

ANNUAL REPORT
2002-2003

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HINDUSTAN COPPER LTD.

C. S. Singhi

(C. S. SINGHI)
Company Secretary

Report



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HINDUSTAN COPPER LIMITED



HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

PRESENT BOARD OF DIRECTORS

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

Shri Rana Som
Director (Personnel)

Smt. Adarsh Misra

Shri Hem Pande

Shri V. K. Chanana

Shri S. B. Kucheria

COMPANY SECRETARY

Shri C. S. Singhi

AUDITORS

M/s. M. C. Bhandari & 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 36th Annual General Meeting of the members of Hindustan Copper Limited will be held on Tuesday the 30th September 2003 at 4.00 PM at the Registered Office of the Company at "Tamra Bhavan", 1 Ashutosh Chowdhury Avenue, Kolkata-700 019 to transact the following business :

Ordinary Business

- 1) To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2003 and the Profit and Loss Account for the year ended 31st March, 2003 together with the Directors' Report, Auditors' Report and C&AG's comments.
- 2) To appoint a Director in place of Shri S. B. Kucheria, 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 Shri B. K. Menon, 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

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

"RESOLVED THAT appointment of Shri Hem Pande as Director on the Board of the company with effect from 1.7.2003 in terms of Ministry of Mines' Order No.10(2)/2002-Met.III dated 1.7.2003 be and is hereby approved."

- 6) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution :

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs.800 (Eight hundred) crores divided into 60,00,00,000 Equity Shares of Rs.10/- each and 20,00,000 Preference Shares of Rs.1000/- each to Rs. 900 (Nine hundred) crores divided into 70,00,00,000 Equity Shares of Rs.10/- each and 20,00,000 Preference Shares of Rs.1000/- each."

"RESOLVED FURTHER THAT Clause V of the Memorandum of Association of the company be and is hereby altered to read as follows :-

The Authorised Share Capital of the Company is Rs. 900 (Nine hundred) crores divided into :

- i) 70,00,00,000 (Seventy crores) Equity Shares of Rs. 10/- each.
- ii) 20,00,000 (Twenty lakhs) Preference Shares of Rs. 1000/- each.

With the rights, privileges and conditions attaching thereto as may be provided by the Articles of Association of the Company for the time being, with power to increase and reduce the Capital of the Company and divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company, subject always to the provisions of the Companies Act, 1956."

- 7) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 5 of the Articles of Association of the Company be and is hereby altered to read as follows :

The Share Capital of the Company is Rs. 900 (Nine hundred) crores divided into :

- i) 70,00,00,000 (Seventy crores) Equity Shares of Rs.10/- each.



ii) 20,00,000 (Twenty lakhs) Preference Shares of Rs.1000/- each.

Provided that the Company may alter the conditions of its Memorandum so as to increase its Share Capital as it thinks expedient by issuing new shares in the manner prescribed in Section 94 of the Companies Act, 1956."

8) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions of the Companies Act, 1956, and in accordance with the Memorandum and Articles of Association of the Company and subject to such approvals, consents or sanctions of the appropriate authorities that may be required and agreed to by the Board, the consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board" which term shall be deemed to include any Committee of Directors) to issue 25,15,00,000 Equity Shares of Rs.10/- each in the share capital of the company for cash at par aggregating to Rs. 251.50 crores (Rupees two hundred fiftyone crores and fifty lakh) only to the President of India on preferential allotment basis."

"RESOLVED FURTHER THAT Equity Shares to be issued and allotted by the Company to the President of India shall rank pari passu in all respects with the existing equity shares of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such things and acts as may be necessary and expedient and to settle any matter that may arise in connection therewith."

By order of the Board

Dated : September 5, 2003

Place : Kolkata

C. S. Singhi

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 25th September 2003 to 30th September 2003 (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) of the Companies Act, 1956, the Auditors of a Government Company are appointed or re-appointed by the Comptroller and Auditor General of India and in terms of Section 224(8)(aa) of the Act their remuneration has to be fixed by the Company in the General Meeting. The appointment of Statutory Auditors of the Company for the year 2003-2004 is awaited from CAG of India. The Annual General Meeting may authorise the Board to fixed up an appropriate remuneration of Auditors for the year 2003-2004.
- 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 to 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 Steel and Mines vide its letter No.10(14)/95-Met.III dated 10.10.1996 had 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. 5,6,7 and 8 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

Shri Hem Pande, Joint Secretary, Ministry of Mines, Government of India has been appointed as part-time official Director of the Company w.e.f. 1.7.2003 in terms of Ministry of Mines' Order No. 10(2)/2002-Met.III dated 1.7.2003. It is now proposed to regularise his appointment as ex-officio Government Director at the ensuing 36th Annual General Meeting in order to comply with the relevant provisions of the Companies Act, 1956.

Shri Hem Pande is IAS and MBA from Swinburne University of Technology, Melbourne (Australia). He had earlier held important positions in the State of West Bengal prior to his present assignment as Joint Secretary in the Ministry of Mines, Govt. of India since August 2002. He was also the first Chief Executive Officer of the Darjeeling Gorkha Hill Council which is a unique intervention in granting autonomy to a district entity in the State of West Bengal. Considering his wide experience in Public Administration and Policy matters, your directors recommend his appointment on the existing terms and conditions as approved by the Government.

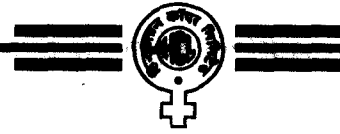
None of the Directors of the Company except Shri Hem Pande is in any way concerned or interested in the resolution.

Item Nos. 6 & 7

The present Authorised Capital of the Company is Rs. 800 crores divided into 60,00,00,000 Equity Shares of Rs.10/- each and 20,00,000 Preference Shares of Rs. 1000/- each. As on 31.3.2003, the paid up capital of the company was Rs.543.61 crores consisting of 36,28,78,000 Equity Shares of Rs.10/- each and 1807324 nos. 7.5% Non-cumulative Preference Shares of Rs.1000/- each and share money awaiting allotment was Rs. 251.50 crores.

The pending share application money of Rs. 251.50 crores consist of (a) Rs. 95 crores received in 2001-02 as budgetary support against equity; (b) conversion of outstanding plan loan of Rs.71.50 crores as on 31.3.2002 into equity in terms of 2nd Capital Restructuring; (c) infusion of Rs. 60 crores by Government in 2002-03 for meeting operational needs in terms of 2nd Capital Restructuring and (d) Rs. 25 crores received in 2002-03 against Renewal & Replacement. In view of this, if the company allot equity shares to President of India against the pending share application money amounting to Rs. 251.50 crores, it would exceed the existing authorised capital of Rs. 800 crores. In order to allot further shares in the name of the President of India against the pending share application money as enumerated above, the Board of HCL in its meeting held on 29th January, 2003 has approved amendment to the capital clause of the Company's existing Memorandum & Articles of Association for increasing the Authorised Capital of HCL subject to approved from the Administrative Ministry. The Ministry vide its letter No.1(2)/2003-Met.III dated 18th March, 2003 has since conveyed Govt. approval for enhancement of existing Authorised Capital from Rs.800 crores to Rs.900 crores. As such, consent of members is sought for increasing the Authorised Capital from existing Rs. 800 crores to Rs. 900 crores.

The proposed amendment to the capital clause of Memorandum & Articles of Association of the company will enable the company to make allotment of equity shares to the President of India against pending application money.



Alteration of the capital clause in the Articles of Association of the company is purely consequential and is in accordance with Section 31 of the Companies Act, 1956.

None of the directors of the Company is in any way concerned or interested in the resolution.

Item No. 8

It is informed that total share money pending allotment received from Government as on 31st March, 2003 stood at Rs. 251.50 crores. At the request of the Company, SEBI has permitted HCL to allot shares aggregating Rs.251.50 crores to the President of India, at par, in exemption of SEBI guidelines for preferential allotment of shares. Accordingly, the resolution u/s 81 for issuance of shares to the President of India for an amount of Rs.251.50 crores is placed for consideration and approval by the shareholders.

Section 81 of the Companies Act, 1956 provides that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in the general meeting decides otherwise. The resolution set at Item No. 8 is an enabling resolution empowering the Board of Directors to issue equity shares, at par, to the President of India only on preferential basis for adjusting the pending share application money .

None of the directors of the Company is in any way concerned or interested in the resolution.





REPORT OF THE BOARD OF DIRECTORS

The Shareholders Hindustan Copper Limited Kolkata

1. Your Directors have pleasure in presenting the thirty-fifth Annual Report of the Company together with the audited statement of accounts and Auditors' Report thereon for the year ended 31st March, 2003.

2. GENERAL

2.1 The production performance of the Company in respect of major items during 2002-2003 is given below :

Item	1. 4. 2002 to 31. 3. 2003		
	Target	Actual	% Achievement
Ore Production ('000T)	3080	3064	99
Metal in Concentrate (T)	33500	30824	92
Cathode (T)	45000	36575	81
Wire Rod (T)	33000	30346	92

2.2 During the year ending 31st March, 2003, copper sales was 37187 tonnes. The turnover during the year was Rs.505.68 crores and company ended the financial year 2002-2003 with a net loss of Rs.147.70 crores compared to net loss of Rs.184.04 crores during 2001-02.

2.3 During 2002-2003, there was a total reduction in manpower of 1637 out of which 1570 were separated through VRS. The cost of separation of 1570 employees through VRS was Rs.136.68 crores. As on 31.3.2003 total manpower strength of HCL was 7865.

3. PRODUCTION PERFORMANCE

Products	2002-2003 (April 2002 to March 2003)				2001-2002 (April 2001 to March 2002)			
	KCC	ICC	MCP	Total	KCC	ICC	MCP	Total
Ore Raised ('000 T)	702	89	2273	3064	898	274	2224	3396
Ore Milled ('000 T)	738	89	2318	3145	763	274	2253	3290
Metal in Conc. (T)	7306	786	22732	30824	7635	2562	24085	34282
Blister Copper (T)	29281	15313	-	44594	30342	13295	-	43637
Cathodes (T)	24026	12549	-	36575	27578	12640	-	40218
CC Wire Rod (T)	-	-	-	30346	-	-	-	29583

KCC-Khetri Copper Complex, ICC-Indian Copper Complex, MCP-Malanjkhand Copper Project.



3.1 At Malanjkhand Copper Project, ore production of 22.73 lakh tonnes and ore milling of 23.18 lakh tonnes during the year 2002-2003 was all time high record since inception.

3.2 The by-products produced by the Company during the year was as follows :

Gold - 354 Kgs., Silver - 6178 Kgs., Sulphuric Acid - 29004 T, Selenium - 6648 Kgs., Nickel Sulphate - 75 T

4. POWER SUPPLY POSITION

Power supply position in the Company was more or less satisfactory except in ICC Unit. At ICC regular power cuts during peak hours was experienced on a regular basis during the 2nd half of the year.

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 reduction in specific consumption rates over the previous year. The important areas of reduction in consumption are given below :

	Specific Consumption	Unit	2002-2003	2001-2002
1.	Mining Power-MCP	KWH/T	0.992	1.056
2.	Mining Power-KCC	KWH/T	16.27	17.42
3.	Ore Milling Power-KCC	KWH/T	24.61	24.79
4.	Refinery Power-KCC	KWH/T	372.28	390.11
5.	Sulphuric Acid Power-ICC	KWH/T	152.90	187.46
6.	Refinery Power-ICC	KWH/T	293.15	302.08
7.	Wire Rod Power-TCP	KWH/T	113.73	120.71
8.	Smelter Oxygen-KCC	NM ³ /T	703.31	709.61
9.	Smelter Oxygen-ICC	NM ³ /T	463.77	474.65

6. FINANCIAL

6.1 The financial results of the company during the year 2002-2003(April 2002 to March 2003)

compared with 2001-2002(April 2001 to March 2002) are summarised below :

(Rs. in Crores)

Head	2002-2003	2001-2002
a. Sales	505.68	604.98
b. Value of Production	500.95	568.96
c. Cost of production excluding depreciation, provisions, write-off/write-back and interest	554.56	644.27
d. Profit/(Loss) before depreciation, provisions, write-off/write-back and interest	(53.61)	(75.31)
e. Depreciation, provisions, write-off/write-back	34.52	41.30
f. Interest - Government Loan - Others	0.00 59.57	0.00 67.43
g. Profit/(Loss) before tax	(147.70)	(184.04)
h. Provision for tax	0.00	0.00
i. Profit/(Loss) after tax	(147.70)	(184.04)

6.2 The cash loss during 2002-2003 was Rs.113.18 crores as compared to the cash loss of Rs.142.74 crores in 2001-2002.

6.3 The capital structure of the company as on 31.3.2003 stood as under :

Share Capital (Rs. in Crores)

a. Authorised Capital

(i) Equity Share of Rs. 10/- each	600.00
(ii) 7.5% Non-Cumulative Preference Share of Rs.1000/- each	<u>200.00</u>

b. Issued, Subscribed & Paid up Capital

(i) Equity Share	362.88
(ii) 7.5% Non-Cumulative Preference Share	<u>180.73</u>

c. Share money awaiting allotment 251.50

6.4 Investment in Equity by Government

During the year 2002-03, HCL has received Rs. 85.00 crores as equity from the Govt. out of



which Rs. 25.00 crores was on account of Plan Expenditure and the balance Rs. 60.00 crores on account of Working Capital.

6.5 Grant-in-Aid from Government

HCL has received Rs. 220.00 crores from the Govt. as Grant-in-Aid during the year 2002-03 towards separation of manpower through VRS.

6.6 Bonds (Secured and Unsecured)

Out of the total 14.00% Unsecured privately placed bonds of Rs. 63.33 crores, the company has already redeemed Rs.38.83 crores leaving a balance of Rs. 24.50 crores even though the bonds are overdue for payment.

The details of total Bonds and Debenture liability as on 31.3.2003 stood as under :

(Rs. in Crores)

14.00% Unsecured Bonds	24.50
14.75% Secured Bonds	12.27
15.00% Secured Bonds	29.55
10.65% Secured Bonds	150.00
14% Debenture	100.00
Total	316.32

6.7 Contribution to Exchequer

During the year 2002-2003, the company contributed a total sum of Rs. 105.54 crores to the exchequer as shown below :

(Rs. in Crores)

Particulars	
Excise Duty	71.27
Customs Duty	13.65
Sales Tax	8.78
Royalty and Cess	8.89
Others	2.95
Total	105.54

6.8 Expenditure in foreign currency

During 2002-2003, the company spent foreign currency towards import of raw material, components, stores and spares etc. to the tune of Rs.49.89 crores. This includes mainly import of concentrate to the tune of Rs. 44.75 crores and

components, spare parts & stores amounting to Rs. 5.14 crores.

7. MARKETING

7.1 During the year 2002-2003, the total sale of Copper was 37187 MT as against 45501 MT in 2001-2002.

7.2 Out of the above total copper sale, CC Rod sale during 2002-2003 was 29707 MT as against 31603 MT in 2001-2002.

7.3 The sale of wire bar was 2366 MT during the year as against 4756 MT in 2001-2002.

7.4 The sale of Cathode & Misc. copper during the year was 5114 MT as against 9142 MT in 2001-2002.

7.5 In 2002-03, there was considerable reduction in the orders from Jelly Filled Telecom Cables Sector which has affected the sale of CC Rods. Further, substantial imports of duty free copper products from Sri Lanka under the Indo Sri Lanka Treaty has resulted into customers shifting to imports which are cheaper due to the duty differential.

Lifting of Wire Bar by Ordnance Factory in 2002-03 has reduced as compared to 2001-02 by approx. 1200 MT since they have gone for import of cathodes which are bought on high sea sales. Cathode lifting by IG Mint for 2002-03 was also less by approx. 4000 MT as compared to 2001-2002 since they had not placed new order for this year.

The above factors coupled with very stiff competition from private sector companies, whose total capacity for refined copper production is in excess of the domestic demand, affected the sale of Copper.

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 KCC Smelter and Refinery to be left to the new management, the proposal for expansion/ technological upgradation of KCC Smelter was dropped.



9. DEVELOPMENT OF SSI AND ANCILLARY UNITS

All units of Hindustan Copper Limited continued to follow the Government guidelines in encouraging procurement of materials from SSI & Ancillary units in or around their areas. Items like Grinding media, Earth moving equipment, spares etc. are regularly purchased from SSI/ NSIC Units. SSI and Ancillary Units are also provided assistance to develop import substitution items.

10. RESEARCH & DEVELOPMENT

- i) Specific areas in which R&D activities carried out during the year : Nil
- ii) Benefits derived as a result of R&D : N.A.
- iii) Future plan of action: In view of critical financial condition of the Company, HCL suspended its direct R&D activities.
- iv) Expansion on R&D : Not applicable

11. SCIENCE & TECHNOLOGY/TECHNOLOGY ABSORPTION

During the year, Company concentrated on improving the operational practices with a view to reduce processing cost. No new technology has been absorbed during the year.

12. PERSONNEL AND INDUSTRIAL RELATIONS

- 12.1 The Industrial Relations situation in HCL during 2002-2003 had been peaceful and broadly harmonious. There was no mandays/production loss due to strike or any other form of labour unrest.
- 12.2 The Key Result Area, during the year under review, has been manpower rationalisation through Voluntary Retirement and closure of uneconomic operations with emphasis on improved labour management relations.
- 12.3 In August, 2002, HCL approached the Ministry of Labour, Government of India through its Administrative Ministry for the closure of two of its uneconomic operations under the Industrial Disputes Act, 1947 namely the Surda mine and other establishments at Mosaboni located

in the State of Jharkhand and Khetri mine in the State of Rajasthan. After two rounds of joint hearings of the representatives of the Management and the unions operating at Mosaboni, the Ministry of Labour, Government of India, on 5.6.2003, granted permission to close the establishments of HCL at Mosaboni. Accordingly, the said establishments at Mosaboni were closed on 17.6.2003 and the affected workmen numbering 1140, who were offered the benefits of the Company's Voluntary Retirement Scheme, got separated. During the period under review, the manpower was reduced from 9502 to 7865 indicating a reduction of 1637 employees out of which 1570 were released under the Company's Voluntary Retirement Scheme.

13. RESERVATION FOR APPOINTMENT OF SC/ST/OBC 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 the total manpower of 7,865 is 15%, 14% and 9% respectively as on 31.3.2003.

14. EMPLOYEES PARTICIPATION IN MANAGEMENT

Employees Participation in Management has been the backbone of harmonious Industrial Relations in the Company over the years. At all the three levels namely at the Apex level, Unit level and Shop floor level, the successful operation and functioning of various Bi-partite forums has immensely contributed in the reduction of cost and in areas of Production, Safety, Welfare etc.

15. COMMUNAL HARMONY AND NATIONAL INTEGRATION

In the Townships of the Company located at Khetri, Malanjkhand and Ghatsila as well as in other places of work, the employees of different caste, creed, religion cohabit in a spirit of togetherness and celebrate all religious festivals with pomp and gaiety.