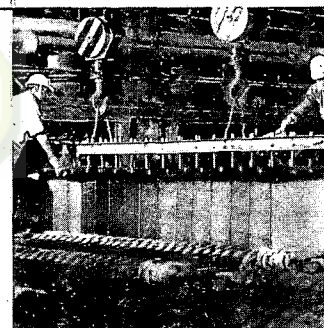
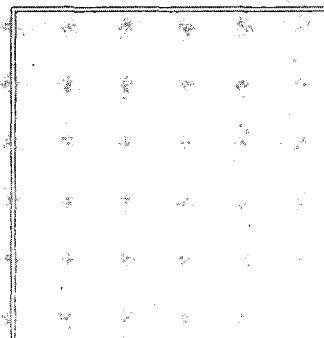
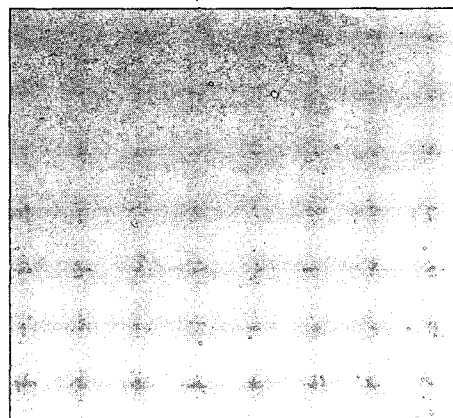




HINDUSTAN COPPER LIMITED

Annual Report 2006-07

Report  junction.com





# HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

## AUDITORS

M/s. S N Mukherji & Company, Kolkata  
M/s. K B Chandna & Company, New Delhi

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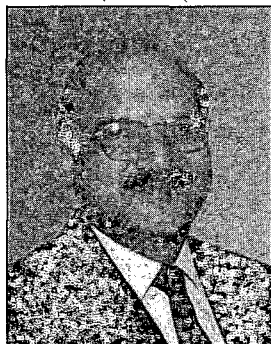
### BANKERS

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

### REGISTERED OFFICE

Tamra Bhavan  
1 Ashutosh Chowdhury Avenue  
Kolkata-700 019

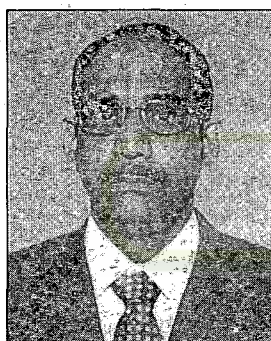
## BOARD OF DIRECTORS



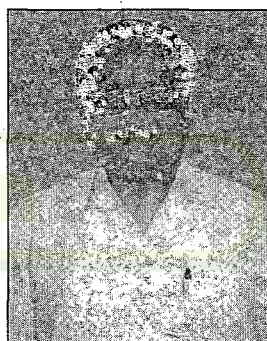
*Satish C. Gupta*



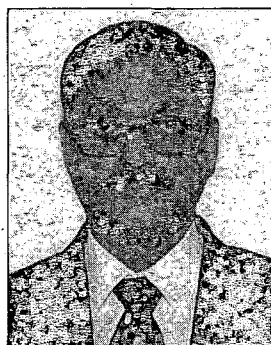
*Ajita Bajpai Pande*



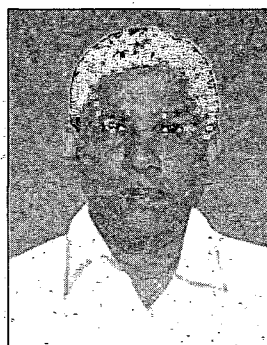
*M. Samajpati*



*S. K. Mittal*



*D. Satapathy*



*K. D. Diwan*



## NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that 40th Annual General Meeting of the members of Hindustan Copper Limited will be held on Monday the 24th December, 2007 at 3.30 pm at in 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, 2007 and the Profit and Loss Account for the year ended 31st March, 2007 together with the Directors' Report, Auditors' Report and C&AG's comments.
- 2) To fix the remuneration of the Auditors.

### Special Business

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

"RESOLVED THAT appointment of Shri Sanjiv Kumar Mittal as Director on the Board of the Company with effect from 18.4.2007 in terms of Ministry of Mines' order No. 10(2)/2002-Met.III dated 18.4.2007 be and is hereby approved."

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

"RESOLVED THAT appointment of Shri Kailash Dhar Diwan as Director(Operations) of the Company with effect from 14.9.2007 in terms of Ministry of Mines' order no. 10(3)/2006-Met.III dated 28.6.2007 be and is hereby approved."

- 5) 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, 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 and allot 15,70,00,000 equity shares of Rs. 5/- each in the share capital of the Company for cash at par aggregating to Rs. 78.50 crores (Rupees seventy eight crore fifty lakh) to the President of India on preferential allotment basis against conversion of Govt. loan into equity for Rs. 50 crore and plan equity support of Rs. 28.50 crore received from Government upon receipt of approval for capital reduction from the Ministry of Corporate Affairs, Government of India."

"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."





- 6) 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 no. 69 of the Articles of Association of the Company be and is hereby altered to read as follows :

69. The number of directors of the Company shall not be less than three and more than fourteen. The Directors are not required to hold any qualification shares.”

By order of the Board

Place : Kolkata  
Date : 29.11.2007

C S Singhi  
DGM & Co Secretary

#### NOTES :

- i) 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 commencement of the meeting.
- ii) The Register of Members and Share Transfer Books of the Company will remain closed from 20th December, 2007 to 24th December, 2007 (both days inclusive).
- iii) Members are requested to kindly notify immediately change in their address, if any, to the Depository Participants (DPs) in respect of their electronic shares, and to the Company at its registered office in respect of their physical shares, quoting the folio numbers.
- iv) Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least a week prior to the date of the meeting, so that the information required can be made readily available at the meeting.
- v) 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 2007-2008 has been made by C & AG of India. The Annual General Meeting may authorise the Board to fix up an appropriate remuneration of Auditors for the year 2007-2008.
- vi) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 3, 4, 5 and 6 as set out above, is annexed hereto.

## ANNEXURE TO NOTICE

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

### Item No. 3

Shri Sanjiv Kumar Mittal, Joint Secretary & Financial Adviser, Ministry of Mines, Government of India has been appointed as part-time Official Director of the Company w.e.f. 18.4.2007 in terms of Ministry of Mines’



order No. 10(2)/2002-Met.III dated 18.4.2007. It is now proposed to regularise his appointment at the ensuing 40th Annual General Meeting of the Company in order to comply with the relevant provisions of the Companies Act, 1956.

Shri Sanjiv Kumar Mittal is B.Tech (Elec. Engg.) and IAS, Uttar Pradesh cadre (1987). Before joining the Ministry, he was director, Ministry of Coal, Government of India. Prior to that, Shri Mittal held key positions in various Departments/Ministries of Govt. of Uttar Pradesh.

None of the Directors of the Company except Shri Sanjiv Kumar Mittal is in any way concerned or interested in the resolution.

#### Item No. 4

Shri Kailash Dhar Diwan has been appointed as Director (Operations) of the Company with effect from 14.9.2007 in terms of Ministry of Mines' order no. 10(3)/2006-Met.III dated 28.6.2007. It is now proposed to regularise his appointment at the ensuing 40th Annual General Meeting of the Company in order to comply with the relevant provisions of the Companies Act, 1956

Shri Kailash Dhar Diwan is BE(Electrical), LLB, Graduate diploma in Materials Management, PG diploma in Financial and Accounts Management. Before joining the Board of HCL, Sri Diwan was Deputy General Manager (M & S), Bharat Refractories Limited and has experience of about 23 years in technical matters.

None of the Directors of the Company except Shri Kailash Dhar Diwan is in any way concerned or interested in the resolution.

#### Item No. 5

During the financial year 2006-07, Govt. of India has provided plan equity support of Rs. 28.50 crore to Hindustan Copper Limited (HCL) and advised the Company to allot shares in the name of President of India against the funds released. The money has been provided for Replacement & Renewals of the plant & machinery of the Company. At the request of the Company, SEBI vide letter No. CFD/DIL/EB/92101/2007 dated 26.4.2007 has permitted HCL to allot shares aggregating Rs. 28.50 crores to the President of India, at par, in exemption of SEBI guidelines for preferential allotment of shares.

Based on the recommendations of Board for Reconstruction of Public Sector Enterprises (BRPSE), a financial restructuring proposal has been approved by the Government and conveyed to the Company vide Ministry of Mines' letter No. 1(19)/2004-Met.III dated 30.7.2007 inter alia approving conversion of non-plan loan of Rs. 50 crore into equity (Rs. 25 crore each released in 2005-06 and in 2006-07), waiver of 7.5% non-cumulative redeemable preference shares amounting to Rs. 180.73 crore and reduction of face value of equity shares from Rs. 10/- to Rs. 5/- and their adjustment against the accumulated losses to enable the Company to pursue its growth agenda. For approval of capital reduction, Company has filed application with the Ministry of Corporate Affairs and their approval is awaited. Meanwhile at the request of the company, SEBI vide letter no. CFD/DIL/EB/04727/2007 dated 26.9.2007 has permitted HCL to allot shares aggregating to Rs. 50 crore against conversion of loan into equity to the President of India, at par, in exemption of SEBI guidelines for preferential allotment of shares.

Company is therefore required to allot 15,70,00,000 equity shares of Rs. 5/- each aggregating to Rs. 78.50 crore. The resolution u/s 81 for issuance of shares to the President of India is placed for consideration and approval by the shareholders. Your approval will enable the Board of Directors of the Company to allot shares to the



President of India as and when necessary approval from the Ministry of Corporate Affairs is received. After the issue of shares to the President of India, the Govt. of India equity holding in HCL will increase from 99.51% to 99.59%. The total paid-up equity capital after allotment shall be Rs. 462.609 crore. The shareholding pattern of the Company before and after allotment of shares will be as follows :

Particulars	Before allotment		After allotment	
	No. of Shares of Rs. 10/- each	% to total shares	No. of Shares of Rs. 5/- each	% to total shares
President of India	76,44,19,500	99.51	92,14,19,500	99.59
Others	37,98,500	0.49	37,98,500	0.41
Total	76,82,18,000	100.00	92,52,18,000	100.00

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 out at Item No. 5 is an enabling resolution empowering the Board of Directors to issue and allot equity shares, at par, to the President of India only on preferential basis against the plan equity support and conversion of loan into equity received from Government.

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

#### Item No. 6

Presently, the Board of Directors of the Company comprises four full-time Directors viz. CMD, Director (Finance), Director (Personnel), Director (Operations) and two Government Directors representing Ministry of Mines.

In terms of the financial restructuring package of HCL recently sanctioned by the Government, a new post of Director (Mining) has been created. As and when the post is filled up by the Government, the Board of directors of the Company will comprise five full-time directors and two Government directors representing the administrative Ministry. As per SEBI guidelines for corporate governance, at least half of the Board should comprise independent directors where Chairman of the Board is an executive director. As such, at least seven independent directors are required for the Company to comply with SEBI guidelines for corporate governance. Consequently, the maximum permissible strength of the Board under article 69 of the Articles of Association needs to be enhanced from existing twelve to fourteen directors. As per Section 31 of the Companies Act, 1956, approval of members by special resolution is required for carrying out amendments in the Articles of Association of the Company

Your Board, therefore, recommend that the special resolution under Section 31 of the Companies Act, 1956 as set out under item 6 of the notice may be considered and approved for compliance of the corporate governance requirement:

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

- Your Directors have pleasure in presenting the thirty-ninth Annual Report of the Company together with the audited statement of accounts and Auditors' Report thereon for the year ended 31st March, 2007.

It is a matter of immense satisfaction that performance of the Company during the year 2006-07 was in every respect better than 2005-06.

### 2. FINANCIAL PERFORMANCE

The comparative working results for the year 2006-07 vis-à-vis 2005-06 are as under :

(Rs..in crore)		
Particulars	2006-07	2005-06
i. Sales (tonnes)	42303	38631
ii. Turnover	1799.64	1053.76
iii. Profit before tax	331.83	100.22
iv. Net Profit after tax	313.94	105.88

- The Company registered 70.78% growth in sales turnover and 196.51% growth in net profit after tax over the previous year.
- During the year the Company sold 42,303 tonnes of refined copper which was 9.5% higher than the sale of 38,631 tonnes in 2005-06.

### 3. PRODUCTION PERFORMANCE

The comparative physical performance for the year 2006-07 vis-à-vis 2005-06 is as under :

Products	2006-2007				2005-2006			
	KCC	ICC	MCP	Total	KCC	ICC	MCP	Total
Ore raised ('000 tonnes)	1001	-	2270	3271	931	-	1706	2637
Ore milled ('000 tonnes)	1010	-	2155	3165	926	-	2049	2975
Metal in Conc. (tonnes)	9267	-	20964	30231	7747	-	15237	22984
Cathodes (tonnes) - Own	24258	14265	-	38523	19843	15750	-	35593
Tolled	1262	-	-	1262	336	158	-	494
Total	25520	14265	-	39785	20179	15908	-	36087
CC Wire Rod (tonnes) - Own	39393				34624			
Conversion	TCP 3352				TCP 125			
Total	42745				34749			

KCC-Khetri Copper Complex, ICC-Indian Copper Complex, MCP-Malanjkhand Copper Project, TCP-Taloja Copper Project, CC Wire Rod-Continuous Cast Wire Rod.





- 3.1 Production of copper ore, metal in concentrate(MIC), cathode and CC Wire Rod in 2006-07 have been higher by 24%, 32%, 10% and 23% respectively when compared to the previous year.
- 3.2 To enhance generation of ore from captive mines and to thereby reduce dependence on imported MIC, thrust has been given to development work in the 'underground mines' at Khetri (Rajasthan) and 'open cast mine' at Malanjkhand (MP). Besides, in-house resources have been supplemented by engaging contractual agencies which greatly helped in stepping up production.
- 3.3 Considering the business scenario, it has been decided to reopen the closed mines, wherever feasible. Surda mine in the eastern sector in the State of Jharkhand is being reopened first. Its mining lease which had lapsed has been got renewed. The operation and maintenance of Surda mine, as well as the concentrator plant, have been outsourced to M/s. Monarch Gold Mining Co. Ltd., Australia who will also provide all necessary investment. Regular production of MIC is expected to start by the end of financial year 2007-08. The feasibility of reopening other closed mines is also being examined.

#### 4. FINANCIAL RESRTUCTURING

Based on the recommendations of the Board for Reconstruction of Public Sector Enterprises (BRPSE), financial restructuring proposal of the Company has been approved by the Government of India and conveyed to the Company vide Ministry of Mines' letter No. 1(19)/2004-Met.III dated 30.7.2007 giving following reliefs and concessions to the Company :

- (i) Conversion of non-plan loan amounting to Rs. 50.00 crore into equity (Rs. 25 crore each released in 2005-06 and in 2006-07) ;
- (ii) Waiver of 7.5% non-cumulative redeemable preference share amounting to Rs. 180.73 crore and its adjustment against accumulated losses ;
- (iii) Restructuring of capital through reduction of face value of equity share from Rs. 10 to Rs. 5 amounting to Rs. 384.109 crore and its adjustment against the accumulated losses ;
- (iv) Restoration of superannuation age to 60 years to preserve skills and provide a breathing time to the organization for formulation of proper succession plan ;
- (v) Creation of the post of Director(Mining) to drive the growth agenda in the mining domain.

As per provisions of Companies Act, approval of Ministry of Corporate Affairs (MCA) is required for capital restructuring to whom necessary application has been submitted and the matter is under their active consideration. On receipt of their approval, effect of capital restructuring will be carried out in the books of accounts. The superannuation age of the employees of the Company has since been enhanced to 60 years w.e.f. 30.7.2007, and for filling up the post of Director(Mining), necessary action has been initiated.

#### 5. POWER SUPPLY

Power supply at all the units of the Company was satisfactory.

#### 6. ENERGY CONSERVATION

HCL continued to give emphasis on energy conservation measures. With a view to give renewed thrust, M/s Petroleum Conservation Research Association (PCRA) were appointed as technical consultants to carry out energy audit and to identify and recommend energy saving measures. Recommendations of M/s. PCRA are under implementation and the results are encouraging.



Some of the reductions in respect of specific energy consumption achieved over previous year are indicated below :

Sl No	Specific Consumption	Unit	2005-06	2006-07	% reduction in 2006-07 over 2005-06
1	Kolihan mine power	Kwh/T	18.42	17.25	6.35%
2	KCC smelter power	Kwh/T	1136.74	1040.00	8.51%
3	KCC sulphuric acid power	Kwh/T	286.87	244.81	14.66%
4	KCC smelter fuel	Ltr/T	798.11	699.80	12.32%
5	KCC smelter oxygen	Nm <sup>3</sup> /T	813.64	687.10	15.55%
6	ICC smelter fuel	Ltr/T	560.32	480.00	14.40%
7	MCP concentrator power	Kwh/T	19.99	19.00	4.95%
8	TCP power	Kwh/T	110.91	99.56	10.23%
9	TCP natural gas consumption	Nm <sup>3</sup> /T	58.02	54.78	5.58%

The Company has also formulated an energy policy and actions have been initiated to achieve the goals set out in the policy.

#### 7. SAFETY

Safety continues to be a high priority area, and the Company is aiming to achieve 'Zero Accident Potential'. Kolihan copper mine maintained its zero-accident status during 2006-07 like the previous four consecutive years. Khetri copper mine, however, had four accidents during 2006-07 against eight in 2005-06. Malanjkhand Copper Project maintained zero-accident status during 2006-07 as against five accidents in the previous year. The total number of accidents for the Company was four and there was no fatal or serious accident during the year.

Special training programmes have been organized for the workers deployed in accident prone areas as identified during accident analysis. Regular safety campaigns, like fire service day, all India mine rescue competitions, annual safety week celebration, etc. have been conducted where employees have actively participated.

#### 8. PROGRESS OF NEW PROJECTS/EXPANSION SCHEMES

Expansion of refinery capacity at ICC, from 16,500 tonnes to 19,200 tonnes per annum, has been completed. This will cope with the higher-than-capacity production of the smelter. Further, at ICC, the Company is also contemplating introduction of enhanced capacity concentrate burner, improvement of cooling elements and introduction of better quality of refractory bricks. In this connection, HCL has prepared a technology report with the help of M/s. MECON. With these measures, the smelting capacity of ICC is expected to increase from 16,500 tonnes to 20,500 tonnes per annum besides prolonged campaign life.

#### 9. DEVELOPMENT OF SSI AND ANCILLARY UNITS

All production units of the Company continued to follow Government guidelines in encouraging procurement of materials from SSI & Ancillary units.

#### 10. RESEARCH & DEVELOPMENT

Study on bio-leaching of lean grade copper ore was continued in collaboration with the Institute of Minerals & Materials Technology (IMMT), formerly known Regional Research Laboratory (RRL), Bhubaneswar, under Council of Scientific and Industrial Research (CSIR), Govt. of India.