



**BINANI
ZINC
LIMITED**

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**Annual Report
2002-2003**

Binani Zinc Limited

Annual Report 2002-2003

BINANI ZINC LIMITED**BOARD OF DIRECTORS**

Mr. Braj Binani – Chairman
Mr. Sushil Bhatler – w.e.f. 27/03/04
Mr. V.Subramanian
Mr. Deo Hirawat
Mr. T.R.C.Nair – upto 27/03/04

CHIEF FINANCIAL OFFICER

Mr. M. K. Chattopadhyaya

AUDITORS

S. R. Batliboi & Associates, Mumbai

BANKERS

Bank of Baroda
 Bank of India
 Punjab National Bank
 Allahabad Bank
 The South Indian Bank Ltd.
 State Bank of Travancore

AUDIT COMMITTEE

Mr. Sushil Bhatler
Mr. V.Subramanian
Mr. Deo Hirawat

LOCATIONS**Registered Office:**

706, Om Tower,
 32, Chowringhee Road,
 Kolkata – 700071.

Corporate Office:

Mercantile Chambers,
 12, J.N. Heredia Marg,
 Ballard Estate, Mumbai – 400001.

Mumbai Office:

Feltham House,
 10, J.N. Heredia Marg,
 Ballard Estate, Mumbai – 400001.

Works:

Binani Zinc, Binanipuram,
 Ernakulam, Kerala – 683502.

SENIOR EXECUTIVES

Mr. George Thomas – Executive Vice President
Dr. K.Sasi – Vice President (R&D)
Mr. R. Mohan Kumar – Vice President (HRD) & OHSAS
Mr. K.Roshan – Asstt. Vice President (Commercial)
Mr. Roy Kurian K. K. – Asstt. Vice President (Projects & Operations)
Mr. P.B.Sasidharan Pillai – Asstt. Vice President (Finance)
Mr. A. A. M.Nawaz – Asstt. Vice President (Electrical)

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the Third Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2003. The Audited Statement of Accounts have been drawn up after giving effect to the Scheme of Arrangement sanctioned by the Financial Institutions/ Banks and the Hon'ble High Court, Calcutta vide its order dated 16th March, 2004 for the hive off of the Zinc Division of Binani Industries Limited (BIL) to the Company with effect from 1st April, 2002. The Zinc Division of BIL has been transferred to the Company with its Assets, Liabilities, Duties, Obligations etc. The Company is at present a wholly owned subsidiary of BIL. The necessary formalities for the allotment of shares shall be completed in due course. The financial results of the year under review are therefore not comparable with the previous year and hence not given.

1. FINANCIAL RESULTS

		(Rs. Lakhs)
		For the Year ended 31st March, 2003
Sales and Related Income		18802.17
Profit/(Loss) before Depreciation, Amortisation and Interest		748.74
Interest		102.15
Cash Profit / (Loss)		646.59
Depreciation		492.30
Net Profit / (Loss) before Tax		154.29
Provision for Taxation	: Current Tax (MAT) 12.08	
	Deferred Tax 62.49	74.57
Net Profit after Tax		79.72
Balance of Profit / (Loss) b/f		—
Balance Carried to Balance Sheet		79.72

2. REVIEW OF OPERATIONS

Operational results for the year under review are tabulated below alongwith a comparison with the previous year's figures

		2002 – 03	2001 – 02 *
1. PRODUCTION			
ZINC	(MT)	28459	28814
SULPHURIC ACID	(MT)	41973	43197
CADMIUM	(Kgs)	44077	55769
2. TURNOVER (Rs. Lacs)		18332.87	
* Figures of erstwhile Zinc Division of BIL for Comparison only.			

Zinc prices continued to be depressed at the LME, severely impacting domestic realizations. Zinc concentrate market showed further signs of tightening due to supply demand imbalances created by mine closures and increased Chinese imports. The reduction in import duty on Zinc Metal and rupee getting stronger against dollar also adversely affected realisations.

Kerala State Electricity Board hiked yet again the HT – EHT power tariff in the State whereby per unit cost for the Company increased by approximately Re. 0.50/kwh from Rs. 2.90/kwh to Rs. 3.40/kwh from October, 2002. This is being contested by the Company in the Courts.

3. FUTURE PROSPECTS

Although markets are showing signs of sustained improvement with Zinc prices moving up during the second half of 2003 – 04, continued imbalance in the supply – demand of Zinc Concentrates coupled with an extremely overheated freight market would continue to put tremendous pressure on the Zinc business's profitability.

Apart from efficiency improvement and various cost cutting measures, the Company is seriously evaluating setting up a 25 MW coal based Captive Power Plant, which would substantially bring down its power costs.

4. DIVIDEND :

No dividend payment is recommended for the year.

5. INDUSTRIAL RELATIONS

To remain at the cutting edge and to strive to beat the best, your Company's focus is much beyond operational

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and business strategies and that is our strength - "Workforce". It is our people who provide us with greatest sustainable competitive advantage. Harmony is nurtured and intellectual curiosity is encouraged. Company provides opportunities for employees training and learning to build and have competencies that support the business.

Industrial Relations in the Company remained cordial and peaceful throughout the year. Further the Company has signed an amicable bilateral long term settlement with the recognised union and all the productivity norms envisaged at the time of earlier settlement have been achieved.

6. BOARD OF DIRECTORS

In accordance with Article 100 of the Articles of Association of the Company, Mr. V. Subramanian retired by rotation and was reappointed at the Annual General Meeting held on 30th October, 2003.

7. AUDITORS' OBSERVATIONS

Observations made in the Auditors' Report are dealt with in the Notes to the Accounts at appropriate places and are self explanatory.

8. AUDITORS

M/s Udeshi Shukla & Associates, Chartered Accountants, retiring Auditors have expressed their inability to continue as the Statutory Auditors of the Company. M/s S.R.Batlboi & Associates have expressed their willingness to be appointed as the Statutory Auditors in place of M/s Udeshi Shukla & Associates. Necessary certificate has been obtained from M/s S.R.Batlboi & Associates as per Section 224 (1) of the Companies Act, 1956 and they have been appointed as Statutory Auditors to fill the casual vacancy at the Extraordinary General Meeting held on 15th March, 2004.

9. COST AUDITORS

In terms of the Order of the Company Law Board, the Cost Accounting records relating to the manufacture of Sulphuric Acid are required to be Audited. Accordingly M/s N.P.Gopalakrishnan & Co., Cost Accountants, Cochin were appointed as Cost Auditors by the holding company, Binani Industries Limited for the year 2002-03 since Zinc division was part of the holding company. From 2004-05 onwards the Company shall initiate necessary steps to appoint them as Cost Auditors.

10. PARTICULARS UNDER SECTION 217

The statement of particulars under Section 217 (1) (e) regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed.

The Company has no employee of the category specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors also report that:

- a) in the preparation of the annual accounts, all applicable accounting standards have been followed and proper explanation relating to material departures, if any, have been furnished ;
- b) accounting policies as listed in Schedule 16 to the financial statements have been selected and consistently applied and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2003 and of the Profit of the Company for the Accounting Year ended on that day;
- c) proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of this act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

11. ACKNOWLEDGEMENT

Your Directors acknowledge the assistance, cooperation and goodwill received from the concerned departments of the State and Central Governments, Financial Institutions, Banks, Customers, Selling Agents, Distributors, Dealers and Employees at all levels and the Holding Company.

By order of the Board
For **Binani Zinc Limited**

Place : Mumbai
Date : 27th March, 2004

Braj Binani
Chairman

ANNEXURE TO DIRECTOR'S REPORT

PARTICULARS UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.

A. CONSERVATION OF ENERGY :

(1) Energy conservation measures taken

- a. Variable speed drives have been installed for four pumps in leaching plant enabling flow control by speed variation in place of valve control. This has resulted in a saving of 87,000 units a year. Investment Rs. 9.00 Lakhs.
- b. A Comprehensive energy audit has been carried out by Central Power Research Institute, Thiruvananthapuram. Feasibility of the proposals are being evaluated.

(2) Additional investment proposals, if any, being implemented for reduction of consumption of energy

Installation of variable speed drives have been planned for selected pumps in Leaching, Cell House and ECGC.

(3) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

Energy Conservation measures have been implemented resulting in an annual saving of Rs. 2.50 lakhs. The capital investment was around Rs. 9.00 Lakhs.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

(1) Efforts, in brief, made towards technology absorption, adaptation and innovation

- a) Solvent Extraction of Zinc and Copper from Copper cake and Cobalt cake.
- b) Removal of heavy metals like Zinc and Cadmium from effluent through solvent extraction.
- c) Erection and commissioning of lab model electrolytic cell.

(2) Benefits derived as a result of above efforts. (e.g product improvement, cost reductions, import substitutions)

- a) A process know-how has been developed for extracting zinc and copper from the waste copper and cobalt cake through solvent extraction route.
- b) An alternative process know-how has been developed for treating the trade effluent for the removal of heavy metals like zinc and cadmium.
- c) A lab model cell has been commissioned for carrying out electrolysis for assessing the effect of various impurities present in electrolyte during electrolysis.

C. TECHNOLOGY ABSORPTION - RESEARCH AND DEVELOPMENT (R & D) :

(1) Specific areas in which R & D work was carried out by the Company

- a) Zinc extraction from secondary zinc bearing materials through conventional route.
- b) Extraction of copper from copper cake through conventional route.
- c) Studies on effect of impurities during electrolysis using the lab model cell.
- d) Fixation of Jarosite residue using lime and cement.
- e) Improvement in purification to produce electrolyte of consistent quality.
- f) Seeding of Jarosite.

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

- a) Secondary Zinc bearing materials and their treatment procedures have been identified. These materials can be substituted to some extent for zinc concentrate.
- b) Copper sulphate solution has been prepared. Efforts are on to purify this solution to suit the requirement of electrolysis.
- c) Continuous electrolysis for 48 hours is being carried out to study the effect of various impurities present in the electrolyte and proper guidance are given for the plant operation.
- d) Studies are being continued to convert jarosite residue as environment friendly by mixing with lime and cement. Leaching studies are being conducted.

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- e) Zinc dust dosage could be optimised at various impurity levels in the neutral electrolyte solution.
- f) Settling characteristics of the Jarosite slurry has been improved.

(3) Future plan of action.

- a) Evaluation of high silica zinc concentrate.
- b) Improvement in purification process to produce electrolyte of consistent quality at lesser dosage of zinc dust.
- c) Fixation of Jarosite residue
- d) Development of process know how for producing pure copper sulphate solution from the waste copper cake.
- e) Characterisation of secondary zinc bearing materials.

(4) Expenditure on R & D

a) Capital	-	Rs.	0.09	Lakhs
b) Recurring	-	Rs.	44.04	Lakhs
c) Total	-	Rs.	44.13	Lakhs
d) Total R& D expenditure as a % of total turnover	-		0.24%	

D. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange Earnings	:	Rs.	8.64	Lakhs
Total Foreign Exchange Outgo	:	Rs.	4,551.79	Lakhs



Auditors' Report

To
The Members of Binani Zinc Limited

1. We have audited the attached Balance Sheet of Binani Zinc Limited as at March 31, 2003 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 *except that actuarial valuation of accrued gratuity liability as required by Accounting Standard 15 has not been ascertained (refer paragraph (vi) below);*
 - v. As explained in Note 8 of Schedule 16, Binani Industries Limited (BIL), the Holding Company, has obtained an interim order from Calcutta High Court that Section 274(1)(g) of the Companies Act, 1956 will not be operative as at March 31, 2003 with respect to the Directors of BIL. Accordingly, based on written representations received from the Directors including two Directors who are also Directors in BIL and subject to final outcome of the proceedings of the High Court, we report that none of the Directors are disqualified as on March 31, 2003 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. *The Company has accrued for gratuity liability to the extent of premium payable on its policy with Life Insurance Corporation of India (LIC) under its Group Gratuity cum Life Assurance Policy Scheme. Actuarial Valuation of the gratuity liability as at the year end has not been ascertained. Hence, we are unable to ascertain whether the provision for gratuity is adequate (refer Note 17, Schedule 16);*
 - vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and *subject to our comments in paragraph (vi) above, the effect of which could not be ascertained*, give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
 - b. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Associates
Chartered Accountants
per Sudhir Soni
Partner
Membership No.: 41870
Place : Mumbai
Dated : March 27, 2004.