 1999-2000 and served a demand notice in respect of an aggregate sum of Rs. 3.20 million on account of the alleged 70 metric tonnes of aluminium ingots

- supplied to Orissa Extrusion Limited by the Company during the year 1999-2000 and not accounted in the books of the Company, served on April 26, 2005. An appeal along with stay application has been filed with the Additional Commissioner, Sales Tax. The matter is currently pending.
10. Six assessment orders were issued against the Company for assessment years 1986-1987, 1989-1990, 1990-1991, 2002-2003 and 2003-2004; and the year 1999-2000 to 2000-2001. The aggregate amount involved is Rs. 0.88 million. All the matters are currently pending in appeal before the Orissa High Court.
 11. Fourteen sales tax matters have been filed against the Company regarding various issues which include (i) taxation of food coupons sold to employees, (ii) sale by the Company to Orissa Extrusions Limited, Balasore, (iii) non-submission of exemption certificates, (iv) suppression of production and (v) non-submission of declaration forms. The aggregate amount involved in the said matters is Rs. 0.52 million. The matters are currently pending at various stages of adjudication.
 12. The Assistant Commissioner, Commercial Taxes passed an assessment order dated February 23, 2007 against the Company for the period from April 2005 to June 2006 raising a demand of Rs. 0.39 million, on account of the applicability of Rule 11 of the Orissa Value Added Tax Rules, 2005 (the "VAT Rules") and bifurcation between consumables and industrial input. Aggrieved by the said order, the Company filed an appeal before the Additional Commissioner, Commercial Taxes, Sambalpur (the "ACCTS"). In accordance with the VAT Rules and as directed by the , the Company deposited 20% of the tax demanded amounting to Rs. 0.002 million at the time of filing the appeal. The matter is currently pending.
 13. The Assistant Commissioner, Commercial Taxes, passed an assessment order dated February 23, 2007 against the Company for the period from April 2005 to June 2006 raising a demand of Rs. 0.32 million regarding calculation of the value of coal from Company's mine at the market rate. Aggrieved by the said order, the Company filed an appeal before the Additional Commissioner, Commercial Taxes, Sambalpur (the "ACCTS"). The ACCTS through its order directed the Company to pay Rs. 0.15 million on or before June 20, 2008. The Company has filed a revision petition against the said order before the Commissioner, Commercial Taxes, Orissa. The matter is currently pending.
 14. The Senior Deputy Commissioner, Sales Tax (Assessment) A-26, Nagpur had passed a fresh assessment order dated May 28, 2007 (the "Assessment Order") to Pennar Aluminium Company Limited, which has been acquired by the Company. The Assessment Order is for the period from April 01, 1996 to March 31, 1997 and the demand has been made against the Company for an aggregate amount of Rs. 25.68 million under the Central Sales Tax Act, 1956 and an aggregate amount of Rs. 21.36 million under the Bombay Sales Tax Act, 1959. The Company has filed an appeal dated September 17, 2007 before the Additional Commissioner (Appeals), Sales Tax, Nagpur against the Assessment Order. The Appeals are currently pending.
 15. The sales tax department has issued 6 demand notices against the Company for assessment years 1997-1998, 1998-1999, 1999-2000, 2000-2001 and 2002-2003 on various grounds including rejection of statutory forms and liability under Sections 15B and 50. The aggregate liability involved in these matters is Rs. 84.73 million. The Company has filed appeals in all these matters which are currently pending at various stages of adjudication.
 16. The Commercial Taxes Department has issued three SCNs dated August 11, 2004 to the Company for an amount aggregating Rs. 14.22 million in respect of the denial of set-off of taxes paid on inter-state purchases of various inputs used in the manufacturing of aluminium foils which are subject to the interstate sales tax and set off as provided under notification no. 667 dated October

- 11, 2001 for the assessment years 2001-2002, 2002-2003 and 2003-2004 respectively. The department also issued subsequent notices dated November 2, 2004 and November 10, 2004. The Company has filed Writ Petition no. 21775/2004 before the High Court of Andhra Pradesh against the notices. The petition has been admitted by the Court. Vide an order dated February 17, 2005, the High Court admitted the petition and directed the Department not to take any action with respect to the assessment years 2001-02 and 02-03 pending disposal of the petition, with a specific direction to the Company to file its objections to the SCN in relation to the assessment year 2003-04. The writ petition is pending disposal. With respect to the assessment year 2004-05, the Company has written to the department disputing that the matter is *sub judice* and will be addressed after the decision in the writ petition.
17. The Company had received the final assessment order dated February 28, 2006 passed by the Assistant Commissioner, Commercial Taxes, Nizamabad (the "Assessment Order") for the assessment year 2002-2003 regarding Andhra Pradesh General Sales Tax ("APGST") and Central Sales Tax ("CST"). The Assessment Order raised an aggregate demand of Rs. 0.16 million in relation to APGST and Rs. 6.6 million regarding CST. The Company has filed an appeal before the Appellate Deputy Commissioner, Commercial Taxes, Secunderabad (the "ADC") challenging the demand of APGST and CST. The demand in relation to CST has been remanded back to the assessing officer by the ADC for fresh assessment. The hearing of appeal in relation to APGST has been completed and the order is currently awaited.
 18. The Company had received the assessment order dated March 30, 2007 passed by the Assistant Commissioner, Commercial Taxes, Nizamabad (the "Assessment Order") for the assessment year 2003-2004 regarding Andhra Pradesh General Sales Tax ("APGST") and Central Sales Tax ("CST"). The Assessment Order raised an aggregate demand of Rs. 0.85 million in relation to APGST, out of which Rs. 0.83 million pertains to set-off of taxes in accordance with notification G.O.Ms no. 667 Revenue (CT.II) Department dated October 11, 2001 (the "Set-off Notification"). Further, the Assessment Order raised an aggregate demand of Rs. 12.93 million regarding CST. The Company has filed an appeal before the Appellate Deputy Commissioner, Commercial Taxes, Secunderabad (the "ADC") challenging the demand of APGST and CST, which is currently pending. The demand in relation to CST has been remanded back to the assessing officer by the ADC for fresh assessment. The hearing of appeal in relation to APGST has been completed and the order is currently awaited. Furthermore, the Company had paid entry tax for the assessment year 2003-2004 and claimed set-off of the said payment against the Andhra Pradesh General Sales Tax and Central Sales Tax payable by the Company. The assessing officer had, through the Assessment Order, disallowed the said claim of set-off aggregating to Rs. 8.43 million. Consequently, the Company filed a writ petition before the Andhra Pradesh High Court challenging the levy of entry tax, which was allowed through order dated December 31, 2007 (the "APHC Order"). The state of Andhra Pradesh has challenged the APHC Order by way of a SLP before the Supreme Court, which is currently pending.
 19. The Company had received the final assessment order dated March 21, 2008 passed by the Assistant Commissioner, Commercial Taxes, Nizamabad (the "Assessment Order") for the assessment year 2004-2005 regarding Andhra Pradesh General Sales Tax ("APGST") and Central Sales Tax ("CST"). The Assessment Order raised an aggregate demand of Rs. 1.51 million in relation to APGST and Rs. 11.41 million regarding CST. The Company has filed an appeal before the Appellate Deputy Commissioner, Commercial Taxes, Secunderabad (the "ADC") challenging the demand of APGST and CST. The appeal is currently pending.
 20. The Company has received a SCN dated October 22, 2007 regarding Andhra Pradesh VAT and Central Sales Tax for the assessment years 2005-2006 and 2006-2007. The aggregate amount involved is Rs. 39.05 million. The Company has filed its reply. The matter is currently pending.

21. The Assistant Commissioner, Commercial Taxes, Ranchi, issued an assessment order dated February 1, 2005 to the Company for an aggregate amount of Rs. 30.8 million for the assessment year 2000-01 in respect of non-submission of Form F for alumina sent to the Company for conversion and in respect of TOT and Surcharge. The Company filed an appeal on March 14, 2005 with the Joint Commissioner (Appeals), Ranchi. The hearing of the appeal was completed on June 10, 2005 and the Commissioner (Appeals) passed an order dated July 26, 2005 remanding the matter to the Deputy Commissioner, Ranchi with directions. Subsequent to remand, no date has been intimated for hearing and the matter is currently pending.
22. The Deputy Commissioner, Commercial Taxes, Ranchi, issued an assessment order dated March 22, 2001 to the Company for an aggregate amount of Rs. 82.89 million for the assessment year 1996-1997 in respect of disallowance of statutory forms and short fall of central and local forms. The Company filed an appeal before the Joint Commissioner (Appeals), Ranchi on May 17, 2001, which remanded the case to the lower court for re-assessment. The lower court re-assessed the tax demand and reduced it to Rs. 0.01 million. The case was filed before Commissioner (Commercial Tax), for *suo moto* revision to vacate the demand. The matter is currently pending.
23. The Deputy Commissioner, Commercial Taxes, Ranchi (the “Deputy Commissioner”) issued assessment orders dated August 31, 2000 and July 22, 2002 to the Company demanding an aggregate amount of Rs. 36.20 million for the assessment year 1997-98 in respect of non-submission of statutory forms, conversion deal, short fall of C-Forms and local forms, enhancement in GTO. The Company filed an appeal before the Joint Commissioner, Commercial Taxes, Ranchi, which remanded the matter to Deputy Commissioner for re-assessment through order no. 53 dated January 31, 2003. The Deputy Commissioner after re-assessment issued revised demand for Rs. 5.38 million through order dated February 21, 2005. The Company, thereafter, filed an appeal before the Joint Commissioner, Commercial taxes, Ranchi. The hearing in the said appeal took place on June 24, 2006 and the orders are currently awaited.
24. The Deputy Commissioner, Commercial Taxes, Ranchi (the “Deputy Commissioner”) issued an assessment order dated January 17, 2006 to the Company demanding an aggregate amount of Rs. 72.84 million for the assessment year 2001-02 for, *inter alia*, non-submission of statutory forms, enhancement in GTO due to mismatches in returns, treating conversion deal as interstate sale, disallowing export documents and rejection of form-IX. The Company filed an appeal dated April 13, 2006 before the Joint Commissioner (Appeals), Ranchi. The Commissioner (Appeals) through order dated June 24, 2006 remanded the matter to the Deputy Commissioner. The Deputy Commissioner re-assessed the remanded case and through order dated January 03, 2008 confirming the demand amounting to Rs 41.17 million regarding conversion deal with Hindalco, Renukoot and export of materials cleared from the factory for export in 2000-2001 which were exported in 2001-2002. The Company filed an appeal before CESTAT along with an application for stay. The appeal is currently pending.
25. The Deputy Commissioner, Commercial Taxes, Ranchi, issued an assessment order dated January 17, 2006 to the Company demanding Rs. 0.5 million for disallowance of form IX against sale made during the year 2001-02. The original form filed by the Company was lost and consequently a duplicate form was submitted. The Company filed an appeal before Commissioner (Appeals), who remanded the matter to the lower court for verification of the duplicate form. The matter is currently pending.
26. The Deputy Commissioner, Commercial Taxes, Ranchi, issued an assessment order dated March 28, 2007 to the Company demanding an aggregate amount of Rs. 25.76 million for the assessment year 2002-03 regarding disallowance of the conversion deal and non-submission of form F to cover the value of goods dispatched to stock point and subsequently rejected and returned. The Company filed an appeal dated March 4, 2008 before the Joint Commissioner (Appeals) along with an application for stay. The appeal and the application are currently pending.

27. The Deputy Commissioner, Commercial Taxes, Ranchi (the “Deputy Commissioner”), issued an assessment order dated February 28, 2008 (the “Assessment Order”) to the Company demanding an aggregate amount of Rs. 4.99 million for the assessment year 2002-03. The assessment order was issued regarding materials dispatched from the Company’s Muri Plant to Company’s Renukoot Plant to replenish the materials sent by the Company’s Renukoot plant to Company’s Hirakud plant on loan and the said transfers being considered as inter-state sale by the Deputy Commissioner. Further, the sales tax authority had taxed freight for transportation of materials to stock point. The Company filed an appeal along with an application for stay dated April 30, 2008 against the Assessment Order, which is currently pending.
28. Apart from the cases described hereinabove there are 18 other sales tax related cases filed against the Company. The approximate amounts in these cases aggregate to Rs. 7.52 million.

(e) Other taxes, fees and cesses

1. The State of Madhya Pradesh has imposed a transit fee at the rate of Rs. 7 per ton on coal (including 4 per cent sales tax thereon) under the Madhya Pradesh Transit (Forest Produce) Rules, 2000 through order no. F-5/9/10-3/2001 dated May 28, 2001. Consequent to the imposition of the transit fee, the General Manager, Northern Coalfields Limited issued demand notices no. NCL:SGR:Sales:SR:02: 260 and 261 both dated March 1, 2002 and notice no. JRD/AFM/Supply.bill/Transp.fee/2001-02/962 dated March 23/27, 2002, notice no. JRD/AFM/Supply.bill/Transp.fee/2002-03/218 dated June 19/22, 2002, notice no. JRD/AFM/Supply.bill/Transp.fee/2001-02/219 dated June 19, 2002, notice no. coal/credit/transit fee/RSTPP/2002-2003/148 dated June 10, 2002, notice no. coal/credit/transit fee/RSTPP/2002-2003/148 dated June 10, 2002 and notice no. coal/credit/transit fee/RPD/2002-2003 dated July 10, 2002 demanding the said duty of a sum amounting to an aggregate of Rs. 30.31 million to the Company. The Company filed a writ petition no. 4115/2002 before the High Court of Madhya Pradesh at Jabalpur challenging the aforesaid demand notices as well as the constitutional validity of order no. F-5/9/10-3/2001 dated May 28, 2001 issued by the State of Madhya Pradesh to the Chief Conservator of Forests and notification dated May 28, 2001 fixing the transit fee and letter no. 327/sidhi dated February 2, 2002, as illegal, arbitrary and without jurisdiction. The petition further challenged the constitutional validity of the relevant provisions of the Madhya Pradesh Transit (Forest Produce) Rules, 2000 and sections 2(4)(b)(iv) and 41 of the Indian Forest Act, 1927. The Company has paid Rs. 161.0 million (up to April 2007) (recurring) under protest and subject to the judgment in the writ petition. The Madhya Pradesh High Court through its order dated May 14, 2007 allowed the writ petition declaring the notification dated May 28, 2001 as *ultra vires* and directed the amount collected from the Company to be refunded in a phased manner within a period of five years from the date of the order. The Government of Madhya Pradesh filed an SLP, which was later on converted into an appeal, in the Supreme Court, against the order of the Madhya Pradesh High Court. The Supreme Court through order dated April 4, 2008 granted a stay in favour of the Madhya Pradesh Government. The appeal is currently pending.

Similarly, Katni Bauxite Private Limited and C. R. Mittal and Co. issued a notice demanding the said fee aggregating to Rs. 0.58 million from the Company for the bauxite supplied to the Company. The Company filed a writ petition before the High Court of Madhya Pradesh at Jabalpur challenging the aforesaid demand notices in addition to challenging the constitutional validity of the order no. F-5/9/10-3/2001, notification fixing the transit fee and the relevant provisions of the Madhya Pradesh Transit (Forest Produce) Rules, 2000 and the Indian Forest Act, 1927. The Company has paid Rs. 3.8 million (up to April 2007) under protest and subject to the judgment in the writ petition. The Madhya Pradesh High Court through its order dated May 14, 2007 allowed the writ petition declaring the notification dated May 28, 2001 as *ultra vires* and directed the amount collected from the Company to be refunded in a phased manner within a period of five years from the date of the order. The Government of Madhya Pradesh filed a SLP, which was later

on converted into an appeal, in the Supreme Court, against the order of the Madhya Pradesh High Court. The Supreme Court through order dated April 11, 2008 granted a stay in favour of the Madhya Pradesh Government. The appeal is currently pending.

2. The Janpad Panchayat, Kusmi, district Surguja has, vide resolution dated February 11, 1999 under Section 77 of the Madhya Pradesh Panchayat Raj Adhiniyam, 1993, levied tax at the rate of Rs. 5 per tonne on the transportation of bauxite from bauxite mines situated in tehsil Kusmi, with effect from January 1, 1999. The Panchayat issued order no. J.P/99 dated February 12, 2002 confirming the said resolution and imposed the said levy on the Company. A demand was made to the Company to pay the said tax for an amount aggregating Rs. 0.38 million. The Company filed a writ petition challenging the aforesaid levy before the High Court of Madhya Pradesh at Jabalpur which has since been transferred to the High Court of Chattisgarh at Bilaspur. The Company is liable to pay tax of an amount aggregating Rs. 16 million as calculated up to June 2008. The writ petition is currently pending. Further, the Company filed a transfer petition dated November 27, 2007 before the Supreme Court, which is currently pending.
3. The Divisional Forest Officer, Renukoot had imposed a transit fee at the rate of Rs. 5 per tonne on bauxite being brought by trucks from Madhya Pradesh to Renukoot and on coal moved by the Company by trucks from Madhya Pradesh to Renukoot and also within district Sonebhadra. The rate was further enhanced to Rs. 38 per tonne with effect from June 2004. The Company has paid a transit fee on coal amounting to Rs. 459.0 million up to June 2008 and a transit fee on bauxite amounting to Rs. 3.9 million upto June 2008. The Company has filed a writ petition challenging the said imposition before the Allahabad High Court and the constitutional validity of sections 2(4)(b)(iv) and 41 of the Indian Forest Act, 1927. The Court through order dated January 18, 2000, issued a stay on the levy on the condition that if the writ petition fails, the amount will be payable with interest at 18 per cent per annum. The writ petition is currently pending.
4. The Zila Panchayat, Sonebhadra levied a transport/toll tax on the transportation of coal by the Company from the collieries to its factories at Renukoot and Renukoot at the rate of Rs. 30 per truck. The Company has filed a writ petition before the Allahabad High Court challenging the levy and the constitutional validity of the said Zila Parishad Adhiniyam. The realization of the levy has been stayed by the High Court vide order dated April 10, 2003. Vide order dated May 22, 2003, the petition has been clubbed with writ petition and referred to a full bench of the High Court. The full bench vide its judgement and order dated July 20, 2007 stated that the Zila Panchayat has the competence to frame the bye-laws and remanded the matter back to division bench for deciding whether the fee can be imposed in the present case or not. The writ petition is currently pending. Further, the Company has preferred a SLP against the order of full bench before the Supreme Court, which has been admitted through order dated November 30, 2007. The matter is currently pending.
5. Shaktinagar Special Area Development Authority imposed a cess at the rate of Rs. 5 per ton on coal purchased by the Company from Northern Coalfields Limited ("NCL"). NCL demanded the said levy aggregating to Rs. 33.2 million (as on June 2005) from the Company. The Company has paid an amount of Rs. 2.4 million. The Company filed a writ petition against the State of Uttar Pradesh and others before the Allahabad High Court challenging the demand and the constitutionality of the said levy. The imposition of cess was stayed by the High Court on December 19, 1997 with directions not to press the demand for the impugned cess in pursuance of bills raised and also not to raise any further demand for the cess pending further orders. The writ petition is currently pending.
6. The Deputy Commissioner, Trade Tax, Sonebhadra has issued a SCN dated July 20, 2005 to the Company levying entry tax amounting Rs. 2.5 million each for the months of April, May and June 2005 on coal, cement and petroleum products. The Company has filed its reply and deposited an amount of Rs. 5.6 million under protest on August 31, 2005. The Department made a provisional

- assessment imposing entry tax at the rate of Rs. 2.5 million for each month aggregating to 7.5 million. The Company has challenged the assessment order by filing a writ petition before the Allahabad High Court. The Allahabad High Court through order dated October 28, 2005 passed interim orders staying further proceedings for realization of the demand created pursuant to the assessment order. The matter is currently pending.
7. The State of Orissa imposed rural infrastructure and socio economic development tax under Orissa Rural Infrastructure and Socio Economic Development Act, 2005 ("ORISED Act") on minerals and coal bearing land. The Company has, , challenged the ORISED Act/ rules/ notification by way of a writ petition before the Orissa High Court. The division bench of the Orissa High Court struck down the impugned act/rules and notification through its order dated December 5, 2005. Aggrieved by the said order, the State of Orissa filed a SLP before the Supreme Court. The case is currently pending. Pursuant to transfer petitions filed by the Company, similar matters pending before the Madhya Pradesh High Court and the Chhattisgarh High Court at Bilaspur in relation to levies imposed under Madhya Pradesh Gramin Avsanrachna Tatha Sadk Vikas Adhiniyam, 2005 and Chhattisgarh (Adhosanrachna Vikas Evam Paryavaran) Upkar Adhiniyam, 2005, respectively, have been transferred to the Supreme Court and tagged along with appeal no. 1883 of 2006.
 8. Nagar Palika, Singrauli, district Sidhi, Madhya Pradesh imposed terminal tax, on the export of coal at the rate of Rs. 5 per tonne. The Company filed a writ petition before the High Court of Madhya Pradesh at Jabalpur challenging the levy. The High Court through order dated January 25, 2006 issued notice to the respondents and the matter is currently pending.
 9. Collector Stamps, Kanpur City registered a stamp case (the "Stamp Case") under Sections 33 and 47A, Indian Stamp Act, 1899 (the "Stamp Act") and issued notice dated March 24, 2007 raising a demand of stamp duty aggregating to Rs. 2,529.5 million in relation to the order of the Allahabad High Court dated November 18, 2002 sanctioning the scheme of arrangement between IGCL, IGFL and Hindalco by treating the order as conveyance. The said SCN is similar to the notice dated November 25, 2006 (the "Earlier Notice") issued earlier on the same cause. A writ petition challenging the Earlier Notice was filed before Allahabad High Court, on the ground that the notice is barred by the limitation. During the course of the hearing the Earlier Notice was withdrawn by the Collector Stamps. The present notice has been issued after taking permission from the state government whereby the period of limitation was enhanced by another 4 years. The Company has filed a writ petition before Allahabad High Court. The proceedings regarding the Stamp Case have been stayed by the Allahabad High Court through order dated May 8, 2007 subject to furnishing of security other than cash and bank guarantee to the Collector Stamps, Kanpur. The Company has furnished a security bond in compliance of the order. The writ petition is currently pending.
 10. The Deputy Collector, Stamp Duty Evaluation, Bharuch (the "DC Stamp Duty") had issued a letter dated December 15, 2006 for the payment of stamp duty on cargo imported at the jetty of the Company for the period from April 2006 to November 2006. The aggregate liability in the said matter is approximately Rs. 70 million. The Company filed a writ petition before the Ahmedabad High Court challenging the said levy of duty. The Ahmedabad High Court granted a stay in favour of the Company. The appeal is currently pending.
 11. Two writ petitions have been filed by the Company before the High Court, Allahabad challenging the demand raised by the Divisional Forest officer, Renukoot on July 7, 2008, to quash the letters dated October 8, 2007 and March 29, 2008 regarding transit fee charged is Rs. 38 per tonne for each time a vehicle passes. The aggregate amount involved is Rs. 16.6 million. The Court issued an order dated July 17, 2008 staying the said demand of the said amount. The matters are currently pending.

12. The Municipal Corporation, Belgaum has issued a demand notice, in terms of section 108A of the Municipal Corporation Act, to the Company demanding an aggregate amount of Rs. 2.49 million as arrears of property tax for the years from 2002 to 2005. The Company filed an appeal, challenging the said demand, before the Civil Court, Belgaum. The appeal is currently pending.
13. Three writ petitions have been filed against the Company in relation to entry tax involving an aggregate amount of Rs. 0.026 million. The matters are currently pending at various stages of adjudication.
14. The Company has received a notice dated February 6, 2008 for the payment of road tax from the ARTO, Bharuch. The matter is currently pending.

E. Arbitration Proceedings

1. The Company is involved in an arbitration proceeding before an arbitral tribunal in New Delhi, which has been initiated by Tata Motors Limited by invoking arbitration under clause 20.9 of the lease agreement No. 344/97-98 and 382/97-98 dated September 4, 1997 by notice dated May 12, 2006. The said lease agreement between Tata Finance Limited (now amalgamated with Tata Motors Limited) and Indo Gulf Fertilizers Limited provided for lease of electrostatic precipitator and furnaces for seven years which ended on March 29, 2005. Tata Motors Limited claims that as the owner of the equipments leased under the said lease agreement, they were entitled to claim 100% of depreciation under Income Tax Act, 1961 and other statutes and also to alter the lease rent. Tata Motors Limited has sought an amount of Rs. 180.26 million as due on January 1, 2007 (filing of the statement of claim) and 24% interest thereon along with Rs. 15.42 million per quarter of a year starting from May 12, 2006 till date. This claim has been opposed by the Company in the counter-claim filed. The arbitration proceedings are pending and the next date of hearing is on September 26, 2008.
2. Five revision petitions have been filed by Uttar Pradesh State Electricity Board ("UPSEB") against the Company before the Allahabad High Court. All the petitions have been filed against the orders of the lower court. Three petitions challenged part rejection by the lower court, whilst the other two petitions challenged the order the lower court allowed the matter to be referred to Arbitration. The High Court of Allahabad stayed the initiation of arbitration proceedings by the Company. The amount in dispute is Rs. 239 million.*
3. Four revision petitions have been filed by the Company against Uttar Pradesh State Electricity Board ("UPSEB") in the High Court of Allahabad. These petitions were filed against the order of the lower court. Three petition challenged part allowance by the lower court, whilst the other Petition challenged the stay on the Arbitral proceedings. The High Court of Allahabad stayed the initiation of arbitration proceedings by the Company. The aggregate amount in dispute is Rs. 151 million.*
4. Five first appeals from orders have been filed by Uttar Pradesh State Electricity Board ("UPSEB") against the Company in the High Court of Lucknow. Three of these appeals were filed against the order of the award making the rule of the Court, and for setting aside the Award. Two of the appeals were filed for restoration to stay the arbitration proceedings. The aggregate amount in dispute is Rs. 31.5 million.*
5. A writ petition was filed by Uttar Pradesh State Electricity Board ("UPSEB") against the Company in the High Court of Lucknow. UPSEB has filed the present petition to recall the order of the arbitrator. The Company has filed its objection against the restoration application recalling the order of the arbitrator. The amount in dispute is Rs. 3.6 million. The arbitration matters listed above, both the parties have mutually decided to settle the matter. Consequently, the Company as

directed by the Lucknow High Court filed affidavits in relation to the settlement proposals and requested the court to defer hearing in the matter to enable settlement. All the matters are currently pending.

6. The Company filed Original Suit on October 10, 2004 in the High Court, New Delhi, against M/s. Indian Farmers Fertilizers Cooperative Limited (“I.F.F.C.O”) and others aggrieved by the award passed in the arbitration proceedings initiated by I.F.F.C.O against the Company. The Arbitration award dated July 12, 2004 held the Company guilty of breach of contract. The Company requested the court to set aside the arbitral award dated July 12, 2004, and grant relief by stay the same. The amount involved in the dispute is Rs. 71.9 million along with an interest of 10.25 percent per annum from October 15, 2001. The Court directed both parties to file synopses and listed the matter for hearing on the next date.

F. Miscellaneous Cases

(i) Cases filed against the Company

1. Three cases have been filed under Section 5 and 26 of the Indian Forest Act, 1927 (“Forest Act”) before the Magistrate’s Court by the Divisional Forest Officer, Renukoot alleging encroachment upon forest land by the Company through incorrect construction of boundary wall. In each of these cases, the Investigating Officer has recommended that an application for invocation of Section 63 of Forest Act be made. The cases are currently pending.
2. Six cases have been filed before the Judicial Magistrate at Lohardaga for breach of Sections 25, 26 and 33 of the Forest Act by the Company. It is alleged in these cases that the Company has engaged in activities not permitted in the forest area such as mining, construction of road and transportation of bauxite. In three of these cases, the High Court has admitted a petition for quashing the proceedings and has stayed the proceeding in the lower court. In three other cases, the lower court is hearing the case. In two of the cases, the sanction of the Deputy Forest Officer for continuing the proceedings is awaited.
3. A case was filed against the Company under Section 52 of the Forest Act before the Divisional Forest Officer for the confiscation of materials illegally collected from the forest. The case is pending hearing before the Divisional Forest Officer.
4. The Assistant Mining Officer, Gumla filed certificate case in the court of Certificate Officer, South Chhotanagpur Anchal, Ranchi for realization of Rs. 6.01 million against cost of mineral bauxite allegedly illegally mined and despatched by the Company out of the lease area of Jalim and Sanai Mines. The case is pending for final hearing in the court of Certificate Officer, Ranchi.
5. The Assistant Mining Officer, Lohardaga, issued a demand notice dated January 5, 2002 directing the Company to pay, together with Minerals and Minerals Limited, an amount aggregating Rs. 19.55 million in for arrears of royalty, and interest thereon up-to December 31, 2001, on vanadium sludge. The Company disputed its liability and the matter was referred to the Certificate Officer (Mines), Ranchi, who commenced certificate proceedings under a notice dated January 15, 2002. The Company filed a writ petition before the Allahabad High Court challenging the notices. The High Court passed orders dated February 14, 2002 and March 22, 2002 holding that in case the Company deposited 50% of the aggregate amount and furnished a bank guarantee for the remaining amount, any further action including the certification proceedings pursuant to the demand notice would remain stayed. The Company has complied with the aforesaid conditions. The Company has filed a supplementary affidavit dated July 4, 2007. The matter is currently pending.

6. The Assistant Mining Officer, Gumla vide Notice dated June 13, 2005 demanded royalty on Vanadium amounting to Rs. 13.8 million for the period from 1991-1992 to 2000-2001 with interest of Rs 26.7 million calculated up-to March 31, 2005. The Company has furnished a reply to this notice denying the liability. The Certificate Officer has issued notice to the Company on July 25, 2005 for realization of the dues. The Company has denied its liability to pay vide August 25, 2005. The reply from the Assistant Mining Officer has also been filed before the Certificate Officer on September 6, 2005. The Certificate Officer vide its order dated December 20, 2005 directed the Company to deposit 50% of the certificate amount in cash and furnish a bank guarantee for the balance amount as an interim measure. The Company has complied with the directions and matter is currently pending.
 7. The district mining authorities, district Gumla and Lohardaga, Jharkhand raised the demand through letters dated January 17, 2006 and January 20, 2006 respectively for royalty on vanadium in respect of mining leases for the period 2001-05 amounting to Rs. 55.18 million and Rs. 31.02 million for district Gumla and Lohardaga respectively. The certificate proceedings commenced and the Company's interim application for the rectification of amount has been allowed through order dated March 16, 2006 and the revised amount now stands at Rs. 24.36 million. The Certificate Officer has directed the Company to deposit, as an interim measure, 50% of the amount as cash and furnish a bank guarantee for the balance amount. The Company complied with the directions and the matter is currently pending.
 8. The district mining authorities, district Gumla, Jharkhand had, through a letter dated October 12, 2006, raised a demand of Rs. 4.84 million for the period January 1, 2006 to August 31, 2006 towards royalty and interest on Vanadium Sludge. The department initiated the certificate proceedings and notice was to file objections received on November 7, 2006. The certificate officer through its order dated December 18, 2006 directed the Company to deposit 50% of the amount in cash and a bank guarantee for the balance amount. The Company challenged the demand by way of writ petition before Jharkhand High Court. The High Court admitted the writ petition and through order dated January 22, 2007 directed that the impugned order of the Certificate Officer shall be kept in abeyance.
 9. A similar demand amounting to Rs. 1.99 million has been made by the district mining authorities, Lohardaga. The authorities have initiated the certificate proceedings, which are currently pending.
 10. The Certificate Officer (Mines), South Chhotanagpur Circle, Doranda, Ranchi has initiated three certificate cases against the Company regarding royalty payable on Vanadium. The cases relate to lease periods 1991-1992 to November 30, 2001, 1991-1992 to November 30, 2001 and December 1, 2001 to December 31, 2005 and the aggregate amount involved is Rs. 2.19 million. The cases are currently pending.
 11. The Company has received a demand notice for payment of royalty on Vanadium for the lease period from January 1, 2006 to June 30, 2006. The aggregate amount involved is Rs. 8.47 million. The Company has filed its reply and the matters are currently pending.
 12. Apart from the cases described hereinabove there are six other cases filed against the Company. The approximate amount in these cases is Rs. 1.87 million.
- (ii) *Cases filed by the Company*
1. The Company filed three writ petitions against Uttar Pradesh State Electricity Board ("UPSEB"), Uttar Pradesh Jal Vidyut Nigam Limited, and the District Commissioner, Latehar respectively, in various High Courts. These petitions were filed against the order of the lower court/authority. In two cases, the aggregate amount in dispute is Rs. 40.8 million. In the other case five times penalty

of the deficit amount was imposed since 1999. In all cases, a stay order against recovery has been granted in favour of the Company. The matters are pending.

(iii) *Notices issued*

1. The Company was allotted 64 acres 30 guntas extent of land in Kangrali Industrial Area by the Karnataka Industrial Areas Development Board (“KIADB”) through an allotment letter dated April 4, 1973. The Assistant Secretary, KIADB, Belgaum passed an order dated January 18, 2000 terminating the allotment letter and resuming the land on account of the alleged non-compliance with the conditions contained in the allotment letter. The Company, by a letter dated January 18, 2000, requested the KIADB to withdraw its letter dated January 18, 2000 and consider its proposals submitted in an earlier letter dated August 6, 2000. The KIADB, by its letters dated January 28, 2000 and January 31, 2000 revoked the order dated January 18, 2000 and kept the same in abeyance. By its letter dated February 1, 2000, the KIADB withdrew the order. KIADB vide a letter dated January 3, 2008 directed the Company to submit a draft sale deed for other survey numbers. Matter is pending.

Litigation involving our subsidiaries

Litigation involving Indian subsidiaries

A. *Bihar Caustic and Chemicals Limited*

Outstanding Litigation:

1. A criminal complaint has been filed by Dilip Kumar Sharma against the then Managing Director of the BCCL and others before various courts on the grounds of non-payment of dues in relation to rented machinery. A bailable warrant was issued against the contractor and the managing director of BCCL. BCCL filed a criminal miscellaneous application to quash the order before the Jharkhand High Court. The court issued an order staying the lower court proceedings. The matter is pending.
2. BCCL filed two cases against the Jharkhand State Electricity Board (“JSEB”) before the Jharkhand High Court and the Supreme Court respectively. One of the cases was filed on grounds of being aggrieved by the annual minimum guarantee bills of Rs. 21.4 million raised by JSEB. The other case was filed on grounds of JSEB charging excessive fuel surcharge. The High Court directed the JSEB to issue a revised bill, as directed by forum, which was issued for an amount aggregating to Rs.158.9 million. The aggregate amount in dispute is Rs. 630.4 million. The matter in the High Court is pending, whilst in the other matter, the Supreme Court has reserved its judgment and order is awaited.
3. There are five cases filed by former workers of BCCL on various grounds, all of which are pending before the various Labour Courts. The aggregate amount in dispute amounts Rs.15.6 million. In another case in 1986, the workers union went on strike in 1986 in relation to the salary structure of different categories of employees. The matter was referred to the Industrial Tribunal for adjudication. These cases are pending.
4. There are income tax cases pending before various income tax authorities aggregating to Rs. 4.8 million.
5. BCCL had availed unsecured loans aggregating Rs. 8.89 million from the Bihar State Industrial Development Corporation Limited (“BSIDC”) in terms of loan agreements dated November 10, 1983 and March 31, 1984 (the “Loan Agreements”). BSIDC has alleged that the loan became due and repayable from December 1999. Consequently, BSIDC claimed from BCCL liquidated

damages at the rate of 15% p.a. on account of delay in repayment of the loan and interest at the rate of 14% p.a. BCCL repaid the said loan amount aggregating to Rs. 8.89 million through cheque no. 026935 dated March 4, 2004 and through letter dated March 4, 2004 it informed BSIDC that the said payment was being made for the repayment of the principal loan amount only. Since the dispute in relation to the payment of liquidated damages and interest could not be resolved between BCCL and BSIDC, the matter was referred to arbitration in accordance with the Loan Agreements through statement of claims dated November 23, 2007 filed by BSIDC. The aggregate amount claimed by BSIDC was Rs. 11.25 million and interest. Subsequently, BSIDC filed an amendment application dated February 29, 2008 (the "Amendment Application") seeking revision of amount claimed to Rs. 26.21 million and interest. The Amendment Application was allowed by the Arbitral Tribunal through order dated March 26, 2008. The matter is currently pending.

6. BCCL is involved in an arbitration proceeding regarding three disputes with Tata Motors Limited (formerly Tata Finance Limited) before the sole arbitrator Mr. Ashwin Ankhad. Tata Motors Limited has invoked the arbitration clauses of three lease finance agreements claiming that under the said agreements, BCCL was disallowed to claim the depreciation under Income Tax Act, 1961 and other statutes and Tata Motors Limited had the right to revise the rent. Tata Motors Limited has claimed an amount of approximately Rs. 5.71 million, 3.20 million and 3.96 million respectively under the three contracts and an interest at 24% per annum from August 17, 2007. BCCL has opposed the claim and has sought the transfer of equipments to BCCL. The arbitration proceedings are pending for evidence and the next dates of hearing are from October 22, 2008 to October 24, 2008.

Contingent Liabilities as on March 31, 2008:

- (a) Annual minimum guarantee electricity charges and delayed payment surcharge amounting to Rs. 630 million;
- (b) Delayed payment surcharge on the amount of fuel surcharge arrears amounting to Rs. 63 million;
- (c) Bank guarantees outstanding amounting to Rs. 16.61 million;
- (d) Income tax claims amounting to Rs. 5.76 million;
- (e) Liquidated damages and interest claimed by BSIDC not acknowledged by BCCL amounting to Rs. 3.04 million; and
- (f) Compensation payable against various labour claims pending in various courts amounting to 15.6 million.

B. Dahej Harbor and Infrastructure Limited ("DHIL")

Outstanding Litigation:

DHIL (the "Petitioner") filed a Special Civil Application on January 25, 2007 before the High Court, Gujarat against the State of Gujarat and others, aggrieved by the circular dated January 10, 2007 issued by the Gujarat Maritime Board whereby ports were instructed not to issue a No Demand Certificate ("NDC") unless stamp duty is paid on all imported goods. The Petitioner has challenged the applicability of the circulars and letter alleging that since stamp duty is levied only on instruments and not on transactions, the circular dated January 10, 2007 is not applicable to the Petitioner, furthermore the petitioner stated that since the cargo is not lifted on the basis of any deliver order, the circular dated December 15, 2006 and the letter April 4, 2006 are not applicable herein. The Petitioner has prayed for interim relief by way of a stay in relation to the circular dated

January 10, 2007, December 15, 2006 and the letter April 4, 2006. The Petitioner has also prayed for permission to clear cargo and issue NCDs. The amount in dispute is Rs. 10.44 million. The Respondents filed their affidavit in reply on March 6, 2007. DHIL filed its affidavit in rejoinder on October 1, 2007. The court passed an order dated January 29, 2007 staying the implementation of circular dated January 10, 2007, December 15, 2006 and the letter April 4, 2006 until further orders. The matter is currently pending.

Contingent Liabilities as on March 31, 2008: Nil

C. Lucknow Finance Company Limited

1. The Income Tax Department, Lucknow had imposed penalties on Lucknow Finance Company Limited ("LFL") under section 271(1)(c) of the IT Act, 1961, amounting to Rs. 5.1 million and Rs. 4.6 million in respect of assessment years 2000-01 and 2002-03, respectively. LFL filed an appeal before CIT (A), Lucknow against the impositions of penalty. CIT(A), Lucknow vide its order dated September 22, 2005 confirmed the penalty. LFL filed an appeal before Income Tax Appellate Tribunal, Lucknow 'B', Lucknow ("ITAT"). ITAT vide its order dated December 8, 2006 allowed the appeal. Aggrieved by the said order, the Commissioner of Income Tax-I filed a tax appeal (no. 36 of 2007) before Allahabad High Court. The Allahabad High Court dismissed the appeal *in limine* through order dated January 17, 2008. LFL has filed a caveat application before the Supreme Court of India on May 13, 2008.

Contingent Liabilities as on March 31, 2008: Nil

D. Minerals and Minerals Limited

Outstanding Litigation:

1. MML filed a SLP on April 5, 2004 before the Supreme Court of India against the dismissal order dated December 23, 2003 passed in CWJC No. 2943 of 1996 by the Jharkhand High Court and praying for a refund of Rs. 2.14 million against mineral cess which was collected as excess amount between the period of June 21, 1985 and April 30, 1988 at the rate of 500 per cent after adjusting the cess payable at 133 1/3rd per cent for the relevant period until April 4, 1991. The case is currently pending.
2. MML filed a civil appeal before the Supreme Court, challenging the order (no. A-578/Kol/2003) dated February 7, 2003 passed by the CESTAT, E.Z.B. Kolkata whereby the appeal (no. E-516/02) filed by MML was dismissed. MML filed the aforesaid appeal before CESTAT, E.Z.B. Kolkata, against the order dated March 23, 2002 in appeal no. 0/A No. 173/JSR/CEX/Appeal/02 passed by the Commissioner of Central Excise and Customs, Patna whereby refund claim of about Rs. 0.21 million filed by MML was rejected. MML had filed the aforesaid refund claim for service tax deposited during the period November 1997 to June, 1998 in regard to service provided by goods transport operators.
3. Mr. Arbind Bhai Patel, Director of the Mahuamilan Karanpura Coal Mines Limited ("Mahuamilan") filed a title suit before the Civil Court, Gumla on August 10, 1992 for a declaration that Mahuamilan is the statutory lessee under Bihar State and the lease of Mahuamilan granted in the year 1948 by the maharaja of Chhotanagpur was subsisting at the time of vesting of estate and that State Government be restrained from making settlement of the leased area to any one else. Minerals and Minerals Limited is impleaded as a defendant to the suit as it had filed an application on December 23, 1968 for grant of mining lease for bauxite over an area of 1,475 acres land in villages – Bimarla, which is claimed to be a part of area earlier held by Mahuamilan. The case is pending before Sub-Judge-1 Court, Gumla and the next date of hearing is July 29, 2008.

4. An application for compensation under section 140 of the Motor Vehicles Act, 1988 has been filed on August 10, 2004 by mother of deceased who died in a motor accident by a dumper belonging to Minerals and Minerals Limited. An amount of Rs. 0.05 million has been claimed as compensation. The case is pending in the court of District and Sessions Judge, Lohardaga. The MACT Court on the application of the interim compensation of the applicant granted interim compensation of Rs. 0.05 million. The case will proceed further after depositing of the interim compensation amount.
5. General Secretary, CBW Union has raised a dispute before the CGIT, Dhanbad on December 14, 1999 regarding refusal of Minerals and Minerals Limited to accept the 33 point charter of demand presented by the union. The matter is currently pending.
6. Assistant Mining Officer, Lohardaga filed certificate case on January 15, 2002 in the Court of Certificate Officer, South Chhotanagpur Anchal, Ranchi for realization of Rs. 6.72 million against royalty and interest due on vanadium mineral for the period 1991-92 to 2000-01. Minerals and Minerals Limited has filed a denial petition on January 28, 2002 before the Certificate Officer at Ranchi. The case is pending for final hearing/order in the Court of Certificate Officer, Ranchi. On 3.1.2006 the Certificate Officer had ordered Minerals and Minerals to deposit 50% of the certificate amount by way of Demand Draft or cheque and balance 50% through Bank Guarantee and the same has been complied with. Mines and Minerals Limited has deposited Rs. 4.3 million and furnished a bank guarantee of Rs. 4.3 million. Matter is pending disposal.

Contingent Liabilities as of March 31, 2008:

- (a) Please refer to outstanding litigation in point 6 above.
- (b) Minerals and Minerals Limited received a notice of demand/claim from the court of Certificate Officer (Mines) Chotanagpur Anchal, Doranda, Ranchi in the state of Jharkhand for royalty on vanadium along with interest for the period from January, 2006 to June, 2006 amount to Rs. 0.19 million for which demand petition under the relevant law has been submitted, and is pending for hearing.
- (c) There is a demand for surface rent amounted to Rs. 0.27 million which has been received from DMO's office of Lohardaga, in the state of Jharkhand and is pending settlement.

E. Renuka Investments and Finance Limited ("RIFL")

Outstanding Litigation:

1. The State of Uttar Pradesh filed a case against Renuka Investments and Finance Limited ("RIFL") in respect of land purchased from M/s Gwalior Properties and Estates Limited located at village Kharpatar, Dudhi. The State of Uttar Pradesh had contended that the land had been purchased for commercial purposes and as no commercial rates had been notified for the area, the duty should have been paid at the price reserved for residential plots. The Collector, Sonbhadra after inspecting the plot on November 28, 2002 imposed a stamp duty of Rs. 0.18 million and a penalty of equal amount. RIFL filed an appeal (no. 3360/2003) before the Commissioner, Mirzapur. Further, RIFL has deposited one-third of the total amount demanded under protest. The appeal is currently pending disposal and the next date of hearing is August 18, 2008.
2. The State of Uttar Pradesh through Collector, Sonbhadra has filed a declaratory suit before the court of Sub-Divisional Magistrate, Dudhi, against Renuka Investments and Finance Limited ("RIFL"). The State of Uttar Pradesh had contended that the transfer of certain plots in favour of RIFL has taken place in violation of the provisions of Uttar Pradesh Zamindari Abolition and Land Reform Act, 1950 and have prayed that the court declare the State as owner of the plots in question. The matter is currently pending and the next date of hearing is August 7, 2008.

Contingent Liabilities as on March 31, 2008:

- (a) Arrear of dividend on 15% redeemable cumulative preference shares amounting to Rs. 11,250;
- (b) Income tax demand for assessment year 2002-2003 appeal before Commission of Income Tax, Allahabad to be filed amounting Rs. 1.72 million;
- (c) Income tax demand for assessment year 2004-2005 has been decided partially in favour of RIFL, and appeal is pending with ITAT, Ahmedabad, amounting to Rs. 3.66 million;
- (d) Income tax demand for assessment year 2005-2006 and appeal is pending with Commission of Income Tax, Allahabad amounting to Rs. 16.4 million.

F. Renukeshwar Investments and Finance Limited

Outstanding Litigation: Nil

Contingent Liabilities as on March 31, 2008:

- (a) Arrear of dividend on 15% redeemable cumulative preference shares amounting to Rs. 11,250;
- (b) Income tax demand for assessment year 2005-2006 and appeal is pending with Commission of Income Tax, Allahabad amounting to Rs. 67,594; and
- (c) Income tax demand for assessment year 2004-2005 has been decided partially in favour of Renukeshwar Investments and Finance Limited, and appeal is pending with ITAT, Ahmedabad, amounting to Rs. 3.87 million.

G. Suvas Holdings Limited

Outstanding Litigation: Nil

Contingent Liabilities as March 31, 2008: Bank guarantees outstanding Rs. 1.26 million

H. Utkal Alumina International Limited (“Utkal Alumina”)

Outstanding Litigation

1. Five writ petitions have been filed against Utkal Alumina by various authorities before the Orissa High Court on various grounds such as illegal acquisition of land, violation of the mandatory provisions of the Orissa Scheduled Areas Transfer of Immovable Property (By Scheduled Tribes) Amendment Regulation 2000, and not taking into consideration the grievance of the Petitioner for alternative housing accommodation to the villagers. The cases are pending at various stages of adjudication.
2. Three writ petitions have been filed against Utkal Alumina by various authorities before the Orissa High Court on various grounds such as illegal construction of the refinery expansion, without a valid environmental clearance from the MOEF and causing air and environment pollution due to blasting of hills. The cases are pending at various stages of adjudication.

Contingent Liabilities as of March 31, 2008:

- (a) Bank guarantees outstanding Rs. 233.64 million; and

- (b) VAT/ Purchase tax demand: Rs. 10.48 million.

Litigation involving foreign subsidiaries

A. Birla Nifty Pty Ltd

Outstanding Litigation:

1. On 5 April 2001, Asset Kinetics entered into a contract for providing transportation services to Birla Nifty Pty Ltd, primarily for the transportation of acid and copper between the Nifty Copper mine operations and Port Hedland. The contract was for a term of 66 months commencing on July 1, 2000. Birla Nifty Pty Ltd's ownership changed during 2003 from Straits Resources Ltd to Birla Mineral Resources Ltd. Asset Kinetics have commenced proceedings against Birla Nifty Pty Ltd in effect claiming that they were entitled, pursuant to the transportation contract, to have charged higher rates for transportation services during 2003, 2004 and the first quarter of 2005. The aggregate amount claimed is approximately AUD 0.65 million.
2. Under an agreement made in April 2005, Black Rock Services Pty Ltd ("Fabcon") agreed to construct a shed for the storage of copper concentrate located at Port Hedland. By its purchase order, Birla Nifty Pty Ltd specified a shed with a capacity of 19,000 tonnes. Fabcon built a shed that could not hold 19,000 tonnes, without modifications. Fabcon claims that it was never designed to hold 19,000 tonnes of concentrate as it was only specified to hold between 16-18,000 tonnes. When concentrate was pushed up against the wall of the shed to maximize the storage capacity, the shed walls were damaged. Birla Nifty Pty Ltd later modified the shed, by re-enforcing the shed walls, and it is now capable of holding 19,000 tonnes of concentrate. Modifications cost were approximately AUD 0.2 million. Fabcon in a case filed in the Supreme Court has claimed approximately AUD 0.97 by way of outstanding moneys under the original contract (approximately AUD 0.45 million), plus 5 variations (approximately AUD 0.52 million). Birla Nifty Pty Ltd has counterclaimed for the costs of rectifying the shed walls to increase the capacity. Birla Nifty Pty Ltd is defending the claim and the matter is scheduled for mediation with a view to resolving the matter on a without prejudice basis.
3. On April 13, 2007, Boom Logistics Ltd commenced proceedings in the Supreme Court of Western Australia. Boom Logistics Ltds claim is for loss and damage in the amount of AUD 491,000 in respect of damage to a crane which it had dry hired to Birla Nifty Pty Ltd and for loss of revenue.

Contingent Liabilities as of March 31, 2008:

Please refer to outstanding litigation above.

B. Birla Mt Gordon Pty Ltd

1. Veronica Tonkin, an employee of the Compass Group (Australia) Pty Ltd, which provided catering services to Birla Mt Gordon Pty Ltd filed a suit alleging that she tripped over a protruding late in the floor and thereby injured her ankle and back and has claimed approximately AUD 600,000. At a preliminary conference Veronica Tonkin dropped her claim to AUD 320,000.

Contingent Liabilities as of March 31, 2008:

Please see outstanding litigation as above.

C. *Birla Maroochydore Pty Ltd*

1. The Maroochydore joint venture was established by a heads of agreement – Maroochydore Copper Project Farmin dated October 19, 1995, between Murchison, Renison Bell Limited (“Renison”) (together, “the Farmor”), Straits and Straits Resources Ltd. Straits earned a 50% participating interest in the Maroochydore joint venture. Straits were appointed the Manager of the Maroochydore joint venture under the said heads of agreement. Pursuant to the tenement sale agreement dated January 24, 2003, and the adherence deed dated March 6, 2003, Birla Maroochydore Pty Ltd acquired Straits’ Participating Interest in the Maroochydore joint venture. Completion of this acquisition has not yet occurred. Completion was initially delayed by the Farmor’s refusal to consent to the transfer of Straits’ participating interest to Birla Maroochydore Pty Ltd. The Farmor withdrew its objection by a Deed of Release dated July 10, 2006. Completion is now awaiting the execution of a Deed of Covenant (in order to satisfy clause 2.1(c) of the said tenement sale agreement and clause 15.4 of the heads of agreement) by which Birla Maroochydore Pty Ltd assumes the obligations of Straits. Birla Maroochydore Pty Ltd and Straits have sent a Deed of Covenant to the Farmor in 2007 for execution which sets out Birla Maroochydore Pty Ltd’s view of the respective participating interests. The Farmor has not responded to the Deed of Covenant. After Straits and Birla Maroochydore Pty Ltd entered into the said tenement sale agreement, a dispute arose concerning whether the Farmor’s participating interest in the Maroochydore joint venture has been diluted from 50% to 47.87% for failure to pay a cash call on time.

Contingent Liabilities as of March 31, 2008: Nil

D. *Novelis Inc.*

The following litigation disclosure of Novelis and its subsidiaries is in accordance with item 103 of Regulation S-K promulgated under the Securities Act of 1933, as amended.

Civil Proceedings

Arco Aluminium Inc. (“**Arco**”) filed a complaint against Novelis Inc. and Novelis Corporation on May 24, 2007 in the United States District Court for the Western District of Kentucky. Arco and Novelis Corporation are partners in a joint venture rolling mill located in Logan, Kentucky. In the complaint, Arco sought to resolve a perceived dispute over management and control of the joint venture rolling mill following the Company’s acquisition of Novelis Inc. Arco alleged that its consent was required in connection with Company’s acquisition of Novelis Inc. Failure to obtain consent, Arco alleges, had put Novelis Corporation in default of the joint venture agreements, thereby triggering certain provisions in those agreements. The provisions include a reversion of the production management at the joint venture to Logan Aluminum from Novelis Corporation, and a reduction of the board of directors of the entity that manages the joint venture from seven members (four appointed by Novelis Corporation and three appointed by Arco) to six members (three appointed by Novelis Corporation and three appointed by Arco). Arco sought a court declaration that (1) Novelis Corporation and their affiliates be prohibited from exercising any managerial authority or control over the joint venture, (2) The interest of Novelis Corporation in the joint venture be limited to an economic interest only and (3) Arco have authority to act on behalf of the joint venture. Alternatively, Arco is seeking a reversion of the production management function to Logan Aluminum, and a change in the composition of the board of directors of the entity that manages the joint venture. Novelis Corporation filed their answer to the complaint on July 16, 2007. On July 3, 2007, Arco filed a motion for partial summary judgment with respect to one of the counts of its complaint relating to the claim that Novelis Corporation breached the joint venture agreement by not seeking Arco’s consent. On July 30, 2007, Novelis Corporation filed a motion to hold Arco’s motion for summary judgment in abeyance pending further discovery, along with a demand for a jury. On February 14, 2008, the judge issued an order granting Novelis

Corporation's motion to hold Arco's summary judgment motion in abeyance. Pursuant to this ruling, the joint venture continues to conduct management and board activities as normal. This case is currently under court review and will remain until resolution.

Environmental Matters

The following describes certain environmental matters relating to our business. None of the environmental matters include government sanctions of \$100,000 or more.

Novelis is involved in proceedings under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, or analogous state provisions regarding liability arising from the usage, storage, treatment or disposal of hazardous substances and wastes at a number of sites in the United States, as well as similar proceedings under the laws and regulations of the other jurisdictions in which Novelis has operations, including Brazil and certain countries in the European Union. Many of these jurisdictions have laws that impose joint and several liability, without regard to fault or the legality of the original conduct, for the costs of environmental remediation, natural resource damages, third party claims, and other expenses, on those persons who contributed to the release of a hazardous substance into the environment. In addition, Novelis is, from time to time, subject to environmental reviews and investigations by relevant governmental authorities.

As described further in the following paragraph, Novelis has established procedures for regularly evaluating environmental loss contingencies, including those arising from such environmental reviews and investigations and any other environmental remediation or compliance matters. Novelis believes it has a reasonable basis for evaluating these environmental loss contingencies, and it believes it has made reasonable estimates of the costs that are likely to be borne by it for these environmental loss contingencies. Accordingly, Novelis has established reserves based on our reasonable estimates for the currently anticipated costs associated with these environmental matters. Novelis estimates that the undiscounted remaining clean-up costs related to all of its known environmental matters as of June 30, 2008 will be approximately U.S.\$ 47 million. Of this amount, U.S.\$ 33 million is included in other long-term liabilities, with the remaining U.S.\$ 14 million included in accrued expenses and other current liabilities in its condensed consolidated balance sheet as of June 30, 2008. Management has reviewed the environmental matters, including those for which Novelis assumed liability as a result of the spin-off from Alcan. As a result of this review, management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impair the operations or materially adversely affect its financial condition, results of operations or liquidity.

With respect to environmental loss contingencies, Novelis records a loss contingency on a non-discounted basis whenever such contingency is probable and reasonably estimable. The evaluation model includes all asserted and unasserted claims that can be reasonably identified. Under this evaluation model, the liability and the related costs are quantified based upon the best available evidence regarding actual liability loss and cost estimates. Except for those loss contingencies where no estimate can reasonably be made, the evaluation model is fact-driven and attempts to estimate the full costs of each claim. Management reviews the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The estimated costs in respect of such reported liabilities are not offset by amounts related to cost-sharing between parties, insurance, indemnification arrangements or contribution from other potentially responsible parties unless otherwise noted.

E. Novelis Corporation

Civil Proceedings

1. A case was filed by Coca Cola Enterprises Inc. on April 3, 2007 in the U. S. District Court for Northern District of Georgia alleging that Novelis Corporation, successor to the rights and obligations of AlcanCorp, breached the terms of a prior aluminum can stock supply agreement. According to its terms, that agreement with CCE terminated in 2006. The CCE supply agreement included a “most favored nations” provision regarding certain pricing matters. CCE alleged that Novelis Corporation’s entry into a supply agreement with Anheuser-Busch, Inc. breached the “most favored nations” provision of the CCE supply agreement. Novelis Corporation moved to dismiss the complaint and on March 26, 2008, the U.S. District Court for the Northern District of Georgia issued an order granting Novelis Corporation’s motion to dismiss CCE’s claim. On April 24, 2008, CCE filed a notice of appeal of the court’s order with the United States Court of Appeals for the Eleventh Circuit and filed its appellate brief on July 11, 2008. On August 13, 2008, Novelis Corporation filed its response brief with the United States Court of Appeals for the Eleventh Circuit.
2. On February 15, 2007, Novelis Corporation was served with a complaint filed in Superior Court of Fulton County, Georgia from Coca Cola Bottlers Sales and Services Co. (“CCBSS”) alleging breach of contract and seeking monetary damages in an amount to be determined at trial and a declaration of its rights under the agreement as to Novelis Corporation’s obligations under the most favored nations provision of an aluminum can stock supply agreement between CCBSS and Novelis Corporation. Novelis Corporation filed a notice of removal to federal court on February 20, 2007. CCBSS filed a motion to remand back to the state court on March 6, 2007, which was granted. As a prayer for relief, CCBSS requests monetary damages in an amount to be determined at trial.
3. On January 2004, Reynolds Metal Company, Alcoa, Inc. and National Union Fire Insurance Company (“Reynolds/Alcoa/NUFIC”) filed a complaint against Alcan, Inc. and Novelis Corporation in the district court in Washington State stemming from the sale of aluminum plate which was used to build boats. The jury at the district court in Washington State reached a verdict on May 22, 2006 against Novelis Corporation and Alcan for approximately U.S.\$ 60 million, and the said court later awarded Reynolds/Alcoa/NUFIC approximately U.S.\$ 16 million in prejudgment interest and court costs. The said case was settled in July 2006 for approximately U.S.\$ 71 million. Novelis Corporation contributed U.S.\$ 1 million toward the settlement, and the remaining portion of the judgment was funded by its insurer. Of the U.S.\$ 70 million funded, U.S.\$ 39 million is in dispute with and under further review by certain of the insurance carriers. In the quarter ended September 30, 2006, Novelis Corporation posted a letter of credit in the amount of approximately U.S.\$ 10 million in favor of one of those insurance carriers, while Novelis Corporation resolves the extent of coverage of the costs included in the settlement. On October 8, 2007, Novelis Corporation received a letter from these insurers stating that they had completed their review and they were requesting a refund of the U.S.\$ 39 million plus interest. The Novelis Corporation reviewed the insurers’ position, and on January 7, 2008, it sent a letter to the insurers rejecting their position that Novelis Corporation is not entitled to insurance coverage for the judgment against it. During July 2008 a settlement-in-principle was reached with the insurers under which Novelis Corporation will reimburse a total of USD 12.5 million. The parties are currently finalizing a settlement agreement.
4. On September 19, 2006 Novelis Corporation filed a lawsuit against Anheuser-Busch, Inc. in federal court in Ohio. Anheuser-Busch, Inc. subsequently filed suit against Novelis Corporation and Novelis Inc. in federal court in Missouri. On January 3, 2007, Anheuser-Busch, Inc.’s suit was transferred to the Ohio federal court. Novelis Corporation alleged that Anheuser-Busch, Inc. breached the existing multi-year aluminum can stock supply agreement between the parties, and sought monetary damages and declaratory relief. Among other claims, Novelis Corporation asserted that since entering into the supply agreement, Anheuser-Busch, Inc. has breached its confidentiality obligations and there has been a structural change in market conditions that requires a change to the pricing provisions under the agreement. In its complaint, Anheuser-Busch, Inc.

asked for a declaratory judgment that Anheuser-Busch, Inc. is not obligated to modify the supply agreement as requested by Novelis Corporation, and that Novelis Corporation must continue to perform under the existing supply agreement. On January 18, 2008, Anheuser-Busch, Inc. filed a motion for summary judgment. On May 22, 2008, the said court granted Anheuser-Busch, Inc.'s motion for summary judgment. Novelis Corporation filed a notice of appeal with the United States Court of Appeals for the Sixth Circuit on June 20, 2008. On August 18, 2008, the parties to the said matter entered into a dismissal agreement whereby Novelis Corporation agreed to dismiss its appeal to the United States Court of Appeals for the Sixth Circuit, Anheuser-Busch agreed to withdraw its motions for costs and attorneys' fees, and both parties agreed to not file any additional motions, actions or proceedings related to the original lawsuit. On August 19, 2008, the parties filed the dismissal agreement with the United States Court of Appeals for the Sixth Circuit.

5. For details of the case between Acro Aluminium Inc. and Novelis Corporation in the United District Court for the Western District of Kentucky, see outstanding litigation of Novelis Inc. on page 234 of this Letter of Offer.

F. *Novelis do Brasil Limitada*

Tax Matters

Primarily as a result of legal proceedings with Brazil's Ministry of Treasury regarding certain taxes in South America, as of June 30, 2008 and March 31, 2008, Novelis had cash deposits aggregating approximately U.S.\$42 million and U.S.\$ 36 million, respectively, in judicial depository accounts pending finalization of the related cases. The depository accounts are in the name of the Brazilian government and will be expended towards these legal proceedings or released to us, depending on the outcome of the legal cases. These deposits are included in other long-term assets — third parties in our accompanying condensed consolidated balance sheets. In addition, the company is involved in several disputes with Brazil's Minister of Treasury about various forms of manufacturing taxes and social security contributions, for which it has made no judicial deposits but for which it has established reserves ranging from U.S.\$ 8 million to U.S.\$ 105 million as of June 30, 2008. In total, these reserves approximate U.S.\$ 128 million and U.S.\$ 111 million as of June 30, 2008 and March 31, 2008, respectively, and are included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

On July 16, 2008, the second instance court in Brazil ruled in favor of the Ministry of Treasury in the amount of U.S.\$ 5.5 million in one of these tax disputes. Novelis has filed a request for clarification of the decision. Upon receiving this clarification, Novelis do Brasil Limitada will evaluate its grounds for appeal.

Litigation involving our Promoters

Mr. Kumar Mangalam Birla

For details of outstanding litigation involving Mr. Kumar Mangalam Birla, please see section titled "Outstanding Litigations and Defaults – Litigation involving our Director – Mr. Kumar Mangalam Birla" on page 188 of this Letter of Offer.

Litigation involving Promoter Group Companies

Pursuant to clause 6.10.3.2 of the SEBI DIP Guidelines, outstanding litigation involving the five listed group companies of the Company is as follows:

Idea Cellular Limited

Outstanding Litigation:

A. Criminal Cases

(i) Cases filed against Idea

1. Two criminal matters have been filed against Idea and/or its employees on various grounds, which include assault, fraud, cheating. The matters are currently pending at various stages of adjudication.
2. Four criminal cases have been filed against the Idea before various for a on grounds relating to disputes arising out of (i). erection of tower within DTP area without permission, (ii) u/s 12(1) of Punjab Scheduled Roads and Controlled Areas Act, 1963 and (iii) noise of generator is a source of nuisance and harmful microwave radiations The aggregated amount involved in the dispute is Rs. 0.94 million. The matters are currently pending at various stages of adjudication.
3. One criminal case has been filed against Idea by the Pune Municipal Corporation on grounds of evading octroi duty on the goods imported by Idea. The amount involved in the dispute is Rs. 0.018 million. The matter is currently pending.

(ii) Cases filed by Idea

1. 13,487 cases have been filed by Idea under section 138 of the Negotiable Instruments Act before various courts against defaulting individuals/entities. The aggregated amount involved is Rs. 35.64 million. The cases are pending at various stages of adjudication.
2. 56 criminal cases have been filed by Idea before various lower courts in relation to disputes arising from i) default under Sections 420, 409 of the Indian Penal Code read with Section 138 of Negotiable Instruments Act, 1988 and (iii) challan in relation to collapse of tower in a storm. The aggregated amount involved in the dispute is Rs. 1.9 million. The matters are currently pending at various stages of adjudication.
3. An appeal has been filed by Idea before the Bombay High Court, on grounds of being aggrieved by the order passed by the Judicial Magistrate First Class, holding Idea guilty under section 33 of the Weights and Measurement Act, in relation to not printing the manufacturing date, and expiry dates on SIM card packets. The matter is currently pending at various stages of adjudication.
4. A case under Section 630 of the Companies Act, 1956 has been filed by Idea against a former workman in relation to the possession of a Idea's vehicle.
5. Two criminal cases have been filed against Idea before the Sub Divisional Magistrate's Court on grounds relating to the effect of the tower construction on (i) general public health, (ii) its impact on pollution and (iii) nuisance,. The matters are currently pending at various stages of adjudication.

B. Labour Cases

(i) Cases filed against Idea

1. Three labour cases have been filed against Idea before the various Courts against by former workman on various grounds including (i) workmen compensation claims, and (ii) termination from service. The matters are currently pending at various stages of adjudication.

2. Six labour cases have been filed against Idea before various Courts by government officials/authorities on grounds which include (i) violation under minimum wages Act, (ii) spot inspection of Idea's Panipat District Office and (iii) irregularities under Shops and Establishment Act. The aggregate amount involved in the dispute is Rs. 1.55 million. The matters are currently pending at various stages of adjudication.

C. Civil Cases

(i) Cases filed against Idea

1. A public interest litigation (No. 3139/2006) has been filed before the Bombay High Court, Nagpur Bench against the Nagpur Municipal Corporation, the fire department, Nagpur and the State of Maharashtra challenging the illegal erection of towers by cellular companies without getting proper sanctions. Idea impleaded itself as an interested party to the case along with other mobile operators. The Court while calling for details from the authorities also directed that no further installation shall be permitted till further orders. The matter is currently pending.
2. 20 civil suits have been filed against Idea regarding cell towers constructed/ proposed to be constructed by Idea. The plaintiffs in the said civil suits have, on various grounds prayed for (i) injunction restraining Idea from undertaking construction, (ii) declaration to the effect that the agreement entered into by Idea is null and void, (iii) partition of properties on which the cell towers of Idea are located, (iv) injunctions in relation to the cell towers constructed by Idea and (v) injunction against installation of telecommunication equipment. The civil suits are currently pending at various stages of adjudication.
3. 25 civil cases were filed against Idea before various fora, inter-alia, relating to cellular sites, these include (i) disputes regarding ownership rights for the caption land / terrace / premises, (ii) the near by residents claiming hazards such as electro-magnetic radiation/noise pollution/ and threat of the tower collapsing. The cases are pending at various stages of adjudication.
4. Five civil cases have been filed by various individuals (the "Defendants") before various Courts against Idea, on grounds including (i) Optical Fiber Cable (OFC) being laid through the Defendant's land, (ii) use of songs/tones as dialer tones, (iii) GSM antennas on the terrace and a generator room in the cellar of a welfare association after obtaining the necessary approvals and (iv) advertisement hoardings. The matters are currently pending at various stages of adjudication.
5. 12 cases have been filed against Idea, before various for Courts by housing associations/ and individuals on grounds of dispute arising from (i) removal of a cellular site, and (ii) barring roaming without information (iii) construction of towers and (iv) advertisement tax The matters are currently pending at various stages of adjudication.
6. 24 civil cases have been filed against Idea before various grounds pending on grounds relating to disputes arising out of (i) cellular sites, (ii) tower related disputes, and (iii) accident death claim and (iv) injuries caused to a minor in an accident involving Idea's vehicle.. The aggregate amount involved in the dispute is Rs. 10.1 million. The matters are currently pending at various stages of adjudication.
7. A civil suit (no. 95/2004) for specific performance and compensation amounting to Rs. 1.00 million (including rent and compensation) has been filed against Idea. The suit has arisen in relation to an agreement entered into by Idea for the installation of a cell site which was by Idea due to failure in obtaining building permissions from the local authority. Idea filed an application for referring the matter to an arbitrator in accordance with the arbitration clause contained in the agreement, which was rejected. Aggrieved by the said order, Idea filed a revision petition before

- the Bombay High Court, which was allowed. The matter is currently pending for appointment of arbitrator.
8. Two recovery suits have been filed against Idea for recovery of rent in accordance with a leave and license agreement executed by Idea for the construction of its cell tower. The aggregate amount involved is Rs. 0.73 million. In one of the suits Idea had filed a revision petition before the Bombay High Court, which ordered the stay of proceedings pending before the lower and directed Idea to deposit the disputed amount of Rs. 0.29 million. The disputed amount has been deposited by Idea. Both the suits are currently pending at different stages of adjudication.
 9. 20 cases have been filed against Idea before various lower courts in relation to various disputes including (i) encroachment of a public road, (ii) encroachment of a place reserved for common use and health purposes, (iii) construction of a tower without collector's permission, (iv) construction of a tower without relevant environmental clearances, and (v) anticipated health hazards from towers situated in residential areas. The aggregate amount involved in the dispute is Rs. 0.75 million. The matters are currently pending at various stages of adjudication.
 10. 14 civil cases have been filed against the Idea before various fora on grounds relating to disputes arising out of (i). charges pertaining to construction of towers, (ii) erection of towers, and (iii) recovery of monthly rent and damages to the building and (iv) cancellation of distributorship without prior notice . The aggregate amount involved in the dispute is Rs.13.13 million. The matters are currently pending at various stages of adjudication.
 11. Ahmedabad Municipal Corporation has filed a SLP challenging an order passed by the division bench of Gujarat High Court in favour of Idea stating that the building permission is not required for installation of BTS towers as the structures are temporary in nature. The Supreme Court granted status quo against the demand of Rs. 3.5 million. The matter is currently pending.
 12. One appeal was filed by Idea before the Chandigarh High Court in relation to a dispute arising from the imposition of annual and other charges on the construction of towers. The State of Haryana issued a notification on September 20, 2001 granting a sanction for setting up towers upon payment of Rs. 0.08 million and charges of Rs. 0.01 million per year per tower The amount involved in the dispute is Rs.13.13 million. The matter is currently pending.
 13. Four civil cases, have been filed by Idea against various government authorities before various fora in relation to disputes arising out of (i) notices received in UP East and West from various collectors of Stamps for registration of our license agreements relating to telecom towers on grounds of deficiency in service, and (ii) an order of demolition of one of the towers passed by Secretary Allahabad Development Authority. The aggregate amount involved in the dispute is Rs. 0.1 million. The matters are currently pending at various stages of adjudication.
 14. 210 cases have been filed against Idea before various Courts/Authority in respect of Stamp duty deficit. The aggregate amount involved in the dispute is Rs. 3.53 million. The matters are currently pending at various stages of adjudication.
 15. 100 cases have been referred to the District Legal Services Authority, Jaipur for deciding the same under the Lok Adalats
 16. 40 notices have been issued by various Collectors of Stamp, against Idea under the Stamp Act from on grounds of dispute arising from the registration of License deeds executed for installation of Telecom towers. The aggregate amount involved in the dispute is Rs. 1.2 million. The matters are currently pending at various stages of adjudication.

17. 383 consumer cases were have been filed were various individuals against Idea before various consumer forums on grounds of deficiency in services and disputes arising out of rectification of bills, failure to restore cellular services, claiming refunds, compensation for cost of damages, delay in activations, non-activation, rectification of bills, illegal disconnections and non restoration of services. The aggregate amount involved in the disputes is Rs. 43. 03 million. All the matters are currently pending at various stages of adjudication.
18. An insolvency petition (no. 3/2004) has been filed by a debtor before the Court of District Judge, Pune against Idea. The amount involved is Rs. 0.02 million. The matter is currently pending at various stages of adjudication.

(ii) *Cases filed by Idea*

1. Idea has filed 13 different writ petitions against various state governments, municipal corporations and gram panchayats (the “Governmental Authorities”) challenging orders/ notifications/ demands issued by the Governmental Authorities. The various issues involved in the writ petitions include, (i) levying charges and premiums on the base stations, (ii) levy of octroi on the maximum retail price of the SIM cards, (iii) demand of property tax, (iv) demand of charges for grant of building permission for erection of cell sites and (iv) disconnection of electric supply to cellular towers. The aggregate amount involved in the said writ petitions is Rs. 9.37 million. The writ petitions are currently pending.
2. Two writ petitions have been filed by Idea before the Andhra Pradesh High Court against the District Registrar, in relation to disputes arising on grounds that include stamp duty payable on the leave and license documents executed for erection of towers. The aggregate amount involved in the dispute is 0.52 million. The matters are currently pending at various stages of adjudication.
3. Eleven cases have been filed before various Court by idea on grounds including objections to installation of telecom equipment. Out of these cases an appeal has been filed by Idea before the Appellate Commissioner against the Uttar Pradesh stamps and registration authority on grounds on being aggrieved by the demand of Rs. 5.7 million as deficit stamp duty. The matters are currently pending.
4. Four writ petitions have been filed by Idea against various municipal authorities before the Andhra Pradesh High Court on grounds of (i) advertisement tax, and (ii) refund of sales tax. The aggregate amount involved in the dispute is Rs. 40.07 million. The cases are pending at various stages of adjudication
5. A writ petitions has been filed by Idea before the Andhra Pradesh High Court against the Government of Andhra Pradesh, the Controller of Legal Metrology, the District Inspector, Legal Metrology (Weights and Measures) and the Inspector, Legal Metrology, on grounds that sale of freedom cards/recharge coupons do not require compliance under Standards of Weights and Measures Act, 1976. The Court granted a stay on the seizure. The case is currently pending.
6. Idea has filed three different civil suits against various defaulting individuals/entities (the “Defendants”) before various Court. The various issues involved in the suits include, (i) permanent injunction restraining the respective Defendants from disturbing the installation activities, and (ii) claim over ownership of licensed premises, where Idea installed a tower on the rooftop and the recovery suits are currently pending at various stages of adjudication.
7. Four Special Civil Applications have been filed by Idea before various High Courts against various municipal corporations on grounds of arbitrary actions in relation to its cellular sites, inter-alia, these include demand of tax, installation charges, illegal demolition. The matters are currently pending at various stages of adjudication.

8. 199 different recovery suits have been filed by Idea against various defaulting individuals/entities (the "Defaulting Parties") before various Courts. The various issues involved in the suits include, (i) payment due in respect of the mobile services used, (ii) recovery of security deposit/advance deposit, (iii) dues payable for purchasing prepaid SIM cards and (iv) default in payments/mobile bills. The aggregate amount involved in the said recovery suits is Rs. 14.71 million. The recovery suits are currently pending.
9. Idea has filed an appeal under section 75 of the Employees State Insurance Act against the order, dated February 28, 2005 by which Idea was directed to pay Rs. 0.47 million. Pursuant to the Court order, Idea was directed to pay Rs. 0.27 million. Pursuant to the directions of the Court the said amount has been paid, whilst the remaining amount was challenged. The amount involved in dispute is Rs. 0.21 million. The matter is currently pending.
10. In addition to the above 27 seven civil suits, have been filed by the Idea against various local authorities for seeking injunctions in order to restraining these local authorities from ordering the demolition of the cellular sites of Idea.
11. One appeal has been filed by Idea before the Chandigarh High Court in relation to a dispute arising from the imposition of annual and other charges on the construction of towers. The State of Haryana issued a notification on September 20, 2001 granting a sanction for setting up towers upon payment of Rs. 0.08 million and charges of Rs. 0.01 million per year per tower. The amount involved in the dispute is Rs.13.13 million. The matter is currently pending.
12. Two civil cases have been filed by Idea before various fora on grounds relating to disputes arising out of (i) deresuming the plot at on which the Idea's tower is installed, and (ii) installation of towers against Huda and Tara Chand. The aggregate amount involved in the dispute is Rs.0.27 million. The matters are currently pending at various stages of adjudication.
13. Two civil cases have been filed by Idea before various High Courts on grounds relating to disputes arising out of (i) levy of tax, and (ii) removal of 'Cellular and Microwave Antenna Tower. The aggregate amount involved in the dispute is Rs.0.42 million. The matters are currently pending at various stages of adjudication.
14. Eleven appeal are pending before Allahabad High Court in respect of stamp duty issues. The aggregate amount involved in the dispute is Rs. 3.7 million. The matters are currently pending at various stages of adjudication.
15. Two cases in relation to motor vehicle claims have been filed against Idea by various individuals on grounds of (i) accident caused by a company vehicle and (ii) rash and negligent driving. The aggregate amount involved is Rs. 8.1 million. The matter is currently pending.
16. Two civil cases are pending in relation to tenancy. The amount involved is Rs. 0.51 million./ The matters are pending at various stages of adjudication.

C. Arbitration Cases

(i) Cases filed against Idea

1. An arbitration proceeding has been initiated by Idea against a grantor Kota Satyanarayana (the "Respondent") in relation to a dispute arising out of non payment of recovery security deposit paid in relation installation of a cellular tower on the rooftop/terrace of the Respondent's building. The amount involved in the dispute is Rs. 0.31 million. In the same proceedings, the Respondent filed a counter claim for an aggregate amount of Rs. 1.39 million. The matter is currently pending.

2. L. K. Corporation has filed an arbitration application (No. 283/2008) before Bombay High Court regarding dispute in relation to certain premises taken on lease by Idea from L. K. Corporation. The matter is currently pending.
3. An arbitration proceeding has been initiated. The amount involved is Rs. 0.050 million. The matter is pending at various stages of adjudication.

D. Taxation cases

Income Tax

1. Six appeals have been filed by Idea before various Courts against various Income Tax Authorities on various grounds, which include (i) TDS not payable under the Income Tax Act nor under the double taxation agreement (ii) calculation of interest on the refund and (iii) issue of TDS on IUC charges. The aggregate amount involved is Rs. 17.03 million. The matters are currently pending at various stages of adjudication.

Service Tax

1. 25 SCNs have been issued by various service tax departments against Idea on grounds, which include (i) disallowance of CENVAT, (ii) restriction of CENVAT credit, (iii) service tax on SIM card, (iv) input service tax credit on Internet services, (iv) international inbound roaming, interconnect usage charges and infrastructure sharing revenue, and (v) CENVAT credit relating to tower material. The aggregate amount involved in the dispute is Rs. 1190.76 million. The matters are pending on various stages of adjudication.
2. A SCN have been issued by the Income Tax Departments against Idea on grounds of violating Section 271C of the I.T. Act 1961. The aggregate amount involved in the dispute is Rs. 0.53 million. The matter is currently pending.
3. The Assistant Commissioner of Service Tax issued the order against IDEA disallowing CENVAT credit on grounds of inappropriate invoices. The aggregate amount involved in the dispute is Rs. 1.29 million. The matter is currently pending.
4. 18 writ petitions have been filed by Idea before the Kerala High Courts in relation to disputes arising from i) demand of tax in excess, (ii) service tax issues, (iii) calculating the cost of the tower, (iv.) validity of the levy of both value added tax on recharge coupons under the Kerala Value Added Tax act and service tax on the same under the Finance Act and (iv) cancellation of the tower permit. Certain petitions were filed to obtain police protection. These cases are pending at various stages of adjudication.

Trade Tax

1. Eight cases have been filed by Idea against orders issued under Trade Tax before various Courts on various grounds including (i) demand raised on SIM card and (ii) seizure of goods. The aggregate of Rs. 53.05 million has been paid under protest. The matters are pending on various stages of adjudication.

Entry Tax

1. 16 cases pertaining to entry tax have been filed by Idea before various fora against the orders of various tax authorities in relation to disputes arising out of (i) constitutional validity of Andhra Pradesh Entry of Goods Act, (ii) transfer of cellular site material, (iii) entry tax on tower material purchased and brought, and (iv) entry tax on plant machinery and other spare parts. The aggregate

amount involved in the dispute is Rs. 82.85 million. The matters are pending at various stages of adjudication.

Sales Tax/VAT

1. Twelve appeals, have been filed by Idea before various fora against the orders of various tax authorities in relation to disputes arising out of (i) interception of site materials due to faulty documentation, (ii) demand was raised on SIM cards, (iii) seizure of goods and (iv) the dispatch team not disclosed TIN number and value on stock transfer note in the vehicle carrying site material and SIM Value and (vii) treating F form for stock transfer as a inter state sale (vii) charging excess custom duty on import of software. In one of cases, the matter was remanded to the lower court for proper adjudication. The aggregate amount involved in the dispute is Rs. 45.9 million. The matters are pending at various stages of adjudication.
2. Idea has filed a writ petition before the Andhra Pradesh High Court on grounds of the department demanding sales tax on prepaid cards and recharge coupons. The amount involved is Rs. 40.73 million. The matters is pending at various stages of adjudication.

Customs

(i) Cases filed against Idea

1. An appeal has been filed by the Custom Department against Idea aggrieved by an order passed by the Asst. Commissioner Customs in relation to refund of the excess CVD amount paid. The Commissioner appeal has remanded the matter to the assessing authority and directed the issuance of a speaking order. The amount involved in the matter is Rs. 3.03 million. The matter is currently pending.

(ii) Cases filed by Idea

1. An appeal has been filed by Idea against before the Appellate Deputy Commissioner, on grounds of the assessing officer not considering F form for stock transfer, and treating it as an inter state sale. The amount involved in the matter is Rs. 7.63 million. The matter is currently pending.

Octroi Cases

1. Six cases have been filed by Idea against various municipal corporations challenging the applicability of the octroi duty charged on the maximum retail price of SIM and scratch cards. Idea has claimed a refund of the amounts deposited under protest. The matters are currently pending at various stages of adjudication.

Contingent Liabilities as on March 31, 2008:

- (a) On March 2, 2006, the Supreme Court passed an order adjudicating that providing of telecommunication services cannot be termed as 'Goods' under the Sale of Goods Act. In view of the above judgment, demands raised for Sales Tax on Activation of new connections, Rentals and Airtime by Sales Tax Authorities stand extinguished. As of March 31, 2008, Sales Tax demands of Rs. 60.22 Mn.
- (b) Export obligation under EPCG (Export Promotion Credit Gurantee) Scheme is Rs. 301.06 Mn. (Previous Year Rs. 301.06 Mn.). Failure to meet this export obligation within the stipulated time frame as per Foreign Trade Policy 2004-2009 would result in the payment of the aggregated differential duty saved amounting Rs. 69.62 Mn.

- (c) During the financial year 2006-07, the WPC Wing of the DoT had raised demands towards monthly compounded interest on WPC charges for the period upto the financial year 2002-03 in respect of the telecom service areas of the erstwhile Idea Mobile Communication Limited (IMCL) and BTA Cellcom Ltd.

Telecom operators had paid WPC Royalty and license fees towards GSM frequency, access and back-bone frequency charges on circle area basis as provided in the license terms from inception till financial year 2002-03 while the DoT demands were on city basis. The above matter was disputed by the operators and contested in TDSAT. DoT proposed a change in the basis of levy of spectrum charges based on revenue share vide their letter dated April 18, 2002 on the condition of its acceptance in entirety and withdrawal of all legal proceedings by the operators. Vide their letter dated March 26, 2002, DoT had also given time to the operators to deposit the earlier principal demands by April 15, 2002. The operators accepted the offer of change to revenue share basis on August 23, 2002. The interest demand now raised by WPC wing of DoT for the period before April 15, 2002 is contrary to the DoT proposal in 2002.

Idea is therefore in the process of taking suitable remedial action on these demands including a notice to the erstwhile promoter of Idea Mobile Communication Limited for Rs. 348.79 million.

- (d) Other Matters not provided for

(in Rs. million)

Particulars	As on March 31, 2008	As on March 31, 2007
Income Tax Matters not acknowledged as debts	18.75	98.38
Sales Tax and Service Tax Matters not acknowledged as debts	1,254.06	313.83
Other claims not acknowledged as debts	1,117.18	505.36

- (e) Estimated amount of contracts (net of advance) remaining to be executed on capital account and not provided for:

(in Rs. million)

Particulars	As on March 31, 2008	As on March 31, 2007
Estimated amount of contracts (net of advance)	20,390.42	10,177.57

- (f) Details of guarantees given

(in

Rs. Million)

Particulars	As on March 31, 2008	As on March 31, 2007
Bank guarantees given to DoT including performance guarantees of Rs.2,370.00 Mn. (Previous Year Rs. 1,140 Mn.)	7,995.67	3,807.39
Bank guarantees given to BSNL	261.07	241.64
Bank guarantees given to Others	1,706.81	278.01

Aditya Birla Nuvo Limited

Criminal cases

- (i) *Cases filed against ABNL*

- Four criminal cases have been filed against ABNL before the Judicial Magistrate (1st Class), Veraval on various grounds which include (i) fatal accidents, (ii) violation of the provisions of Industrial Disputes Act, 1947 and Rules, (iii) dust, noise and gases emission from factory and (iv) Chlorine gas leakage. All the cases are currently pending at various stages of adjudication.

2. One appeal was filed against ABNL before the Court of Sessions Judge, Koraput by Orissa Mining Corporation Limited on grounds of being aggrieved by the order of a lower court. The said Sessions Judge set aside the order and directed the lower court to proceed according to law. ABNL has filed an application under Section 482 of the Criminal Procedure Code in the Orissa High Court to quash the said complaint. The matter is currently pending.
3. One appeal was filed against ABNL before the Additional Sessions Judge, Bangalore by Big Shot Universe on grounds of being aggrieved by the order of the lower court. The amount involved in the dispute is Rs 2.0 million issued by them along with a fine of Rs 2.5 million. The matter is currently pending.
4. Two criminal complaints have been filed by Chief Agricultural Officer, Faridkot, and Chief Agricultural Officer, Moga under Section 19(a) of the Fertiliser Control Order 1985, section 7 read with 12 AA of the Essential Commodities Act 1955 against ABNL before various courts. These cases were filed on grounds of ABNL's fertilizer sample not meeting the prescribed specification post Di Ammonium Phosphate testing, and hence being declared non standard. The matters are currently pending at various stages of adjudication.
5. Charanjeet Singh, one of the hirers of the erstwhile Birla Global Finance Limited (now merged with Aditya Birla Nuvo Limited) had filed a case (no. 2339/02) against Mr. Kumar Mangalam Birla, S.K. Mitra and an ex-employee of the Lucknow Branch, Ashish Goel in the Court of the Metropolitan Magistrate, Kanpur for cheating, mischief and causing damage under sections 417, 418, 419 and 420 of the Indian Penal Code in relation to a hire purchase transaction of ABNL. ABNL then filed criminal miscellaneous petitions (no. 8607/03 and 8608/03) on behalf of Mr. Kumar Mangalam Birla and S.K. Mitra in the High Court at Allahabad under section 482 of the Criminal Procedure Code, 1973 against Charanjeet Singh. The High Court at Allahabad granted a stay on the proceedings at the Court of the Metropolitan Magistrate, Kanpur vide its order dated October 16, 2003. The stay is still in force and there are no further developments in the case.
6. Two criminal revision applications have been filed by Ramniranjan Kedia Tourism Services Private Limited before the Sessions Court, Mumbai, on grounds of challenging the order of the Additional Chief Metropolitan Magistrate 44th Court, Andheri which allowed the application for substitution of the authorised representatives of ABNL. The matter is currently pending.
7. In addition to the aforesaid cases 13 different criminal cases have been filed by various individuals (the "Complainants") against ABNL before various Courts. The amount involved in the matter aggregates to Rs 4.87 million. The cases are currently pending at various stages of adjudication.

(ii) *Cases filed by ABNL*

1. 13 criminal cases have been filed by ABNL against former employees before various lower courts under Section 630 of the Companies Act, 1956 on various grounds, which include encroachment of accommodation provided by ABNL after the workman's dismissal. The cases are currently pending.
2. 2,301 cases have been filed by ABNL under section 138 of the Negotiable Instruments Act, 1881, Out of the aforesaid cases 15 cases were filed under section 420 of the Indian Penal Code. These cases are pending before various Courts. The amount in dispute aggregates to Rs. 140 million. The matters are currently pending at various stages of adjudication.
3. A criminal case (no. 2582/92) has been filed by ABNL against Beeline Shipping Agencies Private Limited before the Judicial Magistrate First Class, Veraval on grounds of short supply of sulphur

with the intention to cause wrongful loss and injury to ABNL. The matter is currently pending at various stages of adjudication.

4. A criminal case (no. 796/2004) has been filed by ABNL against Ezy Slides Fastener and others under section 467 of the Indian Penal Code before the Additional Chief Metropolitan Magistrate, Bangalore on grounds of forgery and fabricating documents. The amount involved is Rs. 0.25 million. The matter is currently pending at various stages of adjudication.
5. Eight cases have been filed by Birla Global Finance Limited (“BGFL”) (now merged with ABNL) under section 138 of the Negotiable Instruments Act, 1881 before various courts against Ram Niranjana Kedia Tourism Services Private Limited (“RNK”), Mr. Kamal Kumar Kedia and Mr. Vishal Kedia, directors of RNK. In one of the cases RNK, filed an application dated September 20, 2005 for initiating contempt proceedings under Section 195 of Code of Criminal Procedure before the Court of the Metropolitan Magistrate at Andheri, Mumbai. The matters are currently pending at various stages of adjudication.
6. ABNL has filed 10 other criminal cases at various Courts. The aggregate amount involved is Rs 7.05 million. The matters are currently pending at various stages of adjudication.

Labour Suits

(i) Cases filed against ABNL

1. 138 labour cases have been filed by former workmen of ABNL on various grounds, before various Courts, which include disputes in relation to (i) back wages, (ii) termination, (iii) payment of wages, (iv) closure of ABNL’s units, (v) salary payment during strike. All these cases are pending before various Courts. The amount in dispute is Rs. 80.97 million.
2. Mr Suresh Kumar Rai, a driver has filed two cases against Birla Global Finance Company Limited, Birla Global Finance Limited, Aditya Birla Centre, Mr. Kumar Mangalam Birla and Mr. K.G. Ajmera before the Bandra Labour court on various grounds including (i) illegal termination of service (ii) non-payment of dues and (iii) reinstatement with full back wages. The amount involved in the matter is 0.187 million. The matters are currently pending.

(ii) Cases filed by ABNL

1. ABNL has filed 26 labour related cases before various Courts against former workmen on various grounds that include (i) discharge of workmen from services for indiscipline, and (ii) wages payable strike. The amount involved is Rs. 2.26 million. The matters are currently pending.

Tax Proceedings

Income Tax

(i) Cases filed against ABNL

1. The Income Tax Department filed an appeal before the Supreme Court against the order of High Court, Mumbai for the assessment year 1990-91 on the issue of clause III of first provision to section 143 (1)(a) of the I.T. Act, 1961. No order has been passed as on date. The matter is currently pending.
2. 22 cases have been filed by the Income Tax Department before the Bombay High Court on grounds of orders passed in favour of ABNL by the Income Tax Appellate Tribunal for various

assessment years. The aggregate amount in dispute is Rs. 261 million. The cases are pending at various stages of adjudication

3. 16 different appeals have been filed by the Income Tax Department before the Income Tax Appellate Tribunal aggrieved by the orders passed in favour of ABNL for various assessment years. The orders were passed allowing ABNL's appeal on issues which include (i) interest on government securities, debentures and bonds (ii) tax deduction under section 35D of the IT Act, (iii) long-term capital gain, and (iv) interest on self-assessment tax, (v) allowance on railway sliding preliminary expenses, (vi) GDR issue being time barred (vii) capital expenditure (viii) deletion of penalty and (ix) allowing certain expenses. The aggregate amount in dispute is Rs. 756.38 million.

(ii) Cases filed by ABNL

1. Six different cases have been filed by ABNL before the Bombay High Court. The aggregate amount in dispute is Rs. 53.66 million. The cases are pending at various stages of adjudication.
2. 25 different appeals have been filed by ABNL before various Courts aggrieved by the orders passed by various Income Tax authorities for the various assessment years. The orders were passed against ABNL on issues, which include (i) CENVAT on closing stock of inputs, (ii) bonus, (iii) Provident Fund, (iv) bad debts, (v) Section 80HHC claim, (vi) Section 35D deduction (vii) disallowance of various expenses such as payments made to schools, guesthouses, rural expenses (viii) disallowing deduction of initial issue expenses, (ix) disallowance of catalyst expenses as revenue expenditure and (x) disallowing deduction of share issue expenses. The aggregate amount in dispute is Rs. 472.90 million.

Central Excise

(i) Cases filed against ABNL

1. 53 different demand cum SCNs were issued against ABNL by various Central Excise authorities regarding various disputes, which include (i) industrial fabrics, which attract duty under Chapter 59 and not as man-made fabrics, (ii) inventories regarding receipt, issue and disposal of goods. The aggregate amount involved in these demand cum SCNs is Rs. 246.7 million. The matters are currently pending in appeal before Commissioner (Appeals), Allahabad, Kolkata High Court, and the Allahabad High Court respectively.
2. Nine different appeals have been filed by various Central Excise authorities against ABNL, regarding various disputes, which include (i) permitting concession availed under notifications, (ii) demand dropped for remission of duty on goods destroyed, (iii) disagreement over method of calculation over cost, abatement of profit, entitlement to benefit of exemption under applicable notifications and availing credit in excess of that permitted by the authorities, and (iv) entitlement to MODVAT credit. The aggregate amount involved in these cases is Rs.22.9 million. These cases are at various stages of adjudication.

(ii) Cases filed by ABNL

1. 48 different excise related cases have been filed against ABNL before various Courts against various Central Excise authorities. . The aggregate amount involved in these cases is Rs. 21.63 million. These cases are at various stages of adjudication.
2. Nine different appeals have been filed by ABNL regarding various disputes including disagreement over method of calculation over cost, abatement of profit, entitlement to benefit of

exemption under applicable notifications, evasion of central excise duties and availing credit in excess of that permitted by the authorities. The aggregate amount involved in these cases is Rs. 161 million. These cases are at various stages of adjudication.

Customs

(i) *Cases filed against ABNL*

1. Two different cases have been filed by the Commissioner of Customs against ABNL, before various Courts on grounds, which include violation of SAD, and interest on SAD and Custom Duty paid for re-importation of goods and being aggrieved by the order of the lower authority. The aggregate amount involved in these cases is Rs. million.4.0. These cases are at various stages of adjudication
2. Three SCN was issued by the Commissioner of Customs and the Assistant Commissioner ICD Vadodara respectively against ABNL on grounds of violation of (i) provisions of the EXIM Policy 1997-2002 (ii) the conditions of the advance licenses, (iii) education cess on imports cleared under DEPB grounds. The aggregate amount involved in these cases is Rs.10.59 million. The cases are currently pending.

(i) *Cases filed by ABNL*

1. Five different cases have been filed by ABNL against the Collector of Customs and the Assistant Commissioner, Customs, and before various Courts for recovery of custom duty paid in excess levy excessive duty on two imported consignments. The aggregate amount involved in these cases is Rs. 6.5 million. One of the petitions was dismissed, wherein ABNL has preferred appeal against the dismissal. These cases are at various stages of adjudication.
2. 24 custom related cases have been filed by ABNL before various Custom authorities on various grounds including such as non applicability of education cess and special CVD while clearance of imports under DEPB, penalty and fine on wrong filing of bill of entry for import of zinc oxide Block, and confirmation of differential of duty with interest. The amount in dispute aggregates to Rs. 0.72 million. The cases are pending at various stages of adjudication.

Service Tax

(i) *Cases filed against ABNL*

1. Four SCNs were issued by various tax authorities against ABNL alleging non-payment of service tax on engineering consultancy charges, and violation of the provision of Section 68 of Chapter V of the Finance Act, 1994. The aggregate amount involved in these cases is Rs. 13.8 million. The cases are currently pending.

(ii) *Cases filed by ABNL*

1. An appeal and a stay application in relation to the same was filed by ABNL against the order of Commissioner of Central Excise and Customs, Vadodara-II which was passed on grounds of that service tax was not paid on engineering consultancy charges, and violated the provision of Section 68 of Chapter V of the Finance Act, 1994. The aggregate amount involved in these cases is Rs.5.9 million. The case is currently pending.
2. Fifteen cases have been filed by ABNL against various Tax authorities against on grounds of disallowing CENVAT credit of mobile phones. The aggregate amount in dispute is Rs. 7.32 million. The cases are pending at various stages of adjudication.

Sales Tax

(i) Cases filed against ABNL

1. 28 sales tax related matters have been filed against ABNL before various Courts by Tax Authorities. The amount involved aggregates to Rs. 55.23 million. The cases are currently pending at various stages of adjudication.

(i) Cases filed by ABNL

1. 24 cases have been filed by ABNL before the various sales tax tribunals, against various sales tax authorities on grounds of being aggrieved by the orders passed in relation to purchase tax, and interest, demand of excessive sales tax in an assessment year and disallowing exemptions granted on tax. The aggregate amount involved is Rs. 91 million. The cases are pending at various stages of adjudication.

Other Tax, Fees and Cess cases

(i) Cases filed against ABNL

1. The Office of the Custodian, the Special Court, Ministry of Finance, Mumbai had sent a letter to ABNL, alleging purchase of shares in ACC Limited which formed part of a list of missing shares furnished by Mr. Harshad Mehta. The aggregate amount in dispute is Rs. 2.25 million. In one of the cases a stay order was passed in favour of ABNL. The cases are pending at various stages of adjudication.
2. The Additional Commissioner Enforcement Directorate, Department of Revenue, Government of India had imposed a penalty of Rs. 0.81 million against ABNL for alleged violation of various sections under Foreign Exchange Regulation Act read with Foreign Exchange Management Act amounting to U.S.\$ 0.23 million.
3. The Assessing Officer, Textile Committee, Coimbatore passed an order dated April 7, 2000 confirming the cess demand for the period 1981-82 to 1998-99 against ABNL on grounds of ABNL falling under the definition of a manufacturer for the purpose of applicability of Cess under the Textiles Committee Act read with Textiles Committee (Cess) Rules, 1975. ABNL filed a writ petition (no. 817 of 2006) before the Bombay High Court against the order. The Court passed an interim order dated March 21, 2006 directing ABNL to deposit a Rs. 7.0 million and a bank guarantee of Rs. 6.2 million with the Assessing Officer, Textiles Committee, Coimbatore. ABNL has complied with the order. The amount involved aggregated to Rs. 10.33 million. The matter is currently pending.
4. Modern Malleable has filed appeal (no. 124 of 2000) against Idea and the Uttar Pradesh State Electricity Board before the Kolkata High Court on grounds of losses incurred due to the lockout declared in ABNL's factory. The aggregate amount including sales tax liability, special customs duty, interest, amounts to Rs. 50.92 million. The matter is currently pending.
5. A case (no. 483 of 1995) has been filed by the Bank of Rajasthan before the Debt Recovery Tribunal, Delhi against ABNL on grounds of failure to pay overdue interest for delayed payment. The aggregate amount involved is Rs. 1.73 million. The Bank has requested the Tribunal to pass a decree in favour of the Bank for the said amount along with interest. The matter is currently pending.

6. Four cases have been filed against ABNL. The aggregate amount involved is Rs. 1.95 million. The matters are currently pending.

(ii) Cases filed by ABNL

1. An appeal has been filed by ABNL before the Appellate Tribunal under the Textile Cess Act, Mumbai against the Textile Committee's seven demand notices all dated January 2, 2006, and one demand notice dated February 14, 2006 demanding cess on grounds of failure to submit monthly returns in accordance with Rule 4 of the Textiles Committee (Cess) Rules, 1975. The amount involved aggregates to Rs. 102.5 million. The matter is currently pending.
2. ABNL filed a case before Kolkata High Court against General Furnace Construction Private Limited, Australia on grounds of supplying unsatisfactory kilns. The aggregate amount involved in the matter is Rs. 1290.11 million. The Matter is currently pending.
3. An appeal has been filed by ABNL before Kolkata High Court against Modern Malleable Limited on grounds of (i) not supplying insulators and hardware fittings within the agreed upon time period, and (ii) .supplying substandard and unsatisfactory quality of goods. The amount involved in the matter aggregated to Rs. 30.62 million to ABNL for the additional cost of procuring the said goods. The matter is currently pending.
4. ABNL filed complaint case (no. 118/2002) before the State Consumer Dispute Redressal Commission, Lucknow against the United India Insurance Company Limited on grounds of illegally repudiating request for refund of the premium amount. The amount involved in the matter aggregates to Rs. 1.87 million along with applicable interest. The matter is currently pending.
5. A writ petition (no. 7832 W of 2005) has been filed by ABNL before Kolkata High Court against the State of West Bengal on grounds of claiming land revenue of Rs. 2.3 million under the Land Revenue Act. The High Court passed a stay order in favour of ABNL. The matter is currently pending.
6. ABNL filed an objection cum review against the demand notice issued by the Municipal Authority of Midnapore demanding enhanced amount of Municipal Tax for the period from 4th Quarter of 2000-2001 to 1st Quarter of 2007-08. The aggregate amount involved in the matter is Rs. 4.5 million.
7. ABNL has filed an appeal (no. 716 of 2005) before the Appellate Tribunal for Foreign Exchange, New Delhi against the order of the Additional Commissioner. ABNL has paid the penalty and requested the Tribunal to quash and set aside/stay the order dated June 10, 2005 passed by the Additional Commissioner. The Tribunal, by its order dated April 7, 2006 stayed Order. The aggregate amount involved in the matter is 0.81 million. The matter is currently pending.
8. Four separate cases have been filed by ABNL before the Employees Insurance Court, West Bengal, against the Employee State Insurance Authority on grounds of illegally demanding interest on the ESI contribution. The Employees Insurance Court, West Bengal granted a stay in favour of ABNL. The aggregate amount involved is Rs.2.25 million. The cases are currently pending at various stages of adjudication.

Civil Cases

(i) Cases filed against ABNL

1. One civil suit has been filed against ABNL regarding disputes relating to accidental death. The aggregate amount in dispute is Rs. 2.7 million. The case is pending at for adjudication.

2. One civil suit (no. 4666 of 1992) has been filed against ABNL before the Tis Hazari Courts, Delhi on grounds of suffering losses due to the termination of agency agreement. The amount involved in the dispute is Rs.1.89 million as damages. The case is currently pending.
3. One money suit has been filed against ABNL before various Courts of the Civil Judge (Senior Division), Bhubaneswar by Namita Samantaray on grounds of non-performance by ABNL under a hire purchase agreement. The amount involved in the dispute is Rs. 3.03 million as damages.
4. One complaint case was filed against ABNL before the State Consumer Dispute Redressal Commission, Rajasthan by an individual on grounds of deficiency of service in relation to investment in Mutual Funds. The amount in dispute is Rs. 2.52 million. The matter is currently pending.
5. Nine different civil suits have been filed against ABNL before various Courts regarding disputes which include of recovery of outstanding monies in relation to grounds including disputes relating to (i) non-payment pertaining to a vehicle (ii) electricity duty and (iii) cancellation of purchase order. The aggregate amount in dispute is Rs. 4.37 million. The cases are pending at various stages of adjudication
6. 11 cases have been filed against ABNL before various Courts against ABNL. The aggregate amount involved in dispute is Rs. 1.08 million. These matters are pending at various stages of adjudication.
7. A case was filed against ABNL before Civil Court Baroda by Vadodara Municipal Corporation on grounds of recovery of octroi duty in relation to vehicles plying in the Vadodara without paying octroi duty. The amount involved in the matter is Rs.0.06 million.

(i) Cases filed by ABNL

1. A civil appeal (no. 1914/94) was filed by ABNL before the Gujarat High Court aggrieved by the order of the Bhavnagar Trial Court which allowed the respondent to recover money under a contract of lifting coal ash. The amount involved is Rs. 1. 25 million along with interest. The matter is currently pending.
2. A special civil application (no. 2834/97) was filed by ABNL before the Gujarat High Court against Surat Municipal Corporation on grounds of charging excess Octroi. The amount involved is Rs. 10.31 million along with interest. The matter is currently pending.
3. A special civil application (no. 357/2006) was filed by ABNL before the Gujarat High Court against State of Gujarat and others on grounds of arbitrarily amending the municipal house tax and charging excess tax. An interim stay has been granted upon ABNL paying Rs. 0.5 million within fifteen days of the stay order. The amount involved is Rs. 1.45 million along with interest. The matter is currently pending.
4. A civil appeal (no. 00/2007) filed by ABNL under Section 67 of the Bombay Irrigation Act, 1879 before the District Collector, Junagadh, against the order of Executive Engineer, Junagadh in relation water charges. The amount involved is Rs. 230 million along with interest. The matter is currently pending.
5. One execution petition (no. 14/93) has been filed against Killaran and Co. Kolkata before the Kolkata City Civil Judge, for executing a decree passed by the Veraval Civil Judge in relation to attachment of the property. The matter is presently before the City Court, Kolkata.

6. One case has been filed by ABNL against IR employees Union and Others to shift their tents from ABNL's gates. The matter is pending before the Civil Judge, Veraval.
7. ABNL filed a Civil Suit No. 211/07 against three defendants for removal of encroachment made by them in some portion of ABNL's land.
8. A petition has been filed by ABNL under sections 433 (e), 434 (1)(a) and 439 of the Companies Act before the Allahabad High Court against Modi Rubber Limited on grounds of non payment of dues in relation to purchase of carbon black. The amount involved in the matter is Rs. 20 million. The matter is currently pending.
9. Two cases have been filed by ABNL before various Courts. The amount involved in the matter is Rs. 0.2 million. The matters are currently pending.
10. M/s Dunlop has been out of purview of BIFR as per the order of Madras High Court, ABNL has filed winding up petition u/s 450, 433, 434 and 439 against Dunlop India Limited in the High Court at Kolkata for the recovery of Rs.26.6 million and interest.
11. ABNL filed 26 recovery suits before various courts against defaulters on grounds (i) non payment of dues, (ii) refund of security deposit, (iii) non-payment of money for goods sold , (iv) for the supply of yarn, and (v) recovery under section 96 of the Civil Procedure Code. The aggregate amount involved in the matters is Rs. 24.7 million. In one of the cases a liquidator has been appointed by the Court as Kanishka Tyres and Tubes Limited requires to be wound up to enable ABNL to recover its dues. The cases are currently pending.
12. ABNL filed two cases before various Courts against various entities. The amount involved in the matter aggregates to Rs. 1.11 million. The matters are currently pending.
13. ABNL filed regular suit (no. 316 of 2002) before the Civil Judge (Senior Division), Lucknow against a firm, in respect of dispute arising over ABNL's fertilizer products. The amount involved in the matter is Rs. 2.22 million. The matter is currently pending.
14. A civil case (no. 37 / 04) has been filed by ABNL before the Godhra Civil Court aggrieved by the district collector's order in respect of seizure of 22 KL LDO. A penalty of Rs. 0.057 million was imposed on ABNL. ABNL furnished a Bank Guarantee amounting to Rs.0.35 million. The matter is pending
15. 10 civil cases have been filed by ABNL before the Halol Civil Court, on grounds of illegal possession of ABNL's land. The matters are currently pending on various stages of adjudication.
16. Two cases have been filed by ABNL before the Civil Court, Baroda against various entities on grounds of (i) non-satisfactory working DSL System, and (ii) non-satisfactory working of Forklift Transmission System. The amount involved in the matter is Rs. 0.35 million.
17. ABNL has filed a case before the Civil Court, Halol against eleven former workmen dismissed from service on grounds of preventing them from indulging in any illegal activities in the close by areas. The matter is currently pending.
18. ABNL has filed a case before the Civil Court Godhra on grounds of seeking an injunction against one hundred and thirty nine dismissed workmen trespassing the factory premise. The matter is currently pending.

19. ABNL has filed 10 civil cases before various Courts. The amount involved in the matter is Rs.12.37 million. The matters are currently pending.

Miscellaneous Cases

(i) Cases filed against ABNL

1. SEBI issued a letter to the erstwhile Birla Global Finance Limited (BGFL) now amalgamated with ABNL alleging violation of Regulation 6(2) of the Takeover Code in the year 1997, and BGFL agreed to settle the same by settlement consent order. SEBI had introduced a Regularization Scheme, 2002 (the "Scheme") for non-compliance with Regulation 6 and 8 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 in the year 2002-03 and BGFL did not avail of the Scheme. SEBI vide its letter dated July 21, 2004 imposed a penalty on BGFL under section 15A of SEBI Act, 1992 and also informed BGFL that they were liable for prosecution under section 24 of the SEBI Act, 1992. SEBI also decided to consider the request of BGFL for consent order if BGFL was willing to pay a penalty of Rs. 0.025 million. BGFL vide its letter dated August 19, 2004 consented to pay the penalty and agreed to waive their right to a hearing under rule 4(5) of SEBI (Procedure for Holding Inquiries and Importing of Penalties by Adjudicating Officer) Rules, 1995. In matter is currently pending.
2. BGFL, (now ABNL) sanctioned a credit facility of Rs 50 million to Mr. Manoj Seksaria to secure the said facility the borrower executed a loan cum pledge agreement in favour of BGFL by which 36500 shares of Reliance Industries were pledged to BGFL. BGFL at the borrowers request invoked the pledge and sold the shares through its broker to settle its loan, interest and other dues without being aware about the ex-parte interim order passed by SEBI in respect of the irregularity in IDFC-IPO case under, which the borrower was directed not to buy, sell or deal in the security market. Subsequently, ABNL received a show cause notice dated April 21, 2008 from the Adjudicating Officer, SEBI, alleging on various grounds including contravention. The said default attracts penalty under Section 15HB of the SEBI Act. On July 2, 2008, ABNL has filed an Application before SEBI to obtain Consent Order as per the Circular No. EFD/ED/Cir-1/2007 dated 20.04.2007 and the matter is currently pending before SEBI.
3. Pursuant to the buy back option exercised by Indian Rayon and Industries Ltd (now ABNL) one of the erstwhile promoter entity Turquoise Investments and Finance Ltd (TIFL) had purchased 139103 shares of Indian Rayon. SEBI through its investigation department directed ABNL to furnish certain information. Thereafter ABNL vide its letter dated 22.12.07 furnished the information sought by SEBI stating therein i) TIFL has been purchasing ABNL shares since 1997, ii) the Explanatory statement to the notice of convening 44th AGM of ABNL clearly stated TIFL w of a promoter were not allowed to tender their shares for the purpose of buy back. Subsequently, SEBI through its letter dated January, 16 2008 sought the status of implementation of certain /corporate announcements made by ABNL along with other material documents. ABNL through its letter dated January 18, 2008 responded to the aforesaid letter providing the status of the corporate announcements. No further correspondence or orders have been received from SEBI in this matter.
4. Two different writ petitions were filed by various individuals before the Allahabad High Court against ABNL on grounds of violation of Articles 14 and 16 of the Constitution in relation to the non-compliance of ABNL's assurance to provide the aggrieved persons with a job. The matters are currently pending.
5. A writ petition has been filed by Indo Gulf Employees Union before the Allahabad High Court against ABNL on grounds of their right to demonstrate, protest and assemble to raise their voice

- about their grievances before the management, and (ii) quashing the judgments of lower courts. The matter is currently pending.
6. Two civil suits have been filed against ABNL before the Court of Additional Civil Judge, Sultanpur on grounds of obstruction or interference in the worship of a the temple situated with in the premises of the ABNL's factory. The persons concerned have prayed for an injunction in respect of the same. The cases are pending at various stages of adjudication.
 7. Two cases have been filed against ABNL by various individuals before the Civil Judge, Sultanpur praying for an injunction against forceful eviction from ABNL's house in the township. The cases are pending at various stages of adjudication
 8. Six cases and three letters were initiated against ABNL before Syrian Arab Republic, State Council Court of Administrative Prosecution, Damascus, Syria by the Ministry of Electricity, Syrian Arab Republic, PEDEEE, Damascus on grounds of (i) delay in supply of goods, (ii) delayed penalty against contract, (iii) delay in supply of Post Insulators, (iv) towards container penalty, and (vi) delay in supply of 20 K.V. Long Rod Insulators and Support Insulators Medium Voltage. The amount in dispute aggregated to U.S.\$ 4.5 million. The matters are currently pending.
 9. One filed suit was filed against ABNL, under sections 33 and 39 of the Uttar Pradesh Land Revenue Act, 1901 for correction in the revenue records on grounds of a dispute arising in relation to land, which belongs to ABNL. The matter is currently pending at various stages of adjudication.
 10. An Application was filed by Ramniranjan Kedia Tourism Services Private Limited (RNK) before the Bombay High Court on grounds of seeking the recall of the order sanctioning the scheme of amalgamation between ABNL and Birla Global Finance Limited. The said Application was dismissed. RNK thereafter filed an appeal before the Division Bench, Bombay High Court. The appeal has been admitted and the matter is currently pending for hearing.
 11. One SLP (no.13482 of 2007) has been filed by Ramniranjan Kedia Tourism Services Private Limited (RNK) before the Supreme Court of India against the order of the Gujarat High court dismissing their objections to the scheme of amalgamation between ABNL and BGFL. The matter is currently pending.
 12. Five cases have been filed against ABNL by various individuals before various Courts on grounds of (i) transfer of shares, (ii) for recovery of the loss occurred due to non-allotment of shares, (ii) transfer of shares transfer before the record date, (iii) legal heirs in relation to subject shares and (iv) equity shares issued on Rights basis. The aggregate amount involved aggregated to 0.075. The matters are currently pending at various stages of adjudication.
 13. One SCN was issued by Tamil Nadu Pollution Control Board under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 as amended in 1987 against ABNL on grounds of contravention of the instructions of a previous order whereby directions were issued to install a scrubbing system for the emission from the main boiler for power generation. The violation could result in closure of the unit, stoppage of power and water supply etc. ABNL has requested the Chairman, Tamil Nadu Pollution Control Board to set aside the order. The matter is currently pending.
- (i) *Cases filed by ABNL*
1. Six writ and one SLPs have been filed by ABNL against various authorities before various High Courts of the country on grounds of being aggrieved by the orders of the lower court in relation to cancellation of (i) eligibility certificate granting rebate in electricity, (ii) violation of the order issued by the Government of India under section 3(1) of the Jute Packaging Materials (Compulsory

Use in Packing Commodities) Act, 1987. The aggregate amount in dispute is Rs. 6.7 million. The cases are pending at various stages of adjudication.

Arbitration Proceedings

1. An arbitration proceeding has been initiated by ABNL against Sanjiv Traders on grounds of non-payment of dues. The aggregate amount in dispute is Rs. 1.07 million. The case is currently pending at various stages of adjudication.
2. An arbitration proceeding has been initiated by ABNL against Richardson and Cruddas Limited (“RC”) on grounds of non-payment of outstanding dues in respect of erection of two electricity transmission lines. The Arbitration Tribunal directed RC to pay Rs 4.82 million however, RC has been declared a sick entity by Board for Industrial and Financial Reconstruction and the award has not been executed. The case is currently pending execution
3. An arbitration proceeding has been initiated by ABNL against Himachal Pradesh State Electricity Board on grounds of claiming liquidated damages. The aggregate amount in dispute is Rs. 1.19 million. The case is currently pending at various stages of adjudication
4. BGFL (now ABNL) had extended Hire Purchase and Loan facility to Ram Niranjana Kedia Tourism Services Private Limited (RNK). After availing the facility, RNK had failed to make regular repayment of the equated monthly installments (EMI) due under the Hire Purchase and Loan agreements, therefore BGFL filed five Arbitration claims before the Arbitral Tribunal of Indian Merchant’s Chamber (IMC) against RNK and Ors and has claimed Rs. 17.40 Million from RNK with interest under the Arbitration proceedings. BGFL had also filed Arbitration Petition nos. 271, 378, 379 and 381 of 2001 in the High Court at Mumbai seeking various reliefs under section 9 of the Arbitration and Conciliation Act, 1996 and obtained reliefs including order for appointing Court Receiver, High Court, Mumbai to take possession of the vehicles covered under Hire Purchase Agreement lying with RNK. In the aforementioned IMC Arbitration proceedings (RNK) have filed counter claims aggregating to Rs.60.69 Million against BGFL on grounds of (i) violation of mandatory procedure under section 51(5) of the Motor Vehicles Act, 1988, (ii) illegal repossession of the vehicles (iii) wrongful repossession of the vehicles resulting in loss of business and profit. All matters are currently pending.
5. ABNL has filed a case before the Court of the District Judge at Vishakhapatnam against Hindustan Petroleum Corporation Limited, and Mr. D.V. Subba Rao on grounds of limitation for initiating arbitration. ABNL has prayed for a stay on the initiation of arbitration proceedings. The amount involved in the dispute is Rs. 10.9 million. The matter is pending
6. On January 31, 2006, Tata Industries Limited (“TIL”) sent a letter to Grasim in its capacity as the designated representative of the A V Birla Group (as provided in the shareholders agreement dated December 15, 2000), alleging that the application made by Aditya Birla Telecom Limited for grant of UAS License for the Mumbai circle constituted a material breach of the said shareholders agreement. On February 27, 2006, TIL sent another letter to Grasim alleging that the performance review investor presentation for the second quarter ended on September 30, 2005 and the third quarter ended December 31, 2005 and investor/analysts presentation dated September 12, 2005 posted on ABNL’s website had resulted in a material breach of the confidentiality provisions of the said shareholders agreement. TIL characterized this letter as a “Termination Notice” and notified Grasim that it would purchase the A V Birla Group’s entire shareholding in Idea (then existing) within 90 days of the notice at the default price according to the said shareholders agreement. Grasim refuted the allegations. Subsequently, TIL and its Mauritius subsidiary Apex Investments (Mauritius) Holding Private Limited (“Apex”) offered to sell their entire shareholding in Idea (then existing) to the A V Birla Group. This offer was accepted by the A V Birla Group.

Subsequently, on June 1, 2006, share purchase agreements were executed between TIL, Apex and the relevant A V Birla Group companies. On June 20, 2006, the Tata Shares were purchased by the A V Birla Group from TIL and Apex.

On May 5, 2006, TIL, purportedly acting for itself and on behalf of Apex issued a notice of arbitration to Grasim under the said shareholders agreement. Thereafter, TIL and Apex filed an arbitration application in the High Court at Mumbai for the appointment of an arbitrator on behalf of Grasim for adjudication of the alleged dispute under the said shareholders agreement. Later, TIL and Apex withdrew this application on September 8, 2006 with liberty to adopt appropriate proceedings as the High Court at Mumbai was not the appropriate forum for hearing the arbitration application. The applicants then filed an application in the Supreme Court of India for the appointment of an arbitrator on behalf of Grasim.

By an order dated July 9, 2008, the Supreme Court of India has appointed Dr. Justice A. S. Anand, Mr. Justice Arun Kumar and Mr. Justice P. K. Balasubramanyan as the arbitrators. Grasim has rejected the suggestion of any violation of the said shareholders agreement. TIL and Apex claim to have reserved their rights whilst selling their shares under the share purchase agreement. This share purchase agreement provides for arbitration by London Court of International Arbitration under English law, which was invoked by ABNL and another A V Birla Group company, during the pendency of the case before the Supreme Court of India, to challenge the alleged reservation.

Appeal before the Securities Appellate Tribunal

1. Ramniranjan Kedia Tourism Services Private Limited (“RNK”) had filed an appeal before the Securities Appellate Tribunal (No.145 of 2006) on grounds of the issue of observations by SEBI on the draft letter of offer and non disclosure of the details of the various litigations involving RNK. The appeal was heard on December 21, 2006. The Tribunal admitted the appeal but no stay was granted.
2. Vocation Investment Limited (Vocation), claiming to be a friend of Ramniranjan Kedia (RNK) and RNK had filed their respective appeals in the Securities Appellate Tribunal (SAT) challenging the Rights Issue of ABNL under the Letter of Offer dated December 15, 2006 on the grounds of non disclosures/inadequate disclosures in relation to the statement of Accounts for the period ended September 30, 2006, litigations and risks etc. In their appeals before the SAT Vocation and RNK had alleged that the LOF contains false and inadequate information and that SEBI issued its order disregarding the complaints of RNK. SAT by its common order dated January 17, 2007 rejected both the appeals. Being aggrieved by the said order, Vocation and RNK have filed their respective appeals before the Supreme Court of India. The said two appeals are pending for hearing before the Supreme Court of India.

(ii) Cases filed by ABNL

1. ABNL has filed a case before the Court of the District Judge at Vishakhapatnam against Hindustan Petroleum Corporation Limited, and Mr. D.V. Subba Rao on grounds of limitation for initiating arbitration. ABNL has prayed for a stay on the initiation of arbitration proceedings. The amount involved in the dispute is Rs. 10.9 million. The matter is pending

Contingent Liabilities as on March 31, 2008:

- a) Claims against the ABNL not acknowledged as debts:

(in Rs. million)

S. No	Nature of Tax	Claim
1.	Income Tax	741.8
2.	Custom Duty	24.5

3.	Excise Duty	333.0
4.	Sales Tax	74.9
5.	Service Tax	11.1
6.	Others	510.6

- b) Bills discounted with Banks 803.50
- c) Corporate Guarantees given to Banks/Financial Institutions 4769.90
For loans taken/Preference Shares issued by subsidiaries/
Other companies
- d) Customs Duty on Capital goods and raw materials imported 138.70
Under advance licensing/EPCG scheme, against which
Export obligation is to be fulfilled
- e) Under the Jute Packaging Material (Compulsory Use of Packing Commodities) Act, 1987, a specified percentage of fertilizers dispatched was required to be supplied in jute bags upto August 31, 2001. ABNL made conscious efforts to use jute-packaging material as required under the Act. However, due to non-availability of material as per the ABNL's product specifications as well as due to strong customer resistance to use of jute bags, the specified percentage could not be adhered to. ABNL has received a show cause notice, against which a writ petition has been filed with the High Court, which is awaiting hearing. ABNL has been advised that the said levy is bad in law.

Grasim Industries Limited

1. A show cause notice for an amount of Rs. 134.5 million was issued against started availing CENVAT credit on non-fuel pulp based on CESTAT decision, supported with legal opinion. The matter is pending with Excise Commissioner Bangalore. A show cause notice for Rs. 124.8 million demanding duty on erection and installation of Membrane Cell. Matter remanded back to CESTAT and final hearing awaited. Show cause notices have been served aggregating Rs. 118.5 million towards disallowance of MODVAT credit on raw material supplies and capital goods. The matter is pending in CESTAT. In addition, there are other cases aggregating Rs.105.1 which are pending at various levels.
2. Demand of Rs. 108.6 million has been raised towards custom duty on import of technical know-how and other services against which Bank Guarantee of Rs.56.8 million has been furnished. Matter is pending in appeal with the Bombay High Court, Mumbai. In addition, there are cases aggregating to Rs. 18.7 million towards calculation of duty on capital goods imported and non fulfillment of export obligation. These matters are pending at various levels.
3. A demand of Rs. 107 million has been made towards Stamp Duty on valuation of mining lease. A petition has been filed challenging the basis of valuation in High Court. In addition, there is one case aggregating Rs. 19.9 million which are pending at different level.
4. Madhya Pradesh State Electricity Board ("MPSEB") has raised a demand of Rs.532.6 million on the basis of an Order of the Madhya Pradesh Electricity Regulatory Commission imposing a condition to use Board's minimum power to the extent of equivalent units generated by 3 DG sets against which a stay has been obtained from Madhya Pradesh High Court. A demand of Rs.35.5 million has been made towards electricity tax on captive consumption. Matter is pending with High Court. An appeal against a demand of electricity tax of Rs.72.3 million

made by CEIG is pending with Energy Secretary for disposal. There are other cases amounting to Rs. 28.6 million pending before different levels.

5. Demand aggregating Rs. 128.2 million has been made towards Sales Tax on stock transfers and interest thereon and pending “C” forms. The matters are pending before the High Courts and various Sales Tax Authorities. There are other cases relating to pending “C” Forms, sales tax registration, purchase tax, entry tax, etc. aggregating Rs. 192.6 million, which are pending at various levels.
6. Demand of Rs. 157.9 million has been made by the Irrigation Department. Government of Gujarat, towards Water charges. In addition, demand for water cess amounting to Rs.20.1 million has been made. All these are pending at various levels.
7. Matters aggregating Rs.420.8 million with regard to Mineral Area Development Cess and Royalty, Rs.88.8 million with regard to Land compensation, Rs. 23.4 million with regard to Labour disputes, Rs. 49.8 million with regard to Freight disputes, Rs. 5.9 million with regard to Betterment fees, Rs. 115.8 millions with regard to Service tax, Rs. 68.2 million with regard to Property and road tax, Rs. 24.4 million with regard to wood price difference, Claims from parties aggregating Rs.83.8 million and miscellaneous cases aggregating Rs. 24.7 million are pending before various appropriate authorities.
8. A notice has been issued in the name of Mr. Kumar Mangalam Birla and Grasim by the Assistant Conservator of Forests, Bannerghatta National Park, Bangalore alleging that there has been an encroachment of 4 acres of forest land in Basavanapura by Grasim Jan Seva Trust. A survey was undertaken and the said land currently occupied by the said trust has been established as forest land. The said trust has now surrendered the said land and the matter is under progress.
9. On January 31, 2006, Tata Industries Limited (“TIL”) sent a letter to Grasim in its capacity as the designated representative of the A V Birla Group (as provided in the shareholders agreement dated December 15, 2000), alleging that the application made by Aditya Birla Telecom Limited for grant of UAS License for the Mumbai circle constituted a material breach of the said shareholders agreement. On February 27, 2006, TIL sent another letter to Grasim alleging that the performance review investor presentation for the second quarter ended on September 30, 2005 and the third quarter ended December 31, 2005 and investor/analysts presentation dated September 12, 2005 posted on ABNL’s website had resulted in a material breach of the confidentiality provisions of the said shareholders agreement. TIL characterized this letter as a “Termination Notice” and notified Grasim that it would purchase the A V Birla Group’s entire shareholding in Idea (then existing) within 90 days of the notice at the default price according to the said shareholders agreement. Grasim refuted the allegations. Subsequently, TIL and its Mauritius subsidiary Apex Investments (Mauritius) Holding Private Limited (“Apex”) offered to sell their entire shareholding in Idea (then existing) to the A V Birla Group. This offer was accepted by the A V Birla Group. Subsequently, on June 1, 2006, share purchase agreements were executed between TIL, Apex and the relevant Birla Group companies. On June 20, 2006, the Tata Shares were purchased by the A V Birla Group from TIL and Apex.

On May 5, 2006, TIL, purportedly acting for itself and on behalf of Apex issued a notice of arbitration to Grasim under the said shareholders agreement. Thereafter, TIL and Apex filed an arbitration application in the High Court at Mumbai for the appointment of an arbitrator on behalf of Grasim for adjudication of the alleged dispute under the said shareholders agreement. Later, TIL and Apex withdrew this application on September 8, 2006 with liberty to adopt appropriate proceedings as the High Court at Mumbai was not the appropriate forum for hearing the arbitration application. The applicants then filed an application in the Supreme Court of India for the appointment of an arbitrator on behalf of Grasim.

By an order dated July 9, 2008, the Supreme Court of India has appointed Dr. Justice A. S. Anand, Mr. Justice Arun Kumar and Mr. Justice P. K. Balasubramanyan as the arbitrators. Grasim has rejected the suggestion of any violation of the said shareholders agreement. TIL and Apex claim to have reserved their rights whilst selling their shares under the share purchase agreement. This share purchase agreement provides for arbitration by London Court of International Arbitration under English law, which was invoked by ABNL and another A V Birla Group company, during the pendency of the case before the Supreme Court of India, to challenge the alleged reservation.

Contingent Liabilities as on March 31, 2008:

- (a) A show cause notice for an amount of Rs. 134.5 million was issued against started availing CENVAT credit on non-fuel pulp based on CESTAT decision, supported with legal opinion. The matter is pending with Excise Commissioner Bangalore. A show cause notice for Rs. 124.8 million demanding duty on erection and installation of Membrane Cell. Matter remanded back to CESTAT and final hearing awaited. Show cause notices have been served aggregating Rs. 118.5 million towards disallowance of MODVAT credit on raw material supplies and capital goods. The matter is pending in CESTAT. In addition, there are other cases aggregating Rs.105.1 million which are pending at various levels.
- (b) Demand of Rs. 108.6 million has been raised towards custom duty on import of technical know-how and other services against which Bank Guarantee of Rs.56.8 million has been furnished. Matter is pending in appeal with the Bombay High Court, Mumbai. In addition, there are cases aggregating to Rs. 18.7 million towards calculation of duty on capital goods imported and non fulfillment of export obligation. These matters are pending at various levels.
- (c) A demand of Rs. 107million has been made towards Stamp Duty on valuation of mining lease. A petition has been filed challenging the basis of valuation in High Court. In addition, there is one case aggregating Rs. 19.9 million which are pending at different level.
- (d) Madhya Pradesh State Electricity Board (“MPSEB”) has raised a demand of Rs.532.6 million on the basis of an Order of the Madhya Pradesh Electricity Regulatory Commission imposing a condition to use Board’s minimum power to the extent of equivalent units generated by 3 DG sets against which a stay has been obtained from Madhya Pradesh High Court. A demand of Rs.35.5 million has been made towards electricity tax on captive consumption. Matter is pending with High Court. An appeal against a demand of electricity tax of Rs. 72.3 million made by CEIG is pending with Energy Secretary for disposal. There are other cases amounting to Rs. 28.6 million pending before different levels.
- (e) Demand aggregating Rs. 128.2 million has been made towards Sales Tax on stock transfers and interest thereon and pending “C” forms. The matters are pending before the High Courts and various Sales Tax Authorities. There are other cases relating to pending “C” Forms, sales tax registration, purchase tax, entry tax, etc. aggregating Rs. 192.6 million, which are pending at various levels.
- (f) Demand of Rs. 157.9 million has been made by the Irrigation Department. Government of Gujarat, towards Water charges. In addition, demand for water cess amounting to Rs.20.1 million has been made. All these are pending at various levels.
- (g) Matters aggregating Rs.420.8 million with regard to Mineral Area Development Cess and Royalty, Rs. 88.8 million with regard to Land compensation, Rs. 23.4 million with regard to Labour disputes, Rs. 49.8 million with regard to Freight disputes, Rs. 5.9 million with regard

to Betterment fees, Rs. 115.8 million with regard to Service tax, Rs. 68.2 million with regard to Property and road tax, Rs. 24.4 million with regard to wood price difference, Claims from parties aggregating Rs. 83.8 million and miscellaneous cases aggregating Rs. 24.7 million are pending before various appropriate authorities.

Ultra Tech Cement Limited

Cases filed against Ultra Tech

1. Sharda Steel Corporation has filed a Special Civil Suit (No. 60/2002) before the Court of Civil Judge (Senior Division), at Bhavnagar, against Ultra Tech alleging breach of contract for the purchase of aluminous and ferruginous clays from a location near Mahuva, in Gujarat, claiming damages to the tune of Rs. 38 million. The Civil Judge, Bhavnagar by an Order dated February 19, 2002, directed Ultra Tech to deposit a security amount of Rs. 38 million which was challenged by Ultra Tech in the High Court at Ahmedabad, and pursuant to the Order of the High Court, an undertaking has been given by Ultra Tech not to alienate/dispose off assets of Ultra Tech up to a value of Rs. 40 million. Ultra Tech has now challenged the jurisdiction of the Court and its application for transfer of the case to Mumbai is pending.
2. Sunfield Resources Private Limited filed two Arbitration Petitions (No. 34 and 35 of 2004) against Ultra Tech arising out of a dispute regarding a contract for supply of coal, claiming demurrage cumulatively amounting to Rs. 12 million. Ultra Tech challenged the award in the High Court at Bombay (Appeal No. 881 of 2005) which has since been admitted and the matter is pending.
3. Eight cases are pending against Ultra Tech before various consumer courts. These cases are mainly in relation to the quantity of cement supplied. The amount of liability in the cases is approximately Rs. 7.55 million.
4. The Commissioner of Sales Tax, Orissa has challenged the Assessment Order of 1994-95 passed by the first Appellate Authority, pertaining to Ultra Tech's cement grinding unit at Jharsuguda. The aggregate amount involved is Rs. 89.3 million. The matter is currently pending in the Orissa Sales Tax Tribunal.

Cases filed by Ultra Tech

1. Ultra Tech filed a writ petition in the High Court of Madhya Pradesh at Jabalpur, praying that the sales tax benefits be continued to be granted for sale of cement affected in the state of Madhya Pradesh from its Hirni Cement Works, Raipur, consequent to the bifurcation of the state into Madhya Pradesh and Chhattisgarh. On rejection of this petition, Ultra Tech filed a SLP in the Supreme Court which has been admitted by order dated January 13, 2005 and later referred to a larger bench. The amount involved in the matter is around Rs. 140 million and the matter is pending.
2. Ultra Tech filed a writ petition before the High Court of Bombay, Nagpur Bench, against the order of the Mines Tribunal regarding demand of cess on the entire mining lease area of the Ultra Tech's Awarpur Cement Works, Chandrapur. On dismissal of the said writ petition by the said High Court, Ultra Tech filed a SLP in the Supreme Court which was heard and admitted vide order dated January 31, 2005. The amount involved in this matter is around Rs. 25 million and the matter is pending.
3. Ultra Tech challenged Maharashtra State Electricity Board's ("MSEB") demand of Rs. 47.4 million before the Maharashtra Electricity Regulatory Commission ("MERC"). MERC struck down the impugned levy and passed order dated May 21, 2004 in favour of Ultra Tech. MSEB filed a writ Petition No. 370 of 2005 in the High Court at Bombay, which was later transferred to

- the Appellate Tribunal for Electricity, New Delhi on the direction of the said High Court. The Appellate Tribunal for Electricity vide its order dated May 30, 2007, dismissed MSEB's appeal. MSEB has filed SLP in the Supreme Court. The matter is pending.
4. Ultra Tech filed a writ petition in the High Court of Gujarat, Ahmedabad (Special Civil Application No. 14743 of 2004) challenging the order of Gujarat Electricity Regulatory Commission dated June 25, 2004. Gujarat Electricity Board has challenged the said petition on the ground of availability of alternate remedy of Appellate Tribunal for Electricity. The matter is pending.
 5. Ultra Tech challenged the basis of levy of higher amount on the limestone mined, before the Chhattisgarh High Court, Bilaspur. The amount of royalty claimed from 1994 till March 21, 2004 is approximately Rs. 296 million and the matter is pending.
 6. Ultra Tech filed a writ petition in the Orissa High Court, Cuttack, challenging the withdrawal of Sales Tax benefit given to its Jharsuguda Cement Works, which was rejected. Ultra Tech then filed a SLP in the Supreme Court which has since been dismissed. It is proposed to file a joint review petition (9 other companies are similarly affected) in the Supreme Court with an appeal to direct the High Court of Orissa to allow points to be argued which were earlier not argued, as mentioned in the dismissal order of the Supreme Court. The financial implication on Ultra Tech would be around Rs. 180 million.
 7. Ultra Tech filed a writ petition in the Madras High Court against the order of State Industries Promotion Corporation of Tamil Nadu ("SIPCOT"), rejecting Sales Tax benefits to its Arakkonam Cement Works ("ARCW") on the ground that ARCW does not add to more than 15% of the existing turnover and hence does not qualify as a new unit. The amount involved is approximately Rs.240million. The petition has been heard and is pending for orders.
 8. There are 6 other civil cases pending in various courts for claims amounting to Rs. 22 million.
 9. Ultra Tech filed an Arbitration Petition No. 500 of 2004 against Anker Coal Company, Rotterdam, arising out of dispute regarding contract for supply of coal, claiming damages of approximately Rs. 75 million. Anker Coal challenged the arbitration award in Appeal No. 399 of 2006 before a Division Bench of the Bombay High Court. Bombay High Court has admitted the appeal directing Anker Coal Company to deposit an amount of approximately Rs. 35.6 million and permitting Ultra Tech to withdraw the said deposit after providing appropriate securities and which has since been duly withdrawn. Anker Coal's appeal is held in abeyance and is not yet listed for hearing.
 10. There are 15 cases filed by Ultra Tech in Mumbai under section 138 of Negotiable Instruments Act aggregating to Rs. 10.4 million.

Contingent Liabilities as on March 31, 2008:

Claims not acknowledged as debts in respect of matters in appeals:

Sr. No.	Particulars	Amount (Rs. in million)
(a)	Sales-tax liability	513.0
(b)	Excise Duty	273.5
(c)	Royalty on Limestone/ Marl	432.7
(d)	Customs	01.1
(e)	Others	318.2

Bihar Caustic and Chemical Limited

For details of regarding Outstanding Litigation against BCCL and contingent liabilities of BCCL, please refer to section titled “Outstanding Litigation – Litigation involving our subsidiaries – Indian subsidiaries – Bihar Caustic and Chemicals Limited” on page 228 of this Letter of Offer.

GOVERNMENT APPROVALS

In view of the approvals listed below, the Company can undertake this Issue and current business activities and no further material approvals are required from any government authority for the Company to continue their activities.

Approvals for the Issue

1. In-principle approval from the National Stock Exchange of India Limited dated August 25, 2008;
2. In-principle approval from the Bombay Stock Exchange Limited dated August 25, 2008; and
4. The Reserve Bank of India, vide its letter dated August 25, 2008 has issued a no objection certificate to the Company to offer Equity Shares under the Issue to certain OCB shareholders of the Company.

General

PAN: AAACH1201R

Approvals for the Company's business

The Company requires various approvals for it to carry on its business in India and overseas. The approvals that the Company requires include the following.

(a) Approvals and registrations in India

1. Factory Licenses to operate various factories under the Factories Act, 1948 and relevant rules.
2. Environmental clearance from Ministry of Environment and Forests under Environmental Impact Assessment Notification dated January 27, 1994 for commencement, operation and expansion of various factories, projects and mines.
3. Air and water pollution consents under the Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974 from the relevant State Pollution Control Board.
4. Authorisation from the relevant State Pollution Control Board under the Hazardous Wastes (Management and Handling) Rules, 1989 and Amendment Rules, 2003 with regard to collection, treatment, storage, transport and disposal of waste.
5. Registrations and compliances with the Contract Labour (Regulation & Abolition) Act 1970.
6. Registrations under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 with the Provident Fund Commissioner.
7. Licenses for installation of facility, storage, import and manufacture of various substances from the Controller of Explosives under the Explosives Act.
8. Licences to import and store petroleum installation from the Petroleum and Explosive Safety Organisation, Ministry of Commerce and Industry, Government of India.
9. Fire Service License to store hazardous material under issued by the relevant fire authority.
10. Certificates for use of a Boiler and Economisers issued by the Director of Boilers, Boiler Inspection Department
11. Approval of scheme of mining with progressive mine closure plan and modifications to it by the Indian Bureau of Mines.

12. Approval of the revised mining plan prepared under the Minerals Concession Rules, 1960 by Ministry of Coal, Government of India under section 5 (2) of the Mines and Minerals (Development and Regulation) Act, 1957.
13. Permission in the form of relaxation under Regulation 98(1) and (3) of the Coal Mines Regulations, 1957 to work open-cast mines by deployment of heavy earth moving machinery by the Director of Mines Safety.
14. Permission under Regulation 106(2)(b) of the Metalliferous Mines Regulations, 1961, to work by a system of deep hole blasting and with help of heavy machinery issued by Director of Mines Safety.
15. Registration under Shops and Establishments Act Shops with the Shops and Establishments Department, relevant Municipal Corporation / Labour department.
16. Sales tax and Value Added Tax registrations with the relevant State Government.
17. Service tax registration for various services provided.
18. Central sales tax registration under the Central Sales Tax Act, 1956.
19. Central Excise Registration Certificate under Central Excise Rules, 2002.
20. Professional tax registrations for employer with the authority under the relevant act.
21. Certificate of registration by Department of Non-Banking Supervision, Reserve Bank of India to carry on the business of non-banking financial institution.
22. Mobile, Wireless and Land Mobile station Station License issued by the Ministry of Communications and Information Technology.
23. License for operating Radio Remote Control of EOT Cranes issued under The Indian Telegraph Act, 1885 by Ministry of Communications and Information Technology.
24. Registration Certificate issued by the Head Post Master for running a cable television network.
25. Permission from the Maritime Board permitting to use its captive jetty for handling commercial cargo.
26. In principal approval given by the Department of Energy for setting up the captive power project.
27. Grant of authorisation of concessional duty under Export Promotion Capital Goods Scheme issued by the office of Director General of Foreign Trade.

(b) Approvals and Registrations outside India

1. Approvals for Novelis Corporation to conduct business in the United States of America in the states of Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin.
2. Approvals for Novelis Inc. to conduct business in Canada in the provinces of British Columbia, Alberta, Ontario and Quebec and in United States in the states of Georgia and Ohio.
3. Approvals for Novelis do Brasil Ltda. to conduct business in Brazil in the states of Acre, Alagoas, Amapá, Amazonas, Bahia, Ceará, Distrito Federal (Federal District), Goiás, Espírito Santo, Maranhão, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Pará, Paraíba, Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondônia, Roraima, São Paulo, Santa Catarina, Sergipe and Tocantins.

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4. Approvals for Novelis Deutschland GmbH to conduct business in Federal Republic of Germany.
 5. Approvals for Novelis Aluminum Holding Company to conduct business in Ireland.
 6. Approvals for Novelis Korea Limited to conduct business in Republic of Korea in Yeongju and Ulsan.
 7. Approvals for Birla Resources Pty Ltd. to conduct business in Australia.
 8. Approvals for AV Aluminum Inc. to conduct business in Canada.
 9. Approvals for AV Metals Inc. to conduct business in Canada.
 10. Approvals for AV Minerals to conduct business in the Netherlands.
 11. Approvals for Birla Maroochydore Pty Ltd to conduct business in Australia.
 12. Approvals for Birla Mt Gordon Pty Ltd to conduct business in Australia.
 13. Approvals for Birla Nifty Pty Limited to conduct business in Australia.

We have obtained the above approvals and the same are valid as of the date of the Letter of Offer. Some of these have expired in the ordinary course of business and applications for their renewal have been submitted. We undertake to obtain all approvals, licenses, registrations and permissions required to operate our business.

STATUTORY AND OTHER INFORMATION

Authority for the Issue

This offer to the Equity Shareholders of the Company with a right to renounce is being made in accordance the resolution passed by the Board of Directors of the Company at its meeting held on June 20, 2008 and a meeting of the Rights Issue Committee held on August 14, 2008. Further to the authority granted by the Board of Directors, the Rights Issue Committee varied the terms on which this offer was approved by the Board of Directors and approved an offering of up to Rs. 5,050 crores at a price of Rs. 96 per Equity Share in ratio of 3 Equity Shares for every 7 Equity Shares.

Prohibition by SEBI

Neither we, nor our Directors or our Promoters or the Promoter Group Companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI. Further, none of the directors or person(s) in control of the Promoters (as applicable) have been prohibited from accessing the capital market under any order or direction passed by SEBI. Further neither the Promoter, the Company or group companies has been declared as wilful defaulters by RBI / Government authorities.

Eligibility for the Issue

The Company is an existing company registered under the Companies Act whose Equity Shares are listed on BSE and NSE. It is eligible to offer this Issue in terms of Clause 2.4.1(iv) of the SEBI DIP Guidelines.

The Company is eligible for a fast track issuance as per clause 2.1.2A of the SEBI DIP Guidelines.

The details of compliance of the Company with clause 2.1.2A of the SEBI DIP Guidelines are as follows:

S. No	Condition in Clause 2.1.2A	Company Eligibility
1.	The shares of the company have been listed on either NSE or BSE or both, for a period of at least three years immediately preceding the date on which the letter of offer is filed with the designate stock exchange.	Yes
2.	The 'average market capitalization of the public shareholding' of the company is at least Rs. 100,000 million for a period of one year up to the end of the quarter preceding the month in which the proposed issue is approved by the board of directors or the shareholders of the company (as applicable).	Yes
3.	The annualized trading turnover of the shares of the company during six calendar months immediately preceding the month of the filing of the letter of offer with the designate stock exchange, has been at least two percent of the weighted average number of shares listed during the said six months period.	Yes
4.	The company has redressed at least 95% of the shareholder or investor grievance or complaints received till the end of the quarter immediately preceding the month of the date of filing of the letter of offer with the designate stock exchange.	Yes
5.	The company has complied with the listing agreement for a period of at least three years immediately preceding the date of filing of letter of offer with the designate stock exchange.	Yes

S. No	Condition in Clause 2.1.2A	Company Eligibility
6.	The impact of auditors' qualifications, if any, on the audited accounts of the company in respect of the financial years for which such accounts are disclosed in the offer document does not exceed 5% of the net profit/ loss after tax of the company for the respective years.	Yes
7.	No prosecution proceedings or show cause notices issued by SEBI are pending against the company or its promoters or whole time directors as on the date of filing of the letter of offer with the designate stock exchange.	Yes
8.	The entire shareholding of the promoter group is held in dematerialized form as on the date of filing of letter of offer with the designate stock exchange.	Yes

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED / CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. THE LEAD MANAGERS, ABN AMRO SECURITIES (INDIA) PRIVATE LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, DEUTCHE EQUITIES INDIA PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, ABN AMRO SECURITIES (INDIA) PRIVATE LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, DEUTCHE EQUITIES INDIA PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED AND SBI CAPITAL MARKETS LIMITED WILL FURNISH TO SEBI A DUE DILIGENCE CERTIFICATE WHICH WILL READ AS FOLLOWS:

WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;

II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS

OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

- (A) THE LETTER OF OFFER FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (C) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE (AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS).**
- III. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.***
- IV. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
- V. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE LETTER OF OFFER. – NOT APPLICABLE**
- VI. WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE LETTER OF OFFER. – NOT APPLICABLE**
- VII. WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE.**

- VIII. WHERE THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER.
- IX. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- X. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
- XI. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.
- XII. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
- XIII. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER:
- (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
- (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
- XIV. WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.
- XV. WE CONFIRM THAT THE ISSUER IS ELIGIBLE TO MAKE FAST TRACK IN TERMS OF CLAUSE 2.1.2A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000. THE FULFILLMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT CLAUSE, BY THE ISSUER, HAS ALSO BEEN DISCLOSED IN THE LETTER OF OFFER.
- XVI. WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN THE LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUER OR RELATING TO THE ISSUE UP TO

THE COMMENCEMENT OF LISTING AND TRADING OF THE SHARES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.

XVII. WE CONFIRM THAT THE ABRIDGED LETTER OF OFFER CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000.

XVIII. WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH BOTH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SECURITIES OF THE ISSUER.

XIX. WE CONFIRM THAT AS PER THE REQUIREMENT OF 1ST PROVISIO TO CLAUSE 4.9.1 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE RED HERRING PROSPECTUS AND / OR PROSPECTUS - NOT APPLICABLE.

** The SEBI registration of DSPML was valid upto July 31, 2008. DSPML has applied for a renewal of their SEBI registration vide letter dated April 30, 2008.*

The filing of this Letter of Offer does not, however, absolve the Company from any liabilities under section 63 or section 68 of the Companies Act or from the requirement of obtaining such statutory or other clearance as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Lead Manager any irregularities or lapses in this Letter of Offer.

Caution

The Company and the Lead Managers accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Managers and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with SEBI.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

This Letter of Offer has been prepared under the provisions of Indian Law and the applicable rules and regulations thereunder. The distribution of the Letter of Offer and the Issue of Equity Shares on a Rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons in whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

The Rights Entitlement and the Equity Shares of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended, or any U.S. state securities laws and may not be offered, sold, resold, or otherwise transferred within the United States of America or the territories or

possessions thereof (the “United States” or “U.S.”), except in a transaction exempt from the registration requirement of the United States Securities Act of 1933, as amended. The Rights Entitlement referred to in this Letter of Offer are being offered in India but not in the United States of America. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer should not be forwarded to or transmitted in or into the United States by any person other than the Company at any time. None of the Company, the Lead Managers or any person acting on their behalf will accept subscriptions from any person, or his agent, who appears to be, or who the Company has reason to believe is, a resident of the United States and to whom an offer, if made, would result in requiring registration of this Letter of Offer with the United States Securities and Exchange Commission. The Company is informed that there is no objection to a United States shareholder selling its Rights Entitlement in India.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

United States Restrictions

NEITHER THE RIGHTS ENTITLEMENT NOR THE EQUITY SHARES THAT MAY BE PURCHASED PURSUANT THERETO HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY U.S. STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OF AMERICA OR THE TERRITORIES OR POSSESSIONS THEREOF, EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RIGHTS ENTITLEMENT REFERRED TO IN THIS LETTER OF OFFER ARE BEING OFFERED IN INDIA, BUT NOT IN THE UNITED STATES. THE OFFERING TO WHICH THIS LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF SHARES OR RIGHTS FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SHARES OR RIGHTS. ACCORDINGLY THIS LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES BY ANY PERSON OTHER THAN THE COMPANY AT ANY TIME. NONE OF THE COMPANY, THE LEAD MANAGERS OR ANY PERSON ACTING ON THEIR BEHALF WILL ACCEPT SUBSCRIPTIONS FROM ANY PERSON, OR HIS AGENT, WHO APPEARS TO BE, OR WHO THE COMPANY, THE LEAD MANAGERS OR ANY PERSON ACTING ON THEIR BEHALF HAS REASON TO BELIEVE IS, A RESIDENT OF THE UNITED STATES AND TO WHOM AN OFFER, IF MADE, WOULD RESULT IN REQUIRING REGISTRATION OF THIS LETTER OF OFFER WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE COMPANY IS INFORMED THAT THERE IS NO OBJECTION TO A UNITED STATES SHAREHOLDER SELLING ITS RIGHTS ENTITLEMENT IN INDIA.

European Economic Area Restrictions

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive at any relevant time (each, a “Relevant Member State”), no offer of the Rights Entitlement or the Equity Shares is or will be made by the Company (or any person on its behalf) to any person within a Relevant Member State at any time and it is a condition of the Offer of the Rights Entitlement and the Equity Shares that investors certify that:

1. they did not receive the Letter of Offer from the Company while they are within a Relevant Member State;
2. they acknowledge that the Company has not authorized the making of any offer of the Rights Entitlement and the Equity Shares in a Relevant Member State; and
3. if notwithstanding the foregoing they are situated in a Relevant Member State, they:
 - (a) are a legal entity which is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
 - (b) are a legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
 - (c) are an investor in the existing Equity Shares and are applying to acquire new Equity Shares for a total consideration of at least €50,000.

For the purpose of this provision, the expression an “offer” in relation to any Rights Entitlement or Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Rights Entitlement and the Equity Shares so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be the NSE.

Disclaimer Clause of the BSE

The BSE has given vide its letter no. DCS/PREF/JA/IP-RT/1056/08-09 dated August 25, 2008 permission to the Company to use BSE’s name in this Letter of Offer as one of the Stock Exchanges on which this Company’s securities are proposed to be listed. The BSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or (ii) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or (iii) take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Letter of Offer has been filed with the NSE. The NSE has given vide its letter no. NSE/LIST/82641-7 dated August 25, 2008 permission to the Issuer to use NSE’s name in this Letter of Offer as one of the Stock Exchanges on which the Issuer’s securities are proposed to be listed. The NSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; nor does it warrant that the Issuer’s securities will be listed or will continue

to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Issuer, its Promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquire any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Impersonation

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act which is reproduced below:

“Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”

Filing

The Letter of Offer has been filed with the Designated Stock Exchange and a copy has been filed with SEBI, as per the requirement under Clause 2.1.2A.2 of the SEBI DIP Guidelines. All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchanges have been complied with.

Dematerialised dealing

The Company has agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and its Equity Shares bear the ISIN No. INE038A01020.

Listing

The existing Equity Shares are listed on the BSE and NSE. The Company has made applications to the BSE, and NSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. The Company has received in-principle approvals from BSE and NSE by letters dated August 25, 2008. The Company will apply to the BSE and NSE for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within 8 days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Consents

Consents in writing of the Auditors to the Company, Lead Managers, Legal Advisors, Registrar to the Issue, Monitoring Agency and Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the stock exchanges.

To the best of our knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by us.

Independent Accountant

The Company's restated consolidated financial statements as of and for the five years ended March 31, 2008, 2007, 2006, 2005 and 2004, the Company's restated standalone financial statements as of and for the five years ended March 31, 2008, 2007, 2006, 2005 and 2004, the Company's unaudited standalone financial statements as of and for the three month periods ended June 30, 2008 and June 30, 2007 and the Company's audited consolidated financial statements as of and for the three years ended March 31, 2008, 2007 and 2006 were prepared in accordance with the accounting standards and generally accepted accounting principles followed in India and which were so included in this Letter of Offer in reliance on the reports of Singhi and Co., independent chartered accountants.

The consolidated balance sheet as of March 31, 2008 and the consolidated statements of operations and comprehensive income (loss), shareholder's equity and cash flows for the period from May 16, 2007 to March 31, 2008 of Novelis Inc. (Successor Company); the consolidated balance sheet as of March 31, 2007 and the consolidated and combined statements of operations and comprehensive income (loss), shareholder's/invested equity and cash flows for the periods from April 1, 2007 to May 15, 2007, and January 1, 2007 to March 31, 2007 and for the years ended December 31, 2006 and 2005 of Novelis Inc. (Predecessor Company) included in this Letter of Offer, and the effectiveness of internal control over financial reporting of Novelis Inc. as of March 31, 2008, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports appearing herein (their report on the Successor Company financial statements contains an explanatory paragraph relating to Novelis' restatement of its financial statements as described in Note 2 to the consolidated financial statements, and their report on the effectiveness of internal control over financial reporting of Novelis Inc. as of March 31, 2008 contains an adverse opinion on the effectiveness of internal control over financial reporting).

Expert Opinion, if any

Except as stated elsewhere in this Letter of Offer, no expert opinion has been obtained by the Company in relation to this Letter of Offer.

Expenses of the Issue

The Issue related expenses include, among others, lead manager, selling and underwriting commissions, printing and distribution expenses, advertisement and marketing expenses and registrar, legal and depository fees and other expenses and are estimated at Rs. 1,216.65 million (approximately 2.41% of the total Issue size) and will be met out of the proceeds of the Issue.

(in Rs. million)	
Activity	Expense
Lead manager and selling commissions	504.77
Underwriting commission	605.72
Advertising and marketing expenses	8.00
Printing and distribution	20.82
Other (Registrar's fees, legal fees, etc.)	77.34
Total estimated Issue expenses	1,216.65

Fees Payable to the Lead Managers to the Issue

The fees payable to the Lead Manager to the Issue are set out in the engagement letter issued by the Company to the Lead Manager entered into by the Company with the Lead Manager, copies of which are available for inspection at the registered office of the Company.

Previous Issue by the Company

The Company undertook a rights issue of 231,936,993 Equity Shares of Re. 1 each at a price of Rs. 96 per Equity Share. The proceeds of the issue were applied for the objects of the issue as disclosed in the letter of offer dated November 25, 2005. As the Company had issued partly paid shares in the rights issue undertaken in January, 2006, due to non payment of call money, the Company has forfeited certain Equity Shares issued pursuant to the said rights issue, by the resolution of the Board of Directors dated September 1, 2008. For further details, see section titled “Capital Structure” on page 28 of this Letter of Offer.

The objects of issue in the letter of offer dated November 25, 2005 provided that net proceeds of the issue, being Rs. 21,866 million shall be utilized towards the following projects:

1. Expansion of following existing facilities:
 - expanding the alumina capacity at Muri from 110,000 metric tpa to 450,000 metric tpa
 - expanding the alumina capacity at Belgaum from 350,000 metric tpa to 650,000 metric tpa
 - expanding the aluminium capacity at Hirakud from 65,000 metric tpa to 146,000 metric tpa
2. Building-up of new alumina and aluminium capacities through following greenfield projects:
 - Aditya Alumina with capacity of 1,000,000 metric tpa expandable to 1,500,000 metric tpa
 - Aditya Aluminum with capacity of 260,000 metric tpa expandable to 325,000 metric tpa
3. Building new alumina capacities through the following Joint Venture
 - Utkal Alumina with total project capacity of 1,000,000 metric tpa to 1,500,000 metric tpa

As of March 31, 2008, the Company has utilized Rs. 3,935 million out of net proceeds being Rs. 21,829 million towards equity contribution Utkal Alumina.

Date of listing on the Stock Exchange

The equity shares of the Company were first listed on the BSE in January 28, 1960. The Company's equity shares have also been listed on the NSE. The Company's equity shares were listed on Calcutta Stock Exchange Limited, Madras Stock Exchange Limited and the Delhi Stock Exchange Association Limited and the Company voluntarily delisted its Equity Shares from the said exchanges on May 4, 2005, January 7, 2004 and December 29, 2003 respectively. The Global Depository Receipts issued by the Company are listed on the Luxembourg Stock Exchange.

Issues for consideration other than cash

The Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves, other than issuances mentioned in the section “Capital Structure” on page 28 of the Letter of Offer.

Outstanding Debentures or Bonds and Preference Shares

The Company has not issued any debentures, bonds or preference shares other than those mentioned in the sections on “Capital Structure” and “Description of Certain Indebtedness” on pages 28 and 185 of the Letter of Offer.

Option to Subscribe

Other than the present Issue and except as provided in the section titled “Capital Structure” on page 28 of this Letter of Offer, the Company has not given any person any option to subscribe to the Equity Shares of the Company.

There have not been any transactions in Equity Shares by the Promoter, the promoter group and directors of the Company during the last six months from the date of this Letter of Offer other than those mentioned in the section “Capital Structure” on page 28 of the Letter of Offer.

Important

- This Issue is pursuant to the resolution passed by the Board of Directors at its meetings held on June 20, 2008 and Rights Issue committee resolution dated August 14, 2008.
- This Issue is applicable to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Company at the close of business hours on the Record Date i.e. September 5, 2008, after giving effect to the valid share transfers lodged with the Company upto the Record Date i.e. September 5, 2008.
- Your attention is drawn to the section entitled ‘Risk Factors’ appearing on page xiii of this Letter of Offer/Abridged Letter of Offer.
- Please ensure that you have received the Composite Application Forms (“CAF”) with this Letter of Offer/Abridged Letter of Offer.
- Please read the Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are each an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.
- All enquiries in connection with the Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.
- All information shall be made available to the Investors by the Lead Manager and the Issuer, and no selective or additional information would be available by them for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.
- The Lead Manager and the Company shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

Issue Schedule

Issue Opening Date:	September 22, 2008
Last date for receiving requests for split forms:	October 01, 2008
Issue Closing Date:	October 10, 2008

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Allotment Letters / Refund Orders

The Company will issue and dispatch allotment advice/ share certificates / demat credit and/or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the date of closure of the Issue. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under section 73 of the Companies Act.

Applicants residing at centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (Electronic Clearing Service) except where Applicants are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those Applicants who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, and advice regarding their credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of the Issue.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form and the Company issues an allotment advice, the corresponding share certificates will be dispatched within one month from the date of allotment. For more information please refer to the section titled 'Allotment advice/ Share Certificates/Demat Credit' on page 296 of this Letter of Offer.

The refund order exceeding Rs.1,500 would be sent by registered post/speed post to the sole/first Applicant's registered address. Refund orders up to the value of Rs.1,500 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/first Applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Investor Grievances arising out of this Issue

The Company's investor grievances arising out of the Issue will be handled by Karvy Computershare Private Limited, who are the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of at least one year from the last date of dispatch of Allotment Advice/ share certificate / refund order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 15 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. The Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer in case of any pre-Issue/ post -Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc. His address is as follows:

Mr. Anil Malik

Hindalco Industries Limited
Century Bhavan, 3rd Floor
Dr. Annie Besant Road, Worli
Mumbai 400 030
Tel: +91 22 6662 6666
Fax: +91 22 2422 7586 / 2436 2516
Email: hilinvestors@adityabirla.com

Changes in Auditors during the last three years

There have been no changes in our Statutory Auditors over the last three years.

Capitalisation of Reserves or Profits

The Company has not capitalized any of its reserves or profits for the last five years other than those mentioned in the section “Capital Structure” on page 28 of the Letter of Offer.

Revaluation of Fixed Assets

There has been no revaluation of the Company’s fixed assets for the last five years.

Minimum Subscription

If the Company does not receive minimum subscription of 90% of the Issue including devolvement of Underwriters, the entire subscription shall be refunded to the Applicants within fifteen days from the Issue Closing Date. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e., fifteen days after the Issue Closing Date), the Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

Additional Subscription by the Promoters

The Promoter and promoter group have confirmed that they intend to subscribe to the full extent of their entitlement, being 31.43% of the Issue size, in the Issue. The Promoter and the promoter group reserve their right to subscribe to their entitlement in this Issue, including by subscribing for renunciation, if any, made by any other shareholder. The Promoter and the promoter group may apply for additional Equity Shares in the Issue, to the extent of any unsubscribed portion of the Issue, such that the total subscription by the Promoter and promoter group (including its rights entitlement) shall not exceed 50% of the Issue size. As a result of this subscription and consequent allotment, the Promoter and the promoter group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above their current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter and the promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on “Objects of the Issue” on page 39 of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter and the Promoter Group, in this Issue, the Promoter’s and the promoter group’s shareholding in the Company exceeds their current shareholding. The Promoter and the promoter group shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the

Promoter and the promoter group of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Company hereby certifies that, in case the Issue is completed with the Promoter and the promoter group subscribing to equity shares over and above their entitlement, the public shareholding in the Company after the Issue will not fall below the minimum level of public shareholding of 10% as specified in the listing condition or listing agreement.

The Company has entered into an Underwriting Agreement with the Underwriters dated September 12, 2008, in relation to the Issue. In the event the Company does not receive minimum subscription of 90% of the Issue, the Underwriters shall be required to purchase or procure purchasers to the extent of such undersubscription in accordance with the terms of the Underwriting Agreement. The obligation to underwrite will be subject to atleast 50% of the Issue being subscribed by the Promoter, the promoter group and by such other persons as identified and communicated by the Company to the Underwriters. Out of the balance 40% of the undersubscription, the Underwriters shall be severally responsible to underwrite up to 8% of the Issue size for each Underwriter (ABN AMRO Securities (India) Private Limited and ABN AMRO Asia Equities (India) Limited shall mutually decide the proportion in which they will share obligations to underwrite upto 8% of the Issue size).

The Promoters and the promoter group have undertaken that in case any part of the Issue remains unsubscribed and the Underwriters are required to underwrite in excess of 1% of the Equity Shares, the entire shareholding of the Promoters / promoter group would be subject to lock up of 180 days from the date of the devolvement notice issued by the Company to the Underwriters pursuant to the terms of the Underwriting Agreement. This restriction shall not apply to any pledge given to secure any loans granted to the Promoters/ promoter group or the Company or its subsidiaries.

The Company has also agreed that it shall not, without the prior written consent of the Underwriters and the Lead Managers, for a period of 180 days from the date of listing of the Equity Shares, issue any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce any intention to do so during the aforesaid period except as disclosed in the section titled 'Capital Structure' in this Letter of Offer.

If the Company does not receive minimum subscription of 90% of the Issue including devolvement of Underwriters, the entire subscription shall be refunded to the Applicants within fifteen days from the Issue Closing Date. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e., fifteen days after the Issue Closing Date), the Company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Act.

Other Relationships

Certain of the Underwriters and their respective affiliates have, from time to time, performed investment banking, lending, advisory or other commercial services for the Company, its subsidiaries or its affiliates, for which they have received customary fees and expenses. In addition, the Underwriters or their affiliates may in future engage in transactions with, or perform services for, the Company, its subsidiaries or its affiliates, for which they may receive customary compensation.

An affiliate of ABN AMRO Securities (India) Private Limited had, along with certain other banks, entered into with AV Minerals (Netherlands) BV, a wholly owned subsidiary of the Company, a bridge loan facility agreement for a principal amount of U.S.\$3.03 billion for the acquisition of Novelis. Out of the U.S.\$3.03 billion principal amount, such affiliate had lent U.S.\$2.02 billion, of which \$125 million currently remains outstanding. The Company proposes to use the net proceeds from the Issue, together with cash flows from operations and amounts to be borrowed under a senior secured facility agreement that the Company intends to enter into, to repay all of the outstanding amount under the bridge loan facility agreement.

An affiliate of Citigroup Global Markets India Private Limited has, along with certain other banks, entered into with AV Minerals (Netherlands) BV, a wholly owned subsidiary of the Company, a bridge loan facility agreement for a principal amount of U.S.\$3.03 billion for the acquisition of Novelis. Out of the U.S.\$3.03 billion principal amount, such affiliate had underwritten and originally lent U.S.\$175 million, of which US \$30 million currently remains outstanding. The Company proposes to use the net proceeds from the Issue, together with cash flows from operations and amounts to be borrowed under a senior secured facility agreement that the Company intends to enter into, to repay all of the outstanding amount under the bridge loan facility agreement. In addition, affiliates of Citigroup Global Markets India Private Limited have from time to time extended working capital facilities to each of the Company and Novelis.

An affiliate of Deutsche Equities India Private Limited has provided a credit facility of €39.00 million to the Company. €32.50 million under such facility remains outstanding. In addition, an affiliate of Deutsche Equities India Private Limited holds approximately 0.02% of the total outstanding equity shares of the Company.

DSP Merrill Lynch Limited acted as a Lead Manager in a rights offering of the Company in 2006. In addition, affiliates of DSP Merrill Lynch Limited holds, in aggregate, approximately 0.25% of the total outstanding Equity Shares of the Company.

An affiliate of SBI Capital Markets Limited has been one of the bankers of the Company since 1983. It has extended fund based (i.e., in the form of cash credits, working capital and term loans) and non-fund based (i.e., in the form of letters of credit and bank guarantees) borrowing facilities to the Company from time to time. The existing fund based and non-fund based borrowing facilities provided by such affiliate are Rs. 5.13 billion and Rs. 15.57 billion, respectively. Under such fund based and non-fund based facilities, the amounts outstanding are Rs. 2.61 billion and Rs. 12.09 billion, respectively.

TERMS OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Letter of Offer, the enclosed Composite Application Form (“CAF”), the Memorandum and Articles of Association of the Company, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

Authority for the Issue

This Issue is being made pursuant to the resolution passed by the Board of Directors of the Company under Section 81(1) of Act at its meeting held on June 20, 2008 and the resolution of the Rights Issue committee dated August 14, 2008.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari-passu* with the existing Equity Shares of our Company including rights in respect of dividend. For further details, please see “Main Provisions of the Articles of Association” on page 306 of this Letter of Offer.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Company in respect of shares held in the physical form at the close of business hours on the Record Date i.e. September 5, 2008 fixed in consultation with Designated Stock Exchange.

Rights Entitlement

As your name appears as beneficial owner in respect of the Equity Shares held in the Electronic Form or appears in the Register of Members as an Equity Shareholder on the Record Date, you are entitled to the number of Equity Shares shown in Block I of Part A of the enclosed CAF.

The eligible Equity Shareholders are entitled to three (3) Equity Share for every seven (7) Equity Shares held on the Record Date.

Principal Terms of Equity Shares

Face value

Each Equity Share shall have the face value of Re. 1.

Issue Price

Each Equity Share is being offered at a price of Rs. 96 (including a premium of Rs. 95 per Equity Share).

Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of three (3) Equity Shares for every seven (7) Equity Shares held on the Record Date.

Fractional Entitlements

For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Equity Shareholders is less than 7 Equity Shares or not in the multiple of 7, the fractional entitlement of such holders shall be ignored. Shareholders whose fractional entitlements are being ignored would be given preference in allotment of one additional share each if they apply for additional shares.

An illustration stating the rights entitlement for number of Equity Shares is set out below:

Number of Equity Shares	Rights Entitlement
Less than 3	None*
3 – 4	1*
5-6	2*
7	3
8-9	3*
10-11	4*
12-13	5*
14	6

* *The fractional entitlement in such cases shall be ignored. However, such shareholder shall be given a preference for allotment of 1 additional Equity Share if he has applied for additional shares.*

Those Equity Shareholders have a holding less than 3 Equity Shares and therefore entitled to zero Equity Shares under this Issue shall be despatched a CAF with zero entitlement. Such equity shareholders are entitled to apply for additional Equity Shares and they would be given preference in allotment for 1 additional share if they apply for the same. However, they cannot renounce the same in favour of third parties. CAF with zero entitlement will be non-negotiable/non-renounceable.

Terms of payment

Full amount of Rs. 96 per Equity Share is payable on application.

The payment towards the Equity Shares offered will be as under:

Re. 1 per share	Towards Share Capital
Rs. 95 per share	Towards Share Premium Account

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;

- Right to free transferability of shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividends, forfeiture, lien, transfer and transmission, and/or consolidating/splitting, see the section titled "Main Provisions of Articles of Association" on page 306 of this Letter of Offer.

General Terms of the Issue

Market Lot

The Equity Shares of the Company are tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is 1 (one). In case of holding of Equity Shares in physical form, the Company would issue to the allottees 1 (one) certificate for the Equity Shares allotted to each folio ("Consolidated Certificate").

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint tenants with the benefit of survivorship subject to the provisions contained in the Articles.

Nomination

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Equity Shareholders who are individuals, a sole Equity Shareholder or the first named Equity Shareholder, along with other joint Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the registered office of the Company or such other person at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant ("DP") of the applicant would prevail. Any applicant desirous of changing the existing nomination is requested to inform its respective DP.

Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one Marathi daily newspaper with wide circulation and/or, will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

Listing and trading of Equity Shares proposed to be Issued

The Company's existing Equity Shares currently trade on the BSE and the NSE under the ISIN INE038A01020. The fully paid up Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the BSE and the NSE under the existing ISIN for fully paid Equity Shares of the Company. The fully paid up Equity Shares allotted pursuant to this Issue will be listed as soon as practicable but in no case later than 7 working days from the date of allotment. The Company has made an application for "in-principle" approval for listing of the Equity Shares in accordance with clause 24(a) of the Listing Agreement to the BSE and NSE through letters dated August 14, 2008 and has received such approval from the BSE through letter no. DCS/PREF/JA/IP-RT/1056/08-09, dated August 25, 2008 and from NSE through letter no. NSE/LIST/82641-7, dated, August 25, 2008.

The Global Depository Receipts with respect to the Equity Shares of the Company issued by JP Morgan Chase Bank (formerly Morgan Guaranty Trust Company of New York) as depository ("Depository") ("GDRs") are currently listed on the Luxembourg Stock Exchange appearing on the EuroMTF market pursuant to the Deposit Agreement dated July 22, 1993, as amended on July 7, 1994 and November 23, 2005 (the "Deposit Agreement").

GDR holders are expected to be able to participate indirectly in the Issue through the issue of GDRs in respect of Equity Shares provided that they provide certification as to their status such as to satisfy the Company and the Depository that they may legally do so without taking of any further action by the Company or the Depository, to making payment in respect of the amounts payable on the relevant shares and the completion of such other formalities as the Company or the Depository may determine. GDR holders who are unable to do so or fail to do so are expected to receive a proportionate share of any net value the Depository may receive from selling the proportion of Rights Entitlements corresponding to the GDRs in respect of which no such certification is given.

A separate notice with respect to the Issue will be distributed by the Depository in respect of the GDRs detailing how persons entitled to such GDRs may participate in the Issue. The Depository may be contacted at JPMorgan Chase Bank, N.A. P.O. Box 64504 St. Paul, MN 55164-0504.

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

The Company is making this issue of Equity Shares on a rights basis to the shareholders of the Company and will dispatch this Letter of Offer/Abridged Letter of Offer and the CAF to shareholders who have provided an Indian address.

Additional Subscription by the Promoter

The Promoter and promoter group have confirmed that they intend to subscribe to the full extent of their entitlement, being 31.43% of the Issue size, in the Issue. The Promoter and the promoter group reserve their right to subscribe to their entitlement in this Issue, including by subscribing for renunciation, if any, made by any other shareholder. The Promoter and the promoter group may apply for additional Equity Shares in the Issue, to the extent of any unsubscribed portion of the Issue, such that the total subscription by the Promoter and promoter group (including its rights entitlement) shall not exceed 50% of the Issue size. As a

result of this subscription and consequent allotment, the Promoter and the promoter group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above their current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter and the promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on “Objects of the Issue” on page 39 of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter and the Promoter Group, in this Issue, the Promoter’s and the promoter group’s shareholding in the Company exceeds their current shareholding. The Promoter and the promoter group shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoter and the promoter group of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Company hereby certifies that, in case the Issue is completed with the Promoter and the promoter group subscribing to equity shares over and above their entitlement, the public shareholding in the Company after the Issue will not fall below the minimum level of public shareholding of 10% as specified in the listing condition or listing agreement.

The Company has entered into an Underwriting Agreement with the Underwriters dated September 12, 2008, in relation to the Issue. In the event the Company does not receive minimum subscription of 90% of the Issue, the Underwriters shall be required to purchase or procure purchasers to the extent of such undersubscription in accordance with the terms of the Underwriting Agreement. The obligation to underwrite will be subject to atleast 50% of the Issue being subscribed by the Promoter, the promoter group and by such other persons as identified and communicated by the Company to the Underwriters. Out of the balance 40% of the undersubscription, the Underwriters shall be severally responsible to underwrite up to 8% of the Issue size for each Underwriter (ABN AMRO Securities (India) Private Limited and ABN AMRO Asia Equities (India) Limited shall mutually decide the proportion in which they will share obligations to underwrite upto 8% of the Issue size).

The Promoters and the promoter group have undertaken that in case any part of the Issue remains unsubscribed and the Underwriters are required to underwrite in excess of 1% of the Equity Shares, the entire shareholding of the Promoters / promoter group would be subject to lock up of 180 days from the date of the devolvement notice issued by the Company to the Underwriters pursuant to the terms of the Underwriting Agreement. This restriction shall not apply to any pledge given to secure any loans granted to the Promoters/ promoter group or the Company or its subsidiaries.

The Company has also agreed that it shall not, without the prior written consent of the Underwriters and the Lead Managers, for a period of 180 days from the date of listing of the Equity Shares, issue any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce any intention to do so during the aforesaid period except as disclosed in the section titled ‘Capital Structure’ in this Letter of Offer.

If the Company does not receive minimum subscription of 90% of the Issue including devolvement of Underwriters, the entire subscription shall be refunded to the Applicants within fifteen days from the Issue Closing Date. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e., fifteen days after the Issue Closing Date), the Company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Act.

For further details please refer to section titled “Basis of Allotment” beginning on page 293 of this Letter of Offer.

Procedure for Application

The CAF for Equity Shares would be printed in black ink for all Equity Shareholders. In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrar to the Issue, for issue of duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par on a local bank at Hyderabad/demand draft payable at Hyderabad to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Option available to the Equity Shareholders

The CAF will clearly indicate the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement of Equity Shares in part;
- Apply for his entitlement of Equity Shares in part and renounce the other part of the Equity Shares;
- Apply for his entitlement of Equity Shares in full;
- Apply for his entitlement in full and apply for additional Equity Shares.

Renunciation

This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that the Company shall not allot and/or register the Equity Shares in favour of more than 3 persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-resident Indian(s) or from Non-resident Indian Shareholder(s) to Resident Indian(s) or from Non-resident Indian shareholder(s) to other Non-resident Indian(s) is subject to the renouncer(s)/renounce(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renounee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for the Company of the person(s) applying for Equity Shares of the CAF to receive allotment of such Equity Shares. The renounees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' of the CAF must not be used by the renounee(s) as this will render the application invalid. Renounee(s) will have no further right to renounce any Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Equity Shares offered to a shareholder in favour of one renounee

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more renounees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renounee(s) without assigning any reason thereof.

Instructions for Options

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Equity Shareholder to whom this Letter of Offer has been addressed. If used, this will render the application invalid.

- Request for split form should be made for a minimum of 500 Equity Share or, in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- Request by the applicant for the split application form should reach the Company on or before October 1, 2008 .
- Only the Equity Shareholder to whom this Letter of Offer has been addressed shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split further.
- Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them (except for the Depository acting on behalf of the GDR holders) in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under the section entitled 'Basis of Allotment' on page 293 of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional shares in Part A of the CAF. The renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign</i>)
2. Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>)
3. Renounce your entitlement in full to one person (<i>Joint renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the renouncee. The renouncee must fill in and sign Part C (<i>All joint renouncees must sign</i>)
4. Accept a part of your entitlement and renounce the balance to one or more renouncee(s) OR Renounce your entitlement to all the Equity Shares offered to you to	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. On receipt of the Split Form take action as indicated

Option Available	Action Required
more than one renouncee	below. For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the renouncee. Each of the renouncee should fill in and sign Part C for the Equity Shares accepted by them.
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncee must fill in and sign Part C.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 7 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with Demand Draft, net of bank and postal charges payable at Hyderabad which should be drawn in favor of 'Hindalco Industries Limited Rights Issue' or 'Hindalco Industries Limited Rights Issue – Rights Issue – NR' and the Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

The envelope should be superscribed "Hindalco Industries Limited – Rights Issue" and should be postmarked in India. The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Hindalco Industries Limited
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of Equity Shares held as on Record Date
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 96 per Equity Share
- Separate cheque/DDs are to be attached for amounts to be paid for Equity Shares
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- PAN of the applicant and for each applicant in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue.

- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
- Additionally, Non-Resident Applicants shall include the following:
 - *“I/We understand that the Rights and the Equity Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws and may not be offered, sold, resold or otherwise transferred within the United States, except in a transaction exempt from, or in a transaction not subject to, the registration requirements of the US Securities Act. The offering to which this CAF relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights for sale in the United States or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights. Accordingly, this CAF should not be forwarded to or transmitted in or into the United States, except to persons that are both an institutional investor and an “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the US Securities Act (an “Institutional Accredited Investor”). Neither the Company, the Registrar nor the Lead Managers will accept subscriptions from any person, or his agent, who appears to be, or who the Company, the Registrar or the Lead Managers have reason to believe is, a resident of the United States and is not an Institutional Accredited Investor. There is no objection to a US shareholder selling its Rights in India.*
 - *I/We are an Institutional Accredited Investor and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Equity Shares, and we are, and any accounts for which we are acting are each, able to bear the economic risk of our or its investment.*
 - *I/We will not offer, sell or otherwise transfer any of the Rights or Equity Shares which may be acquired by us in any jurisdiction or any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.*
 - *I/We understand and agree that the Equity Shares and Rights may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.”*

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications. Separate cheque/DDs are to be attached for amounts to be paid for Equity Shares. The Company shall refund such application amount to the applicant without any interest thereon.

Last date of Application

The last date for submission of the duly filled in CAF is October 10, 2008. The Issue will be kept open for 19 days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section “Basis of Allotment” on page 293 of this Letter of Offer.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Printing Of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Offer to Non-Resident Equity Shareholders/Applicants

As per regulation 6 of notification No. FEMA 20/200-RB dated May 3, 2000, the RBI has given general permission to Indian companies to issue rights shares to non-resident shareholders including additional shares. Applications received from NRIs and non-residents for allotment of Equity Shares shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment / notification No. FEMA 20/200-RB dated May 3, 2000. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the non-resident shareholders. The rights shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Company at its registered office, the OCB shall receive the Letter of Offer and the CAF.

Letter of offer and CAF shall be dispatched to non-resident Equity Shareholders with a registered address in India only.

No Offer in the United States

The Rights Entitlement and the Equity Shares of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended, or any US state securities laws and may not be offered, sold, resold, or otherwise transferred within the United States of America or the territories or possessions thereof (the "United States" or "U.S."), except in a transaction exempt from the registration requirement of the United States Securities Act of 1933, as amended. The Rights Entitlement referred to in this Letter of Offer are being offered in India but not in the United States of America. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer should not be forwarded to or transmitted in or into the United States by any person other than the Company at any time. None of the Company, the Lead Managers or any person acting on their behalf will accept subscriptions from any person, or his agent, who appears to be, or who the Company has reason to believe is, a resident of the United States and to whom an offer, if made, would result in requiring registration of this Letter of Offer with the United States Securities and Exchange Commission. The Company is informed that there is no objection to a United States shareholder selling its Rights Entitlement in India.

Basis of Allotment

Subject to the provisions contained in this Letter of Offer and CAF, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- (b) If the shareholding of any of the Equity Shareholders is less than 7 or is not in multiples of 7, then the fractional entitlement of such holders for Equity Shares shall be ignored. Equity Shareholders whose fractional entitlements are being ignored would be given preferential allotment of ONE additional Equity Share each if they apply for additional shares. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above. If number of Equity Shares required for allotment under this head are more than the number of shares available after allotment under (a) above, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange. For further details please see the section “Terms of the Issue – Fractional Entitlements” on page 283 of this Letter of Offer.
- (c) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (d) Allotment to the renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a), (b) and (c) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.
- (e) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full allotment under (a), (b), (c) and (d) above.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be ‘unsubscribed’ for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c), (d) and (e) above. The Promoter and promoter group have confirmed that they intend to subscribe to the full extent of their entitlement, being 31.43% of the Issue size, in the Issue. The Promoter and the promoter group reserve their right to subscribe to their entitlement in this Issue, including by subscribing for renunciation, if any, made by any other shareholder. The Promoter and the promoter group may to apply for additional Equity Shares in the Issue, to the extent of any unsubscribed portion of the Issue, such that the total subscription by the Promoter and promoter group (including its rights entitlement) shall not exceed 50% of the Issue size. As a result of this subscription and consequent allotment, the Promoter and the promoter group may acquire shares over and above their entitlement in the Issue, which may result in an increase of their shareholding being above their current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoter and the promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on “Objects of the Issue” on page 39 of this Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoter

and the promoter group, in this Issue, the Promoter's and the promoter group's shareholding in the Company exceeds their current shareholding. The Promoter and the promoter group shall subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoter and the promoter group of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

The Company hereby certifies that, in case the Issue is completed with the Promoter and the promoter group subscribing to equity shares over and above their entitlement, the public shareholding in the Company after the Issue will not fall below the minimum level of public shareholding of 10% as specified in the listing condition or listing agreement.

After such allotments as above and to the Promoters, including the application for rights/renunciation and additional equity shares, any additional Equity Shares shall be disposed off by the Board or committee of the Board authorised in this behalf by the Board of the Company, in such manner as they think most beneficial to the Company and the decision of the Board or committee of the Board of the Company in this regard shall be final and binding. In the event of oversubscription, allotment will be made within the overall size of the issue.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time.

Underwriting

The Company has entered into an Underwriting Agreement with the Underwriters dated September 12, 2008, in relation to the Issue. In the event the Company does not receive minimum subscription of 90% of the Issue, the Underwriters shall be required to purchase or procure purchasers to the extent of such undersubscription in accordance with the terms of the Underwriting Agreement. The obligation to underwrite will be subject to atleast 50% of the Issue being subscribed by the Promoter, the promoter group and by such other persons as identified and communicated by the Company to the Underwriters. Out of the balance 40% of the undersubscription, the Underwriters shall be severally responsible to underwrite up to 8% of the Issue size for each Underwriter (ABN AMRO Securities (India) Private Limited and ABN AMRO Asia Equities (India) Limited shall mutually decide the proportion in which they will share obligations to underwrite upto 8% of the Issue size).

The Promoters and the promoter group have undertaken that in case any part of the Issue remains unsubscribed and the Underwriters are required to underwrite in excess of 1% of the Equity Shares, the entire shareholding of the Promoters / promoter group would be subject to lock up of 180 days from the date of the devolvement notice issued by the Company to the Underwriters pursuant to the terms of the Underwriting Agreement. This restriction shall not apply to any pledge given to secure any loans granted to the Promoters/ promoter group or the Company or its subsidiaries.

The Company has also agreed that it shall not, without the prior written consent of the Underwriters and the Lead Managers, for a period of 180 days from the date of listing of the Equity Shares, issue any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce any intention to do so during the aforesaid period except as disclosed in the section titled 'Capital Structure' in this Letter of Offer.

If the Company does not receive minimum subscription of 90% of the Issue including devolvement of Underwriters, the entire subscription shall be refunded to the Applicants within fifteen days from the Issue Closing Date. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e., fifteen days after the Issue Closing Date), the Company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Act.

Allotment / Refund

The Company will issue and dispatch letters of allotment/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of fifteen days from the Issue Closing Date. If such money is not repaid within eight days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Applicants residing at centers where clearing houses are managed by the Reserve Bank of India (RBI), will get refund through ECS only except where applicant are otherwise disclosed as applicable/eligible to get refunds through direct credit and RTGS.

In case of those applicants who have opted to receive their Right Entitlement in dematerialized form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit refund within a period of 15 (fifteen) days from the Issue Closing Date.

In case of those Applicants who have opted to receive their Rights Entitlement in physical form, the Company will issue the corresponding share certificates under applicable provisions of the Companies Act or other applicable provisions if any.

Any refund order exceeding Rs. 1,500 will be dispatched registered post/ speed post to the sole/ first applicant's registered address. Refund orders up to the value of Rs. 1,500 would be sent under the certificate of posting. Such cheques or pay orders will be payable at par at all place where the applications were originally accepted and will be marked 'Account Payee only' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Payment of Refund**Mode of making refunds**

The payment of refund, if any, would be done through any of the following modes:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any centres where ECS facility has been made available, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the

payment of refunds would be made through any one of the other modes as discussed in this section – “Mode of making refund.”

3. Direct Credit – Applicants having bank accounts with the existing Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by the Company.
4. RTGS – Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant’s bank receiving the credit would be borne by the applicant.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first applicant and payable at par.

As regards allotment/ refund to non-residents, the following further conditions shall apply:

In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Allotment advice / Share Certificates/ Demat Credit

Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited 15 days, from the date of closure of the subscription list. In case the Company issues allotment advice, the relative share certificates will be dispatched within one month from the date of allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares of the Company issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Company signed a bipartite agreement with CDSL and a bipartite agreement dated December 26, 2003 with NSDL, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. The CAF shall contain space for indicating number of shares applied for in demat and physical form or both. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form.

No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

The Equity Shares of the Company will be listed on the BSE and NSE.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.*
- For Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.

If incomplete /incorrect beneficiary account details are given in the CAF the applicant will get Equity Shares in physical form.

The Equity Shares pursuant to this Issue allotted to investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

Utilisation of Proceeds

Subscription received against this Issue will be kept in a separate bank account(s) and the Company would not have access to such funds unless it has received minimum subscription of 90%, of the Issue and the necessary approvals of the Designated Stock Exchange, to use the amount of subscription.

General instructions for applicants

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by the Company except as mentioned under the head Application on Plain Paper and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar to the Issue and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at Hyderabad of amount net of bank and postal charges, and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for any value made by the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN allotted under the Income-Tax Act, 1961. **CAF without PAN will be considered incomplete and are liable to be rejected.**
- (e) Applicants are advised that it is mandatory to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (f) All payment should be made by cheque/DD only. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company or depositories.
- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with the Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.

- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the in house investor service department:
- Investor Service Department
Hindalco Industries Limited
Ahura Centre, 1st Floor, B Wing
Mahakali Caves Road, Andheri (East)
Mumbai 400 093
Tel: 022-29267000/66917000
Fax: 022- : 29267001/66917001
- in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.
- (n) Applicants must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be either by cheque or demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

Grounds for Technical Rejections

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- Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:
 - Amount paid does not tally with the amount payable for;
 - Bank account details (for refund) are not given;
 - Age of First Applicant not given while completing Part C of the CAF;
 - PAN not mentioned for Application of any value;
 - PAN Number provided in CAF not matching with PAN Number in the depository ID;
 - In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
 - If the signature of the existing shareholder does not match with the one given on the Application Form and for renounees if the signature does not match with the records available with their depositories;
 - If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
 - Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
 - Applications not duly signed by the sole/joint Applicants;
 - Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
 - In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
 - Applications that do not include the certification set out in the CAF to the effect that the subscriber is not in the United States and is purchasing the Equity Shares in an "offshore transaction" (as defined in Regulation S), and is authorized to acquire the Rights Entitlement and the Equity Shares in compliance with all applicable laws and regulations;
 - Applications which have evidence of being executed in/dispatched from the US;
 - Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
 - Applications where the Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;
 - Multiple Applications; and
 - Duplicate applications including cases where an applicant submits CAF along with a plain paper application.

Mode of payment for Resident Equity Shareholders/ Applicants

- All cheques /drafts accompanying the CAF should be drawn in favour of “Hindalco Industries Limited- Rights Issue” and marked ‘A/c Payee only’
- Applicants residing at places other than places where the bank collection centres have been designated are requested to send their applications directly to the Registrar to the Issue by registered post/speed post together with their Cheque /Demand Draft (net of Bank and postal charges) drawn in favour of “Hindalco Industries Limited - Rights Issue” payable at Hyderabad on or before the closure of the Issue. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Application with repatriation benefits

Non Resident shareholders applying on repatriable basis, can either send their applications directly to the Registrar to the Issue together with Cheque / Demand Draft (net of Bank and postal charges) drawn in favour of “Hindalco Industries Limited - Rights Issue - NR” payable at Hyderabad or can submit their application along with requisite cheque / demand draft at aforesaid specified branches where the cheque / DD will be payable at Mumbai on or before the closure of the Issue. Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Mumbai/ Hyderabad or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai/ Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai/ Hyderabad; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Mumbai/ Hyderabad; or
- FIIs registered with SEBI must remit funds from special non-resident Rupee deposit account.
- All cheques/drafts submitted by non-residents applying on repatriable basis should be drawn in favour of “Hindalco Industries Limited - Rights Issue – NR” payable at Mumbai/ Hyderabad and crossed ‘A/c Payee only’ for the amount payable.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NR who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any

loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai/ Hyderabad. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

Non Resident shareholders applying on non-repatriable basis, can either send their applications directly to the Registrar to the Issue together with Cheque / Demand Draft (net of Bank and postal charges) drawn in favour of "Hindalco Industries Limited - Rights Issue" payable at Hyderabad or can submit their application along with requisite cheque / demand draft at aforesaid specified branches where the cheque / DD will be payable at Mumbai on or before the closure of the Issue. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

The Company is not responsible for any postal delay/loss in transit on this account and applications received through mail after closure of the issue are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the Application Money must not be sent to the Company or the Lead Manager or the Registrar except stated otherwise. The Applicants are requested to strictly adhere to these instructions.

Renouncees who are NRI/FII/Non Resident should submit application either by hand delivery or by registered post with acknowledgement due to Registrar to the Issue only at the below mentioned address

alongwith cheque/demand draft payable at Mumbai so that the same are received on or before the closure of the issue.

Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs;

The issue of Equity Shares under this issue to a single FII should not exceed 10% of the post-issue paid up capital of the company. In respect of an FII investing in the Equity shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid-up capital of the Company or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with foreign investment limits applicable to the Company, the total FII investment cannot exceed 24% of the total paid-up capital of the Company. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. As of date, the FII investment in the Company is limited to 24% of the total paid-up capital of the Company.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within fifteen days from the close of the Issue in accordance with section 73 of the Act.

For further instruction, please read the CAF carefully.

Utilisation of Issue Proceeds

The Board of Directors declares that:

- (i) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act.
- (ii) Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.
- (iii) Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate bank account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

Undertakings by the Company

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
3. The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.
4. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
5. Except as disclosed, no further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.
6. The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
7. All information shall be made available by the Lead Managers and the Issuer to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed 'Hindalco Industries Limited - Rights Issue' on the envelope) to the Registrar to the Issue at the following address:

Karvy Computershare Private Limited

"Cyber Ville" Plot no 17 - 24
Near Image Hospital Lane
Vittal Rao Nagar
Madhapur
Hyderabad 500 081
Toll free no: 1-800-345-4001
Tel: +91 40 2342 0815
Fax: +91 40 2342 0814
Email: mailmanager@karvy.com
Website: www.karvy.com
Contact Person: M. Murali Krishna

- It is to be specifically noted that this Issue of Equity Shares is subject to the section entitled 'Risk Factors' beginning on page xiii of this Letter of Offer.

- The Issue will remain open for atleast 19 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association. Pursuant to Schedule II of the Companies Act, 1956 and SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company are set forth below.

Capital

Allotment of Shares

Article 6 provides that subject to the provisions of these Articles shares in the Capital of the Company for the time being shall be under the control of the Board of Directors who may allot or dispose of the same or any of them on such terms and conditions and at such times and either at a premium or at par or (subject to the provisions of Section 79 of the Act) at a discount as the Board may think fit. Provided that where at any time subsequent to the first allotment of shares it is proposed to increase the subscribed capital of the Company by the issue of new shares then subject to any directions to the contrary which may only validly be given by Special Resolution of the Company in General Meeting the Board shall issue such shares in the manner set out in Section 81(1) of the Act.

Minimum Application Money

Article 7 provides that if the Company shall offer any of its shares to the public for subscription, the amount payable on application on each share shall not be less than 5 per cent of the nominal amount of the share.

Compliance for the purposes of Allotment

Article 8 provides that as regards all allotments from time to time made, the Directors shall duly comply with the provisions of the Act.

Uniform Conditions as to Calls

Article 11 provides that where any calls for further share capital are made on shares such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

Installments on shares to be duly paid

Article 12 provides that if by the conditions of allotment of any shares, the whole or part of the amount or issue price thereof be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being shall be registered holder of the share.

Restrictions on purchase by Company or loans by Company for purchase of its own shares

Article 13 provides that except as provided in these Articles, none of the funds of the Company shall be employed in the purchase of, or lent on the security of shares of the Company and the Company shall not, except as permitted by Section 77 of the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company.

Who may be members

Article 15 provides that shares may at the discretion of the Directors be registered in the name of any limited company or other corporate body or in any other collective name.

Shares

Shares to be numbered progressively and no share to be sub-divided

Article 17 provides that the shares in the Capital shall be numbered progressively, according to their several denominations, and except in the manner herein mentioned no share shall be sub-divided.

Restriction on Allotment

Article 18 provides that the Board of Directors shall observe the restrictions as to allotment of shares to the Public contained in Section 69 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

Acceptance of Shares

Article 19 provides that any Application signed by an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of these Articles, be a member.

Article 19A provides that notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its shares, debentures and other marketable securities and to offer the same for subscription in a dematerialised form and on the same being done, the Company shall be further entitled to maintain a Register of Members with the details of members holding shares both in the materialised and dematerialised form of any media as permitted by law including any form of electronic media, either in respect of the existing shares or any future issue. Provided that the provisions set forth in Articles 22 to 26 shall not apply to shares or other marketable securities which have been dematerialised.

Article 19B provides that in the case of transfer of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply.

Deposit and Calls to be a debt payable immediately

Article 20 provides that the money (if any) which the Board of Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be payable by such allottee accordingly.

Liability of Members

Article 21 provides that every Member, or his heirs, executors or administrators, shall pay to the Company the proportion the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times, and in such manner, as the Board of Directors shall from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

Restrictions on purchase by Company or loans by Company for purchase of its own shares.

Article 24 provides that except as provided in these Articles, none of the funds of the Company shall be employed in the purchase of, or lent on the security of shares of the Company and the Company shall not, except as permitted by Section 77 of the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company.

Calls

Calls

Article 27 provides that the Directors may, from time to time, subject to Section 91 of the Act and the terms on which any shares may have been issued, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of nominal value of shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by installments. A call may be revoked or postponed at the discretion of the Directors.

When call deemed to have been made.

Article 28 provides that a call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

Article 29 provides that not less than 21 days' notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid. Provided that the Directors may by notice in writing to the members revoke the call or extend the time for payment thereof.

Amount payable at fixed times or by installments payable as calls.

Article 30 provides that if by the terms of issue of any share or otherwise the whole or part of the amount or issue price thereof is made payable at any fixed time or by installments at fixed times, every such amount or issue price or installment thereof shall be payable as if it were a call duly made by the Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall apply to such amount or issue price or installment accordingly.

When interest on call or installment payable.

Article 31 provides that if the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof, the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due, shall pay interest for the same at the rate of 9 per cent per annum, or at such other rate as the Directors may determine from the day appointed for the payment thereof to the time of the actual payment but they shall have power to waive the payment.

Evidence in action by Company against members

Article 32 provides that on the trial or hearing of any action or suit brought by the Company against any member or his representative to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the members is, or was, when the claim arose, on the register of members of the Company as a holder or one of the holders of shares in respect of which such claim is made.

Payment of calls in advance.

Article 33 provides that the Directors may if they think fit, receive from any member willing to advance the same, all or any part of the Capital due upon the shares held by him beyond the sums for which calls shall have been made and upon the money so paid in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon but not more than six per cent per annum unless the Company in General Meeting shall otherwise

direct. No voting rights in respect of the moneys so paid in advance shall be exercisable until the moneys shall have become payable. Money so paid in excess of the amount of calls shall not rank for dividend and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as a part of its capital and shall be repayable to the members at any time without notice if the Directors so decide.

Forfeiture and Lien

Notice may be given for call not made

Article 34 provides that if any member fails to pay any call or installment of a call on or before the day appointed for the payment of the same, the Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued.

Form of Notice

Article 35 provides that the notice shall fix a date (not being earlier than the expiry of 14 days from the date of service of the notice) and a place or places on and at which such call or installment and such interest as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place or places appointed the shares in respect of which such call was made or installment is payable and to which the notice relates will be liable to be forfeited.

If notice not complied with shares may be forfeited

Article 36 provides that if the requisites of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.

Notice after Forfeiture

Article 37 provides that when any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereon shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry aforesaid.

Forfeited share to become property of the Company

Article 38 provides that any share so forfeited shall be deemed to be the property of the Company, and the Directors may sell, re-issue or otherwise dispose of the same in such manner as they think fit.

Power to annul forfeiture

Article 39 provides that the Directors may, at any time before any share so forfeited shall have been sold, reissued or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.

Arrears to be paid notwithstanding forfeiture

Article 40 provides that a person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding forfeiture remain liable to pay to the Company all calls, installments, interest and expenses owing upon or in respect of such shares at the date of forfeiture with interest thereon from the date of forfeiture until payment at such rate not exceeding nine per cent per annum as the Directors may determine. The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and execute a transfer of the share in favour of the person to whom the share is sold or disposed of. The transferee shall thereupon be registered as the holder of the share. The transferee shall not be bound to see to application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Effect of forfeiture.

Article 41 provides that the forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share, and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

Evidence of forfeiture.

Article 42 provides that a declaration in writing that the declarant is a Director of the Company, and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such share.

Company's Lien on shares

Article 43 provides that the Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that Clause 14 hereof is to have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares to be wholly or in part to be exempt from the provisions of this Clause.

Enforcing the lien by sale and applying the proceeds of sale.

Article 44 provides that for the purpose of enforcing such lien the Board of Directors may sell the shares subject thereto in such manner as they think fit but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators, or his committee, curator bonis or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for fourteen days after the date of such receipt. To give effect to such sale the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount

in respect of which the lien exists as is presently payable and the residue, if any, shall be paid to each member, his executors or administrators or his committee, curator bonis, or other legal representative as the case may be.

Validity of shares

Article 45 provides that upon any sale for enforcing a lien in exercise of the powers by these presents given, the Directors may cause the purchaser's name to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see the regularity of the proceedings, nor to the application of the purchase money, and after his name has been entered in the Register in respect of such shares his title to such shares shall not be affected by any irregularity or invalidity in the proceedings in reference to such sale or disposition, nor impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Transfer and Transmission of Shares

Article 46 provides that subject to the provisions of the Foreign Exchange Regulation Act, 1947 as in force the Company shall not register a transfer of shares in, or debentures of, the Company, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been, delivered to the Company along with the certificate relating to the shares or debentures, or if no such certificate is in existence, along with the letter of allotment of the shares or debentures. Provided that where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit. The transferor shall be deemed to remain holder of such share until the name of the transferee is entered in the Register in respect thereof.

Application for Transfer

Article 47 provides that an application for the Registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manner prescribed by the Act, and, subject to the provisions of Articles 14, 52 and 56 hereof, the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

Notice of transfer to registered holder.

Article 48 provides that before registering any transfer tendered for registration, the Directors may, if they so think fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that, unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the Office of the Company within seven days from the posting of such notice to him, he shall be deemed to have admitted the validity of the said transfer. Where no notice is received by the registered holder, the Directors shall be deemed to have decided not to give notice and in any event the non-receipt by the registered holder of any notice shall not entitle him to make any claim of any kind against the Company in respect of such nonreceipt.

The Company not liable for disregard of a notice prohibiting registration of a transfer.

Article 49 provides that the Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares, made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard to attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company; but the Company shall nevertheless, be a liberty to regard and attend to any such notice, and give effect thereto if the Directors shall so think fit.

In what case to register transfer is declined.

Article 51 provides that the Directors may, subject to the right of appeal conferred by Section 111 of the Act, decline to register any transfer of shares to a transferee of whom they do not approve.

No transfer to minor or person of unsound mind.

Article 52 provides that no transfer shall be made to a minor or person of unsound mind.

Rights of unregistered executors and trustees.

Article 60 provides that subject to section 206 of the Act and other provisions of these Articles if the Directors in their sole discretion are satisfied in regard thereto, a person becoming entitled to a registered share in consequence of the death or insolvency of a member may receive and give a discharge for any dividends or other moneys payable in respect of the share.

Alteration of Capital

Power to alter capital

Article 65 provides that the Company in General Meeting may from time to time by Special Resolution alter the condition of its Memorandum to increase the share capital by such amount, to be divided into shares of such amount as may be specified in the resolution.

Article 66 provides that the Company may by Special Resolution alter the conditions of its Memorandum to consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum, and/or Articles of Association subject, nevertheless, to the provisions of Clause (d) of sub-section (1) of Section 94. cancel any shares, which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

On what condition new shares to be Issued

Article 67 provides that subject to the provisions of any special rights or privileges for the time being attached to any issued shares, the new shares shall be issued upon such terms and conditions and with such right and privileges attached thereto, as the Company in General Meeting or the Board of Directors (as the case may be) resolving upon the creation thereof shall direct and in particular such shares may be issued with a preferential or qualified right to dividends and subject to the provisions of Section 85 of the Act in

the distribution of the assets of the Company and subject to the provisions of Section 87 of the Act with a special or without any right of voting.

New shares to be offered first to the existing members

Article 68 provides that subject to the other provisions of these Articles and subject to any directions to the contrary that may be given by the meeting that resolves upon the increase of capital where the Directors decide to increase the capital of the Company by the issue of further shares, such shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as nearly as circumstances admit to the capital paid up on those shares at that date, and such offer shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined; and after the expiration of such time, or on receipt of an earlier intimation from the members to whom such notice is given that he declines to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the Company; and the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice aforesaid shall contain a statement of this right, so that the person or persons in whose favour any such shares may be renounced shall be such as the Directors may in their absolute discretion approve of, and in case the Directors may not so approve of any such person the renunciation of any such shares in favour of such persons shall not take effect.

Article 69 provides that in addition to and without derogating from the powers for that purpose concerned on the Directors under these presents, the Company in General Meeting may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered in the first instance to existing members in such proportion to the amount of the capital held by them and on such terms and conditions and either at a premium or at par, or (subject to compliance with the provisions of the Act), at a discount, as such general meeting shall determine, or make any other provisions as to the issue and allotment of the new shares, and with full power to give to any person (whether a-member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par, or (subject to existing members compliance with the provisions of the Act), at a discount, and such option being exercisable at such times and for such consideration as may be directed by such General Meeting.

New Capital to be same as Old Capital

Article 70 provides that except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and otherwise.

Power to alter Capital

Article 71 provides that the Company may, by special resolution, reduce in any manner and with, and subject to any incident authorised and consent required by law its share capital, any capital redemption reserve fund, or any share premium account.

Modification of Rights

Article 72 provides that whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to any class may be modified, commuted, affected, abrogated or dealt with according to the procedure and with sanctions prescribed in Section 106 of the Act or any statutory modification or re-enactment thereof from time to time and for the time being in force; and in respect of any general meeting of members holding shares of that class to be held for the purpose all the provisions hereinafter contained as to general meetings shall mutatis

mutandis, apply but so that the quorum thereof shall be two persons, being members holding shares of that class. This clause is not to derogate from any power the Company would have had if this clause were omitted.

Proceedings at General Meetings

Business of Ordinary General Meeting.

Article 93 provides that the Ordinary business of an Annual General Meeting shall be to receive and consider the profit and loss account, the balance sheet and the reports of the Directors and of the Auditors, to appoint Directors in place of those retiring, to appoint auditors and fix the remuneration and to declare dividends and subject to the provisions of Sections 173 and 188 of the Act to transact any other business. All other business transacted at an Annual General Meeting and all business transacted at an Extraordinary General Meeting shall be deemed to be special business. Where any items of business to be transacted at the meeting are deemed to be special business in accordance with Section 173 of the Act, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business including in particular the nature and extent of the interest, if any, therein of every Director, Managing Director and Manager, if any, of the Company. And where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the aforesaid statement.

Quorum

Article 94 provides that the quorum for a General Meeting, of the Company shall be five members personally present.

Quorum necessary for business.

Article 95 provides that no business shall be transacted at any General Meeting unless a quorum shall be present at the commencement of the business.

Chairman

Article 96 provides that the Chairman of the Directors shall be entitled to take the chair at every General Meeting, or if such Chairman shall have notified to the Company that he will not be present at the meeting or if at any meeting he shall not have given notice of absence and shall not be present, within fifteen minutes after the time appointed for holding such meeting, or, is unwilling to act as chairman, the members present shall choose another Director as Chairman and, if no Director be present, or if all the Directors present decline to take the chair, then the members present shall choose one of their number being a member entitled to vote to be chairman.

How questions or resolutions to be decided at meetings

Article 98 provides that the in case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or a casting vote in addition to the vote or votes to which he may be entitled as a member.

What is to be evidence of the passing of a question or resolution where poll not demanded

Article 99 provides that the at any General Meeting a resolution shall first be put to the vote on a show of hands and unless a poll is (before or on the declaration of the result of a show of hands) demanded in the manner mentioned in Section 179 of the Act and unless a poll is so demanded, a declaration by the Chairman that a question or resolution has on a show of hands, been carried, or carried unanimously, or by a

particular majority, or not carried by a particular majority, or lost, and an entry to that effect in the Books containing the minute book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such question or resolution. Before or on the declaration of the result of voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the person or persons specified in Section 179 of the Act.

Poll

Article 100 provides that if a poll is demanded as aforesaid it shall, subject to the provisions of Article 101 be taken in such manner and at such time and place as the Chairman of the Meeting directs and either at once or otherwise not being later than 48 hours from the time of such demand and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll may be withdrawn.

Power to adjourn General Meeting

Article 102 provides that the Chairman of a General meeting may with the consent of the meeting and shall if so directed by the meeting adjourn the same from time to time and. from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned sine die or for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or the business to be transacted at an adjourned meeting.

Chairman's decision conclusive.

Article 106 provides that the Chairman of any meeting shall be sole judge of the validity of every vote tendered at such meeting. The chairman of the meeting present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Article 107 provides that at every Annual General Meeting of the Company there shall be laid on the table the Report of the Directors, the Profit and Loss Account, Balance Sheet and Report of the Auditors, such documents (if any) required by law to be annexed or attached thereto and the Register of Directors' shareholding. The Auditors' Report shall be read before the Company in Annual General Meeting and shall be open to inspection by any member of the Company.

Votes of Members

Votes of Members

Article 112 provides that subject to any rights or restrictions for the time being attached to any class or classes of shares on a show of hands, every member present in person or if a body corporate through a representative appointed under the provisions of Section 187 of the Act and Article 113 hereof or by proxy shall have one vote and on a poll the voting right of such member whether present in person or by representative or by proxy shall be in proportion to his share of the paid up equity share capital of the Company. Subject as aforesaid and save as provided in clause (c) of this Article, every member of the Company holding any preference share capital shall, in respect of such capital, have a right to vote only on Resolutions or questions placed before the Company which directly affect the rights attached to his preference shares. Any Resolution for winding up the Company or for the repayment or reduction of its share capital shall be deemed directly to affect the rights attached to preference shares within the meaning of this clause. Subject as aforesaid every member of the Company of holding any preference share capital shall, in respect of such capital, be entitled to vote on every resolution or question placed before the Company at any meeting, if the dividend due on such capital or any part of such dividend has remained unpaid. In the case of cumulative preference shares, in respect of an aggregate period of not less than two

years preceding the date of commencement of the meeting and in the case of non-cumulative preference shares, either in respect of a period of not less than two years ending with the expiry of the financial year immediately preceding the commencement of the meeting or in respect of an aggregate period of not less than three years comprised in the six years ending with the expiry of the financial year aforesaid.

For the purposes of this clause, dividend shall be deemed to be due on preference shares in respect of any period (whether a dividend has been declared by the Company on such shares for such period or not) on the last day specified for the payment of such dividend for such period in these Articles or other instrument executed by the Company in that behalf or in case no day is so specified, on the day immediately following such period. Where the holder of any preference share has a right to vote on any Resolution or question in accordance with the aforesaid provisions of this Article, 'on a show of hands he shall, if present in person, have one vote and upon a poll he shall as the holder of such share, whether present' in person or by proxy, have a voting right in the same proportion as the capital paid up in respect of the preference share bears to the total paid up equity share capital of the Company. In case the Company may accept from any member the whole or a part of the amount remaining unpaid on any shares (whether equity or preference shares) held by him, although no part of the amount has been called up the member shall not be entitled to any voting rights in respect of the monies so paid by him until the same would, but for such payment, become presently payable.

Representation of Corporations at meetings of Companies and of Creditors.

Article 113 provides that a body corporate (whether a Company within the meaning of the Act or not) may, if it is a member of the Company, by resolution of its board of directors or other governing body, authorise such person as it thinks fit, to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company. If such body corporate be a creditor (including a holder of debentures) of the Company, it may by resolution of the Board of Directors or other governing body, authorise such person as it thinks fit, to act as its representative at any meeting of any creditor of the Company held in pursuance of the Act or any rules made thereunder, or in pursuance of the provisions contained in any Debenture or Trust Deed, as the case may be. A person authorised by a resolution as aforesaid, shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were a member, creditor or holder of debentures of the Company. He shall be counted for the purpose of ascertaining whether a quorum of members is present. The production at the meeting of a copy of such resolution duly signed by one director of such body corporate Company or by the Managing Director/Manager or other duly authorised officer thereof and certified by him or them as being a true copy of the resolution may on production at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.

Proxies Permitted.

Article 116 provides that votes may be given either personally or by proxy or in case of a company or other body corporate by a representative duly authorised as aforesaid. A proxy or representative shall be entitled to vote on a show of hands as well as on a poll.

Instrument approving proxy to be in writing.

Article 117 provides that the instrument appointing a proxy shall be in writing and shall be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it. A proxy need not be a member of the Company. A proxy appointed as aforesaid shall not have any right to speak at any meeting.

Instrument appointing proxy to be deposited at the office.

Article 119 provides that the instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of the power or authority, shall be deposited at

the Office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be valid.

A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given: Provided no intimation in writing of the death, insanity or revocation of instrument of transfer of the share shall have been received at the Office or by the Chairman of the Meeting before the vote is given: Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Restriction on Voting.

Article 120 provides that no member shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting or upon a poll or be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the shares of such member or in regard to any shares on which the Company has and has exercised any right of lien.

Directors

Number of Directors

Article 125 provides that subject of the provisions of Sections 252, 255, 256 and 259 of the Act, until otherwise determined by the Company in General Meeting, the number of Directors, shall not be less than four or more than twelve, excluding debenture Directors".

Qualification of Directors.

Article 127 provides that the qualification of a Director shall be the holding of Ordinary and/or Preference shares or both in the Capital of the Company of the aggregate nominal value of Rs.2,500 (Rupees two thousand five hundred only). The first Directors named in the Articles, an Ex-officio Director or an alternate director appointed pursuant to Articles, 76, 125, 126, 142 & 143 shall not be required to hold any qualification shares.

Directors not to hold office of profit.

Article 132 provides that except with the previous consent of the Company accorded by a special resolution, no director of a company, no partner or relative of such a director, no firm in which such a director or relative is a partner, no private company of which such a director is a director or member, and no director or manager of such a private company shall hold any office or place of profit except that of Managing Director, Manager, legal or Technical Adviser, Banker, or Trustee for the holders of Debentures of the Company under the Company, or under any subsidiary of the Company, unless the remuneration received from such subsidiary in respect of such office or place is paid over to the Company or its holding company.

Directors and Manager may contract with Company.

Article 133 provides that subject to the provisions of Sections 297,299,300, 302 and 314 of the Act, the Directors including a Managing Director and the Manager shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any Director or the Manager or with any company or partnership of or in which any Director or the Manager shall be a member or otherwise interested be avoided nor shall any Director, or the Manager so contracting or being such member or so interested be liable to account to the Company for any profit realised by such contract or arrangement by reason only of such Director or the Manager holding

that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined on, if the interest then exists or in any other case at the first meeting of Directors after the acquisition of the interest; Provided nevertheless that no Director shall vote as a Director in respect of any contract or arrangement in which he is so interested as aforesaid and if he does so, his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is a quorum of Directors present. This proviso shall not apply to any contract by or on behalf of the Company to give the Directors or any of them any security by way of indemnity against any loss which they or any of them may suffer by becoming or being sureties for the Company.

Appointment of Additional Director.

Article 140 provides that the Directors shall have power at a meeting of the Board at any time and from time to time to appoint any person other than a person who has been removed from office of a Director of the Company under Article 139 to be a Director of the Company as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed. Any Director so appointed shall hold office only upto the date of the next following Annual General Meeting of Company.

Casual Vacancy may be filled by Board.

Article 141 provides that the Directors at a meeting of the Board shall have power to fill a vacancy in the Board if the office of any Director appointed by the Company in General Meeting is vacated before his term of office will expire in the usual course.

Debenture Director.

Article 140 provides that any Trust Deed for securing debentures or debenture-stock if so arranged provide for the appointment from time to time by the trustees thereof or by the holders of the debentures or debenture-stock of some person to be a Director of the Company and may empower such trustees or holders of debentures or debenture-stock from time to time to remove any Director so appointed. A Director appointed, under this Article is herein referred to as a “Debenture Director” and that the term ‘Debenture Director’ means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares and not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Alternate Director.

Article 143 provides that the Board of Directors may appoint an alternate Director to act for a Director (hereinafter called the ‘Original Director’) during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held. An alternate Director appointed under sub-clause (a) above shall vacate office if and when the Original Director returns to State. If the term of office of the Original Director is determined before he so returns to State, any provision for the automatic re-appointment of the Retiring Director in default of another appointment, shall apply to the Original and not to the alternate Director. This Article shall not apply to an ex-officio Director or Debenture Director.

Managing Director

Article 162 provides that subject to the provisions of the Act, the Board of Directors may from time to time appoint any one or more of their body to be the Managing Director or Managing Directors (in which expression shall be included Joint Managing Director/s) of the Company for such term not exceeding five

years at a time and upon such terms and conditions as they may deem fit and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

Dividends

Division out of Profits

Article 183 provides that subject to the provisions of these Articles the net profits of the Company (after making provisions, if any, for sinking fund, depreciation and reserve funds and carrying forward balances) which it shall from time to time be determined to be divided in respect of any year or other period shall be applied first in paying the preferential dividend on the capital paid-up on the Preference Shares to the close of such year or other period and the surplus shall be divisible amongst the holders of Ordinary Shares in proportion to the amounts paid up on the Ordinary Shares held by them respectively.

Capital paid in advance of calls.

Article 184 provides that when capital is paid-up on advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.

Declaration and payment of Dividends.

Article 185 provides that the Company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may, subject to Section 207 of the Act, fix the time for payment.

Dividend out of profits only and not to carry interest

Article 186 provides that no dividend shall be payable except out of the profits of the Company of the year or any other undistributed profits, and no dividend shall carry interest as, against the Company.

What to be deemed net profits.

Article 187 provides that the declaration of the Directors as to the amount of the net profits of the Company in any year shall be conclusive.

Interim dividend.

Article 188 provides that the Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.

Company may retain dividends.

Article 189 provides that The Directors may retain the dividend payable upon shares in respect of which any person is under "The Transmission Article" entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same.

Dividend and call together

Article 190 provides that any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable

to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged, between the Company and the members, be set off against the call.

Dividend in specie.

Article 191 provides that any General Meeting declaring a dividend may upon the recommendation of the Directors resolve that such dividend be paid wholly or in part of the distribution of specific assets, and in particular of paid-up shares, debentures or debenture-stock of the Company or paid-up shares, debentures or debenture-stock of any other company, or in anyone or more of such ways.

Capitalisation of Reserves.

Article 192 provides that any General Meeting may upon the recommendation of the Directors resolve that any moneys, investment or other assets forming part of the undivided profits of the Company standing to the credit of any reserve fund or special account or in the hands of the Company and available for dividend and including any profits arising from the sale or revaluation of the assets of the Company or any part thereof or by reason of any other accretion to capital assets be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such members in paying up in full either at par or at such premium as the resolution may provide any unissued shares, debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, or debentures or debenture-stock, and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum.

Fractional certificates.

Article 193 provides that For the purpose of giving effect to any resolution under the two last preceding Articles the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any members upon the footing of the value so fixed or fractions of less value than Rupee one may be disregarded in order to adjust the rights of all parties and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividends or capitalised fund as may seem expedient to the Directors. Where requisite a proper contract shall be filed in accordance with the provisions of the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

To whom dividends payable.

Article 194 provides that a transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer, and, subject to the provisions of these Articles, no dividend shall be payable to any person whose name does not appear on the register of members except with the authority, special or general, of the Directors.

Any one of joint-holder can give receipts.

Article 195 provides that anyone of several persons who are registered as joint-holders of any share may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

Payment by post.

Article 196 provides that unless otherwise directed, any dividend may be paid by cheque, warrant or postal money order sent through the post to the registered address of the member or person entitled thereto or in the case of joint-holders to the registered address of that one whose name stands first on the Register in respect or the joint -holding or to such person and such address as the member or person entitled or such joint-holders as the case may be, may direct; and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

What payment a good discharge.

Article 197 provides that the payment of every cheque or warrant sent under the provisions of the last preceding Article, shall if such cheque or warrant purports to be duly endorsed, be a good discharge to the Company in respect thereof: Provided nevertheless that the Company shall not be responsible for the loss of any cheque, dividend warrant or postal money order which shall be sent by post to any member or by his order to any other person in respect of any dividend.

Unclaimed Dividend.

Article 198 provides that “Dividend remaining unclaimed - shall be dealt with in accordance with the relevant provisions of the Act for the time being in force.”

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the registered office of the Company situated at Century Bhavan, 3rd Floor, Dr. Annie Besant Road, Worli, Mumbai 400030 from 11.00 a.m. to 2.00 p.m. from the date of this Letter of Offer until the date of closure of the Subscription List.

A. Material Contracts

1. Memorandum of Understanding between the Company and the Lead Managers, dated September 12, 2008.
2. Memorandum of Understanding between the Company and Registrar dated September 10, 2008.
3. Monitoring Agency letter dated August 26, 2008 entered into between the Company and IDBI Bank.
4. Joint Venture Agreement between the Company and Almex USA Inc. dated October 31, 2006.
5. Joint Venture Agreement between our Company and Orissa Mining Corporation Limited dated October 25, 2005.
6. Joint Venture Agreement entered into between our Company and ESSAR Power M.P. Limited dated February 1, 2006.
7. Joint Venture Agreement entered amongst our Company, Mahanadi Coal Fields Limited and Neyveli Lignite Corporation Limited dated June 30, 2007.
8. Memorandum of Understanding between Government of Madhya Pradesh and HIL for Aluminum and Allied Projects in Madhya Pradesh dated May 23, 2006.
9. Memorandum of Understanding between Government of Jharkhand and the Company for Aluminum and Allied Projects in the state of Jharkhand dated March 30, 2005.
10. Heads of Agreement entered into between the Company and TATA Power Company Limited dated June 27, 2007.
12. Engagement letter entered into between the Company and the Lead Managers dated September 2, 2008.
11. Underwriting Agreement entered into between the Company and the Underwriters dated September 12, 2008.

B. Documents

1. Memorandum and Articles of Association of the Company.
2. Certificate of Incorporation of the Company dated December 15, 1958.
3. Fresh certificate of incorporation consequent on change of name from Hindustan Aluminium Corporation Limited to Hindalco Industries Limited dated October 9, 1989.

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4. Shareholders Resolution passed at the Annual General Meeting held on July 31, 2007 appointing Singhi and Co., as statutory auditors for the financial year 2007-2008.
 5. Copy of the Board Resolution dated June 20, 2008 and the resolution of the Rights Issue committee dated August 14, 2008 approving this Issue.
 6. Consents of the Directors, Auditors, Lead Managers to the Issue, Legal Counsel to the Company, Legal Counsel to the Lead Managers, Bankers to the Issue and Registrars to the Issue, to include their names in the Letter of Offer to act in their respective capacities.
 7. The Report of the Auditors, Singhi & Co., as set out herein dated September 13, 2008 in relation to the restated financials of the Company for the last five financial years.
 8. Annual Report of the Company for the last five Financial Years.
 9. Application made for In-principle listing approval dated August 14, 2008 and August 14, 2008 to BSE and NSE respectively.
 10. In-principle listing approval dated August 25, 2008 and August 25, 2008 from BSE and NSE respectively.
 11. Due Diligence Certificate from the Lead Managers to SEBI.

DECLARATION

No statements made in this Letter of Offer shall contravene any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the Issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

Mr. Kumar Mangalam Birla
Chairman
(Non-executive Director)

Mrs. Rajashree Birla
(Non-executive Director)

Mr. D. Bhattacharya
(Managing Director)

Mr. A.K. Agarwala
(Non-executive Director)

Mr. C.M. Maniar
(Independent Director)

Mr. E.B. Desai
(Independent Director)

Mr. S.S. Kothari
(Independent Director)

Mr. M.M. Bhagat
(Independent Director)

Mr. K.N. Bhandari
(Independent Director)

Mr. N. J. Jhaveri
(Independent Directors)

Mr. Sunirmal Talukdar
(Chief Financial Officer
and Group Executive President)

Place: Mumbai

Date: September 13, 2008

Enclosure: Composite Application Form