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Annual Report

2001-2002

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HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

PRESENT BOARD OF DIRECTORS

Shri B. K. Menon
Chairman-cum-Managing Director

Shri S. K. Kar
Director (Finance)

Shri Rane Sen
Director (Personnel)

Smt. Adarsh Misra
Dr. Sulasa Behuria
Shri V. K. Channa
Shri S. K. Kacheria

BY COMPANY SECRETARY

Shri C. S. Singhi

AUDITORS

M/s. M. Chatterjee & Company, Kolkata
M/s. Dinesh Mehta & Company, New Delhi

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

Tamra Bhavan
1, Ashutosh Chowdhury Avenue
Kolkata - 700 019

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NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that 35th Annual General Meeting of the members of Hindustan Copper Limited will be held on Friday, the 27th September 2002 at 3.30 PM at the Registered Office of the Company at "Tamra Bhawan", 1 Ashutosh Chowdhury Avenue, Kolkata-700019 to transact the following business :

Ordinary Business

1) To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2002 and the Profit and Loss Account for the year ended 31st March, 2002 together with the Directors' Report, Auditors' Report and C&AG's comments.

2) To appoint a Director in place of Shri Rana Sen, who retires by rotation and being eligible, offers himself for reappointment on the existing terms and conditions of his appointment as approved by the Govt. of India.

3) To appoint a Director in place of Sri A K Chanana who retires by rotation and being eligible, offers himself for reappointment on the existing terms and conditions of his appointment as approved by the Govt. of India.

4) To fix the remuneration of the Auditors.

Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary resolution :

5) "RESOLVED THAT appointment of Smt. Adarsh Misra as Director on the Board of the Company with effect from 29.5.2002 in terms of Ministry of Coal and Mines' Order No.10(17)/95-Met.III dated 29.5.2002 be and is hereby approved."

By order of the Board

Place : Kolkata
Date : 2nd September, 2002

C S Singhi
Deputy 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) The Register of Members and Share Transfer Books of the company will remain closed from 23rd September 2002 to 27th September 2002 (both days inclusive).

3) Members are requested to kindly notify immediately change in their addresses, if any, to the Registered Office of the Company quoting their folio numbers.

4) Pursuant to Section 619(2), as amended by the Companies Act of 2000, the Auditors of a Government Company shall be appointed or re-appointed by the Comptroller and Auditor General of India and in terms of Clause (aa) inserted in sub-section (8) of Section 224 of the Amendment Act, 2000 their remuneration has to be fixed by the Company in the Annual General Meeting. The appointment of Statutory Auditors of the Company for the year 2002-2003 is awaited from C&AG of India. The General Meeting may authorise the Board to fixed up an appropriate remuneration of Auditors for the year 2002-2003.

5) The agenda item Nos. 2, 3 and 5 regarding rotational retirement/appointment of directors of HCL is proposed to comply with the provisions of Section 255, 256 and 257 of the Companies Act, 1956 which have become applicable

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in the Company, consequent upon its ceasing to be a wholly owned Government Company as a result of disinvestment of some shares by the Government. Ministry of Coal and Mines vide its letter No.[illegible] dated 10.10.1996 has advised the Company to comply with the provisions of the Companies Act, 1956 regarding appointment/retirement/reappointment of Directors pending approval of the Govt. for various amendments in Articles of Association of the Company, as proposed by the Company.

6) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 5 as set out above, is annexed hereto.

ANNEXURE TO NOTICE

(Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5

Smt. Adarsh Misra, Additional Secretary (Mines), Government of India has been appointed as part-time official Director of the Company w.e.f. 29.5.2002 in terms of Ministry of Coal and Mines' Order No. 10(13)/95-MMIII dated 29.5.2002. It is now proposed to regularise her appointment as in-office Government Director at the ensuing 35th Annual General Meeting in order to comply with the relevant provisions of the Companies Act, 1956.

Smt. Misra is M.A., PG Diploma in Development Administration from Birmingham University, UK. She had earlier held several important positions in the State Governments of Delhi, Arunachal Pradesh, Goa Daman & Diu and Central Government including as Deputy Secretary, Ministry of Commerce, Govt. of India, from Secretary, Department of Family Welfare, Govt. of India. Considering her wide experience in Public Administration and Policy matters, your directors recommend her appointment on the existing terms and conditions as approved by the Government.

None of the Directors of the Company except Smt. Adarsh Misra is in any way concerned or interested in the resolution

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REPORT OF THE BOARD OF DIRECTORS

The Shareholders
Hindustan Copper Limited
Kolkata

1 Your Directors have pleasure in presenting the Thirty-forth Annual Report of the Company together with the audited statement of Accounts and Auditors' Report thereon for the year ended 31st March, 2002.

2 GENERAL

2.1 The production performance of the Company in respect of major items during 2001-2002 is given below :

Item	1.4.2001 to 31.3.2002	
	Actual	% Achievement
Ore Production (000 T)	3396	91
Metal in Concentrate (T)	34282	93
Cathode (T)	40218	89
Wire Rod (T)	29583	102

2.2 During the year ending 31st March, 2002, copper sales was 45801 tonnes as against 41003 tonnes last year showing an increase of 10.98%. The earnings during the year was Rs 604.98 crores and Company ended the financial year 2001-2002 with a net loss of Rs 184.01 crores.

2.3 During 2001-2002, there was a total reduction of manpower of 2541. HCL received Rs 140 crores as Non-plus Loan from the Ministry of Mines, Government of India during the year for the purpose of separation of surplus manpower by way of Voluntary Retirement. As on 31.3.2002 total manpower strength of HCL was 9502.

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3. PRODUCTION PERFORMANCE

Products	2001-2002 (April 2001 to March 2002)				1999-2001 (October 1999 to March 2001)			
	Western Sector	Eastern Sector	Central Sector	Total	Western Sector	Eastern Sector	Central Sector	Total
Ore Raised (000 T)	538	274	2234	3396	1363	538	3127	5047
Ore Milled (000 T)	763	274	2153	3190	1342	556	3178	5077
Metal in Conc (T)	7635	2562	24085	34282	13339	4888	33043	51070
Blister Copper (T)	34342	13295	-	43637	37331	29995	-	67326
Cathodes (T)	27578	12640	-	40218	35443	29299	-	64742
CC Wire Rod (T)	-	-	-	29583	-	-	-	46939

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3.1 At Malanjkhand Copper Project, the production of 22.24 with tonnes, ore milling of 22.68 lakh tonnes and MCC production of 24.45 tonnes during the year 2001-2002 was all time high record since inception.

Blister copper production at Khetri Copper Complex in March 2002 was 40.30 tonnes which is an all time record monthly production since inception.

3.2 The Company achieved production of Nickel Sulphate of 151 tonnes (121%), Sulphuric acid 45451 tonnes, Selenium 9793 kg (147%), Silver 5848 kg (117%) and Gold 335 kg.

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 mining of ore to extraction of Copper metal and other by-products. Special efforts were made in making the operations energy efficient.

In certain areas the Company was able to achieve improvement in the rate of specific consumption over the previous year. The important areas of reduction in consumption are given below :

Specific consumption	Unit	2001-2002	2000-2001
1 Mining power-MCP	KWH/T	1.056	3.01
2 Mining fuel (HSD)-MCP	Ltr/T	1.384	1.60
3 Ore Milling power-MCP	KWH/T	18.23	19.59
4 Smelter power -KCC	KWH/T	842.54	957.37
5 Smelter fuel -KCC	Ltr/T	690.63	731.54
6 Smelter Oxygen -KCC	M³/T	474.65	487.91
7 Sulphuric Acid power-KCC	KWH/T	187.46	183.76

6 FINANCIAL

6.1 The financial results of the Company du[illegible] the year 2001-2002 (April 2001 to March 2[illegible] (12 months) compared with 1999-2001 (October 19[illegible] March 2001) (18 months) are summarised below :

(Rs. in cro[illegible]

Head	2001-2002 (April 2001 to March 2002) (12 months)	1999-2[illegible] (October 1[illegible] to March 20[illegible] (18 mont[illegible]
a. Sales	618.96	945.56
b. Value of Production	586.66	1001.68
c. Cost of production excluding depreciation, provisions, write-off and interest	654.09	1043.27
d. Profit/(Loss) before depreciation, provisions, write-off and interest	(67.43)	(43.61)
e. Depreciation & Provisions Write-off	49.18	101.70
f. Interest - Government	0.00	11.09
Loan - Others	67.43	104.94
g. Profit/(Loss) before tax	(184.04)	(196.44)
h. Provision for tax	0.00	0.00
i. Profit/(Loss) after tax	(184.04)	(196.44)

6.2 The cash loss during 2001-2002 was Rs. 14[illegible] crores as compared to the cash loss of Rs. 143.36 crores [illegible] 1999-2001.

6.3 The capital structure of the Company as [illegible] 31.3.2002 stood as under :

Share Capital	(Rs. in crores
a. Authorised Capital	
(i) Equity Share of Rs. 10/- each	600.00
(ii) 2.5% Non-Cumulative Preference Share of Rs. 100/- each	200.00

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b Issued, Subscribed & Paid up Capital

(i) Equity Share	342.88
(ii) 7.5% Non-Cumulative Preference Share	180.73
c Share money awaiting allotment	184.58

6.4 Financial Restructuring

The Govt. has conveyed its approval for 2nd Financial Restructuring vide 31st March, 2002 vide letter No.6907/201-MeclII dated 9.7.2002. The following concessions have been granted in the said Financial Restructuring of HCL :

(a) Conversion of outstanding non-plan loan of Rs. 440 crores as on 31.3.2002 for VRS into grant in aid.

(b) Conversion of outstanding plan loan of Rs. 73.50 crores as on 31.3.2002 into equity.

(c) Waiver of outstanding interest as on 31.3.2002 on plan loan amounting to Rs. 33.72 crores.

(d) Waiver of outstanding guarantee fee as on 31.3.2002 in respect of guarantees extended by Govt. of India for raising working capital and further waiver of accrual of any guarantee fee on such guarantees from 1.4.2002 till expiry of the guarantees.

(e) Grant of additional Rs. 130 crores for VR for the year 2002-2003 for separation of manpower under VRS.

(f) Sanction of additional equity of Rs. 60 crores in 2002-2003 to meet part of the Cash losses particularly for interest payment against Govt. guaranteed debentures and bonds with modification that the additional equity would be limited to the amount necessary to keep net worth positive.

Note: Effect of (a) to (d) above have been given to the current year's account.

6.5 Borrowing from Government

During the year 2001-2002 Govt. has released Rs. 140 crores non-plan loan for VRS and Rs. 85 crores plan loan which subsequently have been converted into grant-in-aid and equity respectively through approval of 2nd Financial Restructuring as stated in Point No. 6.4.

6.6 Bonds (Secured and Unsecured)

During the year, company has raised Rs. 150 crores through issuance of Bonds with coupon rate of 10.65% and the proceeds utilised for premature redemption of two working capital term loan bearing interest @ 16% p.a. of Rs. 75 crores each from 2001.

The Unsecured Bonds under Series-I & II was due for redemption on 17.12.2001 & 31.1.2002 respectively. The Company offered all the Bondholders for extension of redemption period by one year. All the Bondholders except Bondholders holding Rs. 8.35 crores have agreed to extend the redemption period by one year. The Company has redeemed bonds amounting to Rs. 8.35 crores during the year and balance Rs. 8 crores in April 2002.

The details of Bonds liability as on 31.3.2002 stood as under :

	(Rs. in Crores)
14.00% Unsecured Bonds	33.38
14.75% Secured Bonds	82.37
15.00% Secured Bonds	29.55
10.65% Secured Bonds	150.00
Total	225.10

6.7 Contributions to Exchequer

During the year 2001-2002, the company contributed a total sum of Rs. 110.28 crores to the exchequer as shown below :

Particulars	(Rs. Crores)
Excise Duty	77.93
Customs Duty	13.42
Sales Tax	9.84
Royalty and Cess	9.86
Others	1.73
Total	110.28

6.8 Expenditure in foreign currency

During 2001-2002, the company spent foreign currency towards import of raw material, components, stores and spares, technical know-how, travelling etc. to the tune of Rs. 94.01 crores. This includes mainly import of concentrate

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to the extent of Rs. 9005 crores and components, spare parts stores and capital goods Rs. 3125 crores.

7. MARKETING

7.1 During the year 2001-2002, the total sale of Copper was 45501 MT with a monthly average of 3792 MT against the average sale of 3430 MT per month in 1999-2000.

7.2 Out of the above total copper sale, the sale of wire bar was 8756 MT with a monthly average of 730 MT as against 1999-2001 average of 757 MT per month.

7.3 The sale of Cathode & Misc. copper during the year was 9142 MT with a monthly average of 762 MT as compared to 1999-2001 average of 588 MT per month.

7.4 CC Rod sale during 2001-2002 was 31603 MT with an average of 2634 MT against an average sale of 3405 MT in 1999-2001.

7.5 In spite of intense competition from M/s Birla Copper and M/s. Sterlite Industries Ltd., improvement could be achieved by modifying our marketing strategy from time to time keeping in view the market conditions.

8. PROGRESS OF NEW PROJECTS/EXPANSION SCHEMES

Consequent upon Government decision for disinvestment of Hindustan Copper Limited and as suggested by PAMD of Planning Commission that expansion in the capacity of IOCC Smelter and Refinery be left to the new Management, the proposal for debottlenecking/technological upgradation of IOCC Smelter was dropped.

9. SCIENCE & TECHNOLOGY ABSORPTION

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

10. DEVELOPMENT OF SSI AND ANCILLARY UNITS

All units of Hindustan Copper Limited continued to follow the Government guidelines for encouraging procurement of materials from SSI & Ancillary units as an integral part of the same. Items like Grinding Media, Earth moving equipments, spares etc. are regularly purchased from SSI/ASIC Units. SSI and Ancillary Units are also provided assistance to develop import substitution items.

11. PERSONNEL AND INDUSTRIAL RELATIONS

11.1 The Industrial Relations situation in HCL during 2001-2002 had been peaceful and broadly harmonious. There had been no loss of mandays/production due to strike, lock out or other problems relating to industrial relations.

11.2 During the financial year, the thrust had been mainly on reduction of manpower through VR, closure of uneconomic operations, reduction of age of superannuation and improved union-management initiatives to achieve the above. The manpower during the period was reduced from 12043 to 9502 representing a 21% reduction mainly through VR in July, 2001, Kolihan Copper Mine of Ghatsila was closed by separating the employees through VR even before the closure proposal was processed and put up for consideration by the Labour Ministry. The age of superannuation which was raised from 58 years to 60 years in 1998 was rolled back to 58 years with the approval of the Government w.e.f. 01.2002. On all the above items, the unions extended their cooperation.

11.3 The revision of wages for workmen which was due from 1.11.97 could, however, not be effected. The unions mainly on demand for wage revision and other allied demands had served a strike notice on 26.2.2001 which was taken up for conciliation at the level of Dy. CLC (C). Finally, an understanding with the unions was reached at the NICC meeting held on 25.5.2001 in terms of which the workmen were allowed Interim Relief @ 10% of Basic Pay as on 1.4.2001 subject to a minimum of Rs. 200/- per month. The executives whose pay was also due for revision w.e.f. 1.1.1997 were allowed Interim Relief from the same date @ 7½% of their Basic Pay as on 1.4.2001. In March 2002, in 258th meeting of the Board of Directors, it was further decided to close down the mines at Surda and Kheral and the mines related establishments at Mosaboni under the provisions of Section 25(O)

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of the Industrial Disputes Act, 1947. The statutory date of closure for the mines and other establishments has been fixed as 15.01.2003.

12. RESERVATION FOR APPOINTMENT OF SCHEDULED CANDIDATES

The Presidential directives on reservation of posts for Scheduled Castes, Scheduled Tribes and Other Backward Classes are followed in its letter and spirit. The representation of SC, ST and OBC employees out of its total manpower of 9,502 is 15%, 11% and 7% respectively as on 31.3.2002. The strength of SC, ST and OBC employees as on 31.3.2003 is 1403, 1033 and 699 respectively.

13. EMPLOYEES PARTICIPATION IN MANAGEMENT

Bipartite forums are successfully functioning at all the levels namely at the Apex level, Unit level and Shop/Plant level. The decisions emanating out of discussions in the bipartite meetings have immensely contributed in areas of Production, Safety, Welfare and in reduction of cost. In fact the Joint Consultative Committee and the National Joint Committee for Copper which are Bi-partite participative forums at the Apex level having representation of workers from all the units/offices of the Company has over the years immensely contributed in the maintenance of harmonious industrial relations.

14. COMMUNAL HARMONY AND NATIONAL INTEGRATION

In the Townships of the Company, people of all faith and religion together celebrate religious festivals of different religions. Employees of various faith and religion cohabitate in the Company's townships as well as in their place of work peacefully.

15. MANPOWER POSITION

The manpower strength as on 31.3.2002 stood at 9502 as against 12043 as on 31.3.2001 indicating a reduction in the manpower by 2541 during the financial year 2001-2002.

16. EMPLOYMENT SITUATION OF WOMEN

The Corporate strength of female employees as on 31.3.2002 vis-a-vis the total strength of HCL was as under :

Group	No. of female employees	Total Strength	% of female employees to total strength
Group A	26	381	6.82
Group B	13	254	5.12
Group C	209	7233	2.89
Group D	214	1634	13.10
Total	**462**	**9502**	**4.86**

HCL in accordance with the judgement of the Hon'ble Supreme Court has set up Committees in all the Units and Offices of the Company for the "Prevention of Sexual Harassment at Work Place". In addition, a provision to this effect has also been made in the Conduct, Discipline and Appeal Rules of HCL.

In matters relating to employment there has been no incidence of discrimination amongst employees on the basis of gender.

17. HUMAN RESOURCE DEVELOPMENT

Training and development of all levels of employees was given due importance by the Company to increase effectiveness. Special emphasis was 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.

Workmen :

Apart from Statutory, Safety, Technical and Functional Programmes, Workers were exposed to General Education and Developmental Programmes. Special programmes were conducted for weaker sections i.e. Scheduled Castes and Scheduled Tribes employees. A total of 2389 workers attended various training programmes conducted in Training Establishment in our Projects.

Supervisory :

161 first line shop floor and Mine Supervisors attended Supervisory Development Programmes on Productivity

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