Annual Report 1998-99

HINDUSTAN COPPER LIMITED

REGISTERED OFFICE
'Tamra Bhavan' 1, Ashutosh Chowdhury Avenue
Calcutta - 700 019

UNITS

KHETRI COPPER COMPLEX	INDIAN COPPER COMPLEX	MALANJKHAND COPPER PROJECT	TALOJA COPPER PROJECT
(Rajasthan)	(Bihar)	(Madhya Pradesh)	(Maharashtra)

HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

BOARD OF DIRECTORS

Shri S. P. Gupta
Chairman-cum-Managing Director (w.e.f. 8.9.99)

Shri P. Parvathisem
Chairman-cum-Managing Director (upto 8.9.99)

Shri U. Sen
Director (Personnel)

Shri Lokeshwar Prasad
Director (Operations)

Shri S. K. Kar
Director (Finance)

Shri A. H. Jung • Dr. L. K. Singhal
Shri Pran Nath • Prof. B. B. Dhar

COMPANY SECRETARY

Shri A. D. Mehta

AUDITORS

M/s. R. S. Sipayya & Company, New Delhi
M/s. Gupta, Chowdhury & Ghosh, Calcutta

BANKERS

State Bank of India
State Bank of Bikaner and Jaipur
Indian Overseas Bank
United Bank of India
Syndicate Bank
Punjab National Bank
State Bank of Hyderabad

REGISTERED OFFICE

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1, Ashutosh Chowdhury Avenue
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CONTENTS

NOTICE TO MEMBERS

Notice is hereby given that the adjourned 32nd Annual General Meeting of the members of Hindustan Copper Limited will be held on Friday, the 24th March, 2000 at 3.30 pm at the Registered Office of the Company at "Tamra Bhavan", 1 Ashutosh Chowdhury Avenue, Calcutta - 700 019 to receive, consider and adopt the Audited Balance Sheet as on 30th September, 1999 and the Profit and Loss Account for the 12 months period ended 30th September, 1999 together with the Directors' Report, Auditors' Report and C&AG's comments.

By order of the Board

Place : Calcutta
Date : February 29th, 2000

A. D. Mehta
ED(CP) & Company Secretary

Notes :

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, to vote instead of himself/herself and the proxy need not be a member of the Company. Proxies in order to be valid and effective must be deposited with the Registered Office of the Company not less than 48 hours before the meeting.

2. Members are requested to kindly notify immediately change in their addresses, if any, to the Registered Office of the Company quotating their Folio Numbers.

3. C&AG's comments on the accounts and review of accounts, if any, will be circulated amongst the members immediately on its receipt.

REPORT OF THE BOARD OF DIRECTORS

The Shareholders
Hindustan Copper Limited
Calcutta

1. Your Directors have pleasure in presenting the Thirty-second Annual Report of the Company together with the audited statement of accounts and Auditors' Report thereon for the 12 months period from 1.10.1998 to 30.9.1999.

2. GENERAL

2.1 The production performance of the Company in respect of the major items of production during the twelve moths period ended 30th September, 1999 is given below :

Ore Production ('000 T)	3632	(91%)
Ore Milling ('000 T)	3710	(93%)
Metal in Concentrates (T)	35987	(100%)
Refined Copper (Cathode) (T)	32149	(95%)
Wirerod (T)	26894	(80%)

2.2 During the period, the Company achieved the following record monthly production performance :

— Blister Copper at KCC in January 2000 was 3,304 tonnes which is a record monthly production since 1994-95.

— Gold production at ICC in February '99 was 103 Kg. which is record in any month since its inception.

— Silver production at ICC in October '98 was 1,476 Kg. which is highest ever in any month since inception.

— Sulphuric Acid production at KCC in March '99 was 8,425 tonnes which is the highest monthly acid production from Smelter off gas since inception.

2.3 During the 12 months period ending 30th September '99, copper sales was 36,801 tonnes.

2.4 During the period, the Company's turnover was Rs. 479.49 crores. The Company ended the financial year 1998-99 with a net loss of Rs. 172.01 crores.

2.5 During 1998-99 (1.10.98 to 30.9.99), there was a total reduction in manpower of 2,963. Out of this, 2,787 employees were separated by way of Voluntary Retirement. During this period HCL received Rs. 1 Crore as Grant-in-Aid from the National Renewal Fund and Rs. 160 crores as Non-plan Loan from the Ministry of Mines and Minerals, Government of India for the purpose of separation of surplus manpower by way of Voluntary Retirement. Out of Rs. 160 crores received as Non-plan Loan, HCL has submitted Utilisation Certificate in respect of Rs. 126 crores. The balance amount of Rs. 34 crores is being utilised for separation of manpower through Voluntary Retirement and it is expected that about another 1000 employees will be separated shortly.

3. PRODUCTION PERFORMANCE

Products	1998-99	1997-98		
	1.10.98-30.9.99	1.4.97-31.3.98	1.4.98-30.9.98	1.4.97 30.9.98
Ore raised ('000 T)	3632	4496	2127	6623
Ore Milled ('000 T)	3710	4419	2151	6570
Metal in Concentrate (T)	35987	41440	19045	60485
Blister Copper (T)	34925	43655	20527	64182
Cathode (T)	32149	42375	19632	62026
CC Wirerod (T) (TCP)	26894	31484	19431	50793
Excavation (Lakh M^3)	42.79	32.00	16.31	48.31

3.1 During the period 98-99, ore production at 36.32 lakh tonnes was 91% of the target. Ore Milling during the period was 37.10 lakh tonnes (93%). Shortfall in ore production was mainly due to closure of Mosaboni Mine and suspension of mining activity at ICC, Ghatsila and less availability of critical operating inputs and critical spares due to severe financial crunch. Ore Milling suffered due to shortage of critical inputs, shortage of grinding media and rubber liners etc. During most of the period, part of grinding circuit both at KCC and MCP remained closed for shortage of input.

3.2 Production of metal in concentrates at 35987 tonnes represented achievement of 100% of the target.

3.3 The production of blister copper and cathode was 34925 tonnes (83%) and 32148 tonnes (95%). Shortfall in production of blister copper during 1998-99 was mainly due to major overhaul of smelter at ICC and shortage of concentrate at Plants.

3.4 During the period, wirerod production was 26,894 tonnes (80%). Production was affected due to stiff competition from the private copper producers.

4. POWER SUPPLY POSITION

Power supply position at all the Projects was more or less satisfactory.

5. ENERGY CONSERVATION

HCL continued to give priority for energy conservation measures at various stages of process from ore to copper metal. Special attention is given in making the operation energy efficient. Due to energy conservation awareness, the Company has achieved improvement in the norms of consumption of major inputs. The important areas of reduction in consumption are given below :

Sl. No.	Item	Unit	Consumption in 98-99	Consumption in 97-98	% Reduction
1.	Smelter Power-KCC	KWH/T	971	1011	4
2.	Smelter Fuel-KCC	Ltr/T	623	752	17
3.	Refinery Power-KCC	KWH/T	398	415	4
4.	Mining Power-MCP	KWH/T	0.77	1.011	24
5.	Ore Milling Power-MCP	KWH/T	19.96	21.46	7

6. FINANCIAL

6.1 The financial results of the Company during the year 1998-99 (October 1998 to September 1999) (12 months) compared with 1997-98 (18 months) are summarised below :

(Rs. in crores)

Head	1998-99 (Oct. 98 to Sept. 99) (12 Months)	1997-98 (18 Months)
a. Sales	479.49	1203.48
b. Value of Production	513.47	1180.22
c. Cost of production excluding depreciation, amortisation and interest	575.08	1289.46
d. Profit/(Loss) before depreciation, amortisation and interest	(61.61)	(109.24)
e. Depreciation & Amortisation	59.25	88.48
f. Interest - Government Loan	2.42	0.04
- Others	48.73	63.73
g. Profit/(Loss) before waiver of Interest on Government Loan	(172.01)	(261.49)
h. Waiver of Interest on Government Loan	—	155.76
i. Profit/(Loss) before tax	(172.01)	(105.73)
j. Provision for tax	—	—
k. Profit/(Loss) after tax	(172.01)	(105.73)

6.2 Capital Structure

The capital structure of the Company as on 30.9.99 stood as under :

Share Capital			*(Rs. in crores)*
a.	Authorised Capital		600.00
b.	Issued, Subscribed & Paid up Capital		
	(i)	Equity Shares	305.20
c.	Share Money Awaiting Allotment		
	(i)	Equity Shares	50.68
	(ii)	7.5% Non-cumulative Redeemable Preference Shares	180.73

6.3 Borrowing from Government

During the year Government has released Rs. 160.00 crores Non-plan Loan for VRS and Rs. 29.50 crores Plan Loan. The total Government Loan outstanding as on 30.9.99 stood at Rs. 189.50 crores.

6.4 Bonds (Secured & Unsecured)

During the 12 month period ending 30.9.99, the bond liability stood at Rs. 105.15 crores (Secured Rs. 41.82 crores and Unsecured Rs. 63.33 crores).

6.5 Working Capital Term Loan

During the year the Company has taken working capital term loan to the tune of Rs. 70.00 crores from IDBI against Government Guarantee. However, the sanction exists for Rs. 75.00 crores. The balance Rs. 5.00 crores will be released by IDBI after execution of necessary documents for creating first charge of assets at Khetri Copper Complex, Rajasthan.

6.6 Contribution to Exchequer

During the period of 12 months (October 1998 to September 1999), the Company contributed a total sum of Rs. 84.56 crores to the exchequer as shown below :

Particulars	*(Rs. in crores)*
Excise Duty	62.89
Customs Duty	5.07
Sales Tax	8.01
Royalty and Cess	7.02
Others	1.57

6.7 Expenditure in foreign currency

During 12 month period the Company spent foreign currency towards import of raw materials, components, stores and spares, capital goods, technical know-how, travelling etc. to the tune of Rs. 46.73 crores. This includes mainly import of cathodes and concentrates to the extent of Rs. 45.86 crores and components, spare parts and stores Rs. 0.84 crores.

7. MARKETING

7.1 During the period 1998-99, the total sale of copper was 36,801 MT with a monthly average of 3,067 MT. The production of saleable metal products during 1998-99 was 32,148 MT.

7.2 Out of the above total sale, the sale of wire bar was 2,944 MT. The sale of wire bar was less compared to 1997-98 mainly because of the fact that Defence Sector continued to source their requirement from imports, enjoying customs duty exemptions.

7.3 The sale of cathode in 1998-99 was 4,892 MT. The sale of cathode has also come down mainly on account of the fact that the availability of cathode for sale was limited, after meeting the requirement for conversion to rods.

7.4 The sale of rod during 1998-99 was 28,965 MT. The sale has come down mainly due to intense competition from other indigenous producers, such as, M/s. Birla Copper and M/s. Sterlite Industries Limited and import. Approximately, 200 MT of rod were sold in the international market during 1998-99. On the whole, there was no build up of stock at the end of 1998-99 (2,314 MT) over the closing stock of 1997-98 (4,775 MT).

8. STATUS ON Y2K

Hindustan Copper Limited has become Y2K compliant by end of September 1999.

9. PROGRESS OF NEW PROJECTS/ EXPANSION SCHEMES

HCL's proposal for capacity expansion of KCC Smelter and Refinery from 31,000 TPA to 100,000 TPA had to be kept in abeyance due to financial crunch. At the request of the Company, Central Government conveyed its approval for increase in the capacity from 31,000 TPA to 45,000 TPA by technological upgradation/ debottlenecking subject to the condition that the entire funding arrangements should be made by HCL. HCL has since completed necessary preliminary work including identification of equipment, scope of work of the foreign consultant M/s. Outokumpu etc. The total estimated cost works out to be Rs. 49.50 crores in consultation with MECON. While HCL will arrange foreign loan for part financing the project, the major amount may have to be funded by the Government from plan fund as HCL is still incurring huge loss per annum. HCL expects that with the implementation of this project, the profitability will increase.

10. SCIENCE & TECHNOLOGY ABSORPTION

The details are furnished in Annexure-I to the Directors' Report.

11. DEVELOPMENT OF SSI AND ANCILLARY UNITS

11.1 All Units of Hindustan Copper Limited continued to follow the Government guidelines in encouraging procurement of materials from SSI & ancillary units. Items like Grinding Media, Earth moving equipment spares etc. are regularly purchased from SSI/NSIC Units. SSI Units registered with NSIC are given tender forms free of cost and also exemption of Earnest Money Deposit.

11.2 SSI & ancillary units are also provided assistance to develop import substitution items.

12. PERSONNEL AND INDUSTRIAL RELATIONS

The Industrial relations situation in different units of HCL was by and large peaceful except the Indian Copper Complex, Ghatsila during the period under review.

13. In terms of Turn Around Strategy of the Company, the decision of the Disinvestment Commission and recommendations of the Chelliah Committee, the Company had already closed down Mosaboni and Badia Mines after obtaining the statutory approval from the Ministry of Labour in the year 1998. Further during 1999, the Company has obtained permission for closure of another two of its unviable mines at ICC viz. Pathargora and Kendadih from the Ministry of Labour, Government of India. This has resulted in restive situation at ICC and most of the trade unions operating at ICC have been demanding salvation of ICC in particular and payment of salary and DA in general.

14. *Although there has been not much of industrial* relations problem in this unit but the workmen and the trade unions operating in this complex are protesting on regular basis for payment of salaries/wages, DA arrears etc. In fact, due to acute financial crunch, the Company has not been able to pay wages for two months and October, 1999 salary is being released on 10th & 11th January, 2000.

15. RESERVATION FOR APPOINTMENT OF SC/ST/OBC CANDIDATES

The Government Directives regarding reservation for SC, ST and OBC candidates continued to be implemented during the year under review. There were 2,119 employees belonging to SC category, 2,308 employees belonging to ST category and 697 employees belonging to OBC category out of the total employees of 15,271 as on 30.9.99 which works out to 13.87%, 15.11% and 4.56% respectively.

16. EMPLOYEES PARTICIPATION IN MANAGEMENT

In accordance with the Central Government's Scheme for Employees' Participation, Shop Councils at Shop level and Joint Councils at Plant level are working satisfactorily at all the units of the Company.

16.2 In addition, the bi-partite participative forum at the apex level namely, HCL Joint Consultative Committee had contributed immensely to the production and productivity, welfare of the employees and in maintaining sound and harmonious industrial relations in the Company.

17. COMMUNAL HARMONY AND NATIONAL INTEGRATION

Communal Harmony and National Integration are given due importance in the Company. In all the projects, religious festivals of different communities were celebrated.

18. HUMAN RESOURCE DEVELOPMENT

Training and development of all levels of employees is given due priority by the Company to increase effectiveness. Special emphasis given to organisation building and shaping right attitudes, team building and work culture besides preparing employees to understand the trends in fast changing technology/switching over to latest technology for achieving higher results in production, productivity and profitability. During the year under review, the following number of workers, supervisors and executives have been trained :

Workers	:	4,336
Supervisors	:	99
Executives	:	549

19. PROGRESSIVE USE OF HINDI

During the year 1998-99, due attention was paid for promotion of Raj Bhasha Hindi. The Company was awarded Certificate of Merit, for good work done in Hindi, by CALTOLIC.

20. SAFETY

20.1 Safety continued to be a priority area for short term as well as long term activities of the Company. In the year 1998 total injuries in the Mines were 60 compared to 82 during the year 1997 registering a reduction of 27%. During the year (upto September), the number of injuries have further reduced to 26. This is a projected reduction of 42% compared to last year's figures.

20.2 The recommendations of Seventh and Eighth Conferences on Safety in Mines and the decisions taken in Tripartite Committee meetings on Safety are being implemented.

20.3 Safety matters are also discussed in Joint Consultative Committee meeting held at Corporate level with the Project Heads and representatives of the recognised Trade Unions.

21. VIGILANCE ACTIVITIES

During the period under report, HCL finalised 7 Major Penalty Cases and expedited 1 Minor Penalty Case. The cases with CBI were persistently pursued. More than 20 Complaints were probed and disposed of. In order to have an effective control over the organisation, a plethora of surprise checks/regular inspections were conducted. Reports and returns have been submitted as prescribed and CVC guidelines in general as well as for punitive measures were strictly followed and adhered to.

22. FUTURE OUTLOOK

22.1 During the accounting year 1998-99 (October '98 to September '99) the average LME price of Copper was around US $ 1525 only as compared to the LME price of 1997-98 of US $ 2098 per tonne. Thus, there was a further reduction of US $ 573 during the year thereby resulting in significant reduction in the sales realisation of the finished products. This in turn resulted in liquidity crunch thereby adversely affecting the day to day operations of the Company. Of late, there had been some improvement in the LME price. Presently the LME price of Copper is ranging between US $ 1800-1850. While this enhancement has provided some relief to the Company, the Company will, however, continue to face financial constraint unless there is some improvement in LME price of copper in near future.

22.2 As already mentioned in the last Annual Report, the Company had appointed M/s. A. T. Kearney, New Delhi, for vetting the Turn Around Strategy paper prepared by the Company and also suggesting any other alternative strategies for turn-around. The Report submitted by the Consultants in January, 1999 was placed before the Board of Directors in its 233rd meeting held on 29.7.1999. The Board considered the Report and generally endorsed most of the recommendations made by the Consultants. The Board, however, appointed a Sub-Committee of Directors to look into certain specific areas and submit its Report for further consideration by the Board/Government. The Report of the Sub-Committee of Directors is still to be placed to the Board.

22.3 Pursuant to the Turn Around Strategy formulated by the Company and endorsement by the Consultants, the Company has submitted to the Government a proposal for closure of Pathargora and Kendadih Mines which had become altogether unviable. Government approval for closure of these mines has been received on 23.12.99. Besides the Company has initiated action for tieing up funds for the proposed debottlenecking of its KCC Smelter and Refinery from 31,000 TPA to 45,000 TPA.

22.4 In terms of the Company's Turn Around Strategy, it has to reduce its existing manpower in a big way in order to bring down the high level of salary and wage component in the cost of production. Accordingly, the Company introduced Voluntary Retirement Scheme and was successful in separating 2,787 employees under VR Scheme during the year.

22.5 It will be seen from the above that while the Company has initiated various actions for improving its performance, its financial performance would, however, largely depend upon closure of uneconomic mines and consequent reduction of manpower and further improvement in LME price etc.

23. DISINVESTMENT STRATEGY

23.1 The Central Government has recently approved the following disinvestment strategy for HCL :

PHASE - I

The Khetri Unit of HCL alongwith Taloja Plant be formed into a separate Company. The assets of these Units may be valued and may form 49% contribution from HCL in a new Company in which 51% equity may be injected by a strategic partner.

PHASE - II

The remaining portion of HCL comprising the Indian Copper Complex and the Malanjkhand Copper Project may be restructured by closure of unviable mines in a phased manner with consequent separation of surplus manpower under VRS. HCL may then look for one more strategic partner for 51% disinvestment in the remainder of HCL.