



HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

AUDITORS

M/s. K B Chandna & Company, New Delhi

M/s. Ray & Company, Kolkata

CONTENTS

| | | | |
|-----|---|-----|----|
| 1. | Board of Directors | ... | 1 |
| 2. | Notice to Member | ... | 2 |
| 3. | Directors' Report | ... | 5 |
| 4. | Ten Years at a Glance | ... | 28 |
| 5. | Auditors' Report | ... | 29 |
| 6. | Balance Sheet | ... | 36 |
| 7. | Profit & Loss Account | ... | 37 |
| 8. | Schedule to Accounts | ... | 38 |
| 9. | Accounting Policies | ... | 48 |
| 10. | Notes on Accounts | ... | 52 |
| 11. | Balance Sheet Abstract and Company's General Business Profile | ... | 66 |
| 12. | Cash Flow Statement | ... | 67 |

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



M. Samajpati



Ajita Bajpai Pande



S. K. Mittal



K. D. Diwan



R. C. Singla



Anupam Anand



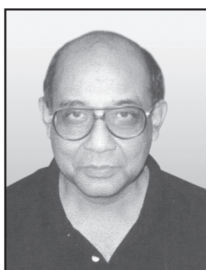
Arun Kr. Mago



S. K. Banerjee



Michael Bastian



S. Hazarika



Mukesh Khare



NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that 42nd Annual General Meeting of the members of Hindustan Copper Limited will be held on Wednesday, the 30th September, 2009 at 3.30 pm 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 Profit and Loss Account for the year ended 31st March, 2009, the Balance Sheet as on that date together with the Directors' Report, Auditors' Report and C&AG's comments.
- 2) To appoint a director in place of Shri Arun Kumar Mago, who retires by rotation and is eligible for reappointment.
- 3) To appoint a director in place of Shri Sakti Kumar Banerjee, who retires by rotation and is eligible for reappointment.
- 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 R C Singla as Director (Mining) of the Company with effect from 18.2.2009 in terms of Ministry of Mines' order No.10(4)/2007-Met.III dated 18.2.2009 be and is hereby approved."
- 6) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution :
"RESOLVED THAT appointment of Shri Anupam Anand as Director (Personnel) of the Company with effect from 5.8.2009 in terms of Ministry of Mines' order No.10(3)/2008-Met.III dated 14.7.2009 be and is hereby approved."

By order of the Board

Place : Kolkata
Date : 5.9.2009

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 24th September, 2009 to 30th September, 2009 (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 2009-2010 is being made by C&AG of India. The Annual General Meeting may authorize the Board to fix up an appropriate remuneration of Auditors for the year 2009-2010.
- vi) Members who hold shares in dematerialized form are requested to indicate their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip which should be brought duly filled in for attending the meeting.
- vii) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item no 5 & 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. 5

Shri R C Singla has been appointed as Director (Mining) of the Company w.e.f. 18.2.2009 in terms of Ministry of Mines' order No.10(4)/2007- Met III dated 18.2.2009. It is now proposed to regularise his appointment at the ensuing 42nd Annual General Meeting of the Company in order to comply with the relevant provisions of the Companies Act, 1956.

Shri R C Singla is B E Elect. (Hons) and Post graduate diploma in Management (AIMA). He started his career in Hindustan Copper Limited (HCL) as third batch Graduate Engineer Trainee on 17.3.1973 at Khetri Copper Complex (KCC) when the plant was under erection and commissioning stage. He had worked in different capacities at KCC and later joined corporate office of the Company in Kolkata as DGM (Projects) and then elevated to the post of GM (Projects). He was then appointed as unit head of Khetri Copper Complex in the year 2007. Shri Singla has experience of over 35 years in technical matters. Shri Singla does not hold any shares in HCL.

None of the Directors of the Company, except Shri R C Singla, is in any way concerned or interested in the resolution.

Item No. 6

Shri Anupam Anand has been appointed as Director (Personnel) of the Company in terms of Ministry of Mines' order No.10 (3)/2008 dated 14.7.2009 and he joined w.e.f. 5.8.2009. It is now proposed to regularise his appointment at the ensuing 42nd Annual General Meeting of the Company in order to comply with the relevant provisions of the Companies Act, 1956



Shri Anupam Anand in M.Sc. (Physics) from BHU, M A (Public Administration) from Punjab University, Diploma in Social Work (DSW) from Calcutta University and passed Bihar Factory Welfare Officers' Examination conducted by Department of Labour, Govt of Bihar. Before joining HCL, Shri Anand worked for around 24 years in SAIL in different positions and rose as Chief Personnel Manager. Later in 2005, he joined as General Manager (HR) in MTNL. Shri Anand has extensive experience in all facets of Human Resource including HRM, HRD, Administration and IR. Shri Anand does not hold any shares in HCL.

None of the Directors of the Company, except Shri Anupam Anand, is in any way concerned or interested in the resolution.

Brief resume of directors who are retiring and eligible for reappointment furnished in terms of clause 49 of the listing agreement :

Shri Arun Kumar Mago

Shri Arun Kumar Mago, former Chief Secretary, Government of Maharashtra had been appointed as part-time non-official Director of the Company w.e.f. 7.1.2008 in terms of Ministry of Mines' order No.10(1)/2002-Met.III dated 7.1.2008.

Shri Arun Kumar Mago is IAS (1967), MSc (Physics), M. Phil (Social Sciences) and holds diploma in Management and Public Administration. Shri Mago retired in 2004 as Chief Secretary, Government of Maharashtra. Earlier he was Chairman, Maharashtra State Electricity Board and Mumbai Port Trust. Shri Mago has over 37 years experience in different capacities in the State and Central Government in several sectors which include energy, port, urban infrastructure, environment, forest and industries etc. Shri Mago is also independent director on the Board of Shipping Corporation of India Ltd., Yes Bank Ltd. and NHPC Ltd. Shri Mago does not hold any shares in HCL.

Shri Sakti Kumar Banerjee

Shri Sakti Kumar Banerjee, former CMD, National Aluminium Company Ltd. had been appointed as part-time non-official Director of the Company w.e.f. 7.1.2008 in terms of Ministry of Mines' order No.10(1)/2002-Met.III dated 7.1.2008.

Shri Sakti Kumar Banerjee is BE (Civil) from Jadavpur University, Kolkata, fellow and life member of Indian Council of Arbitration, Institution of Engineers, Institute of Directors, Society of Civil Engineers, and executive committee member of Indian Institute of Metal, Kolkata Chapter. Shri Banerjee has over 39 years experience in PSUs and Government organisations in chemical, fertilizer and aluminium sectors. Presently, he is Managing Director, PervCom Consulting Pvt. Ltd. and also independently on the Board of Manganese Ore (India) Ltd., Himadri Chemicals and Industries Ltd. and Techpro System Pvt Ltd. Shri Banerjee does not hold any shares in HCL.



REPORT OF THE BOARD OF DIRECTORS

The Shareholders
Hindustan Copper Limited
Kolkata

Your Directors have pleasure in presenting the forty second annual report of the Company together with the audited statement of accounts and auditors' report thereon for the year ended 31st March, 2009.

At the outset, you would be very glad to learn that your Company has been conferred the status of Miniratna (category -I) by the Govt. of India after being found to be meeting with the stipulated criteria for this classification.

1. PHYSICAL PERFORMANCE

The comparative physical performance of production and sales for the year 2008-09 vis-à-vis 2007-08 is as under :

| Particulars | 2008-09 | 2007-08 |
|-------------------------------|---------|---------|
| Ore ('000 tonnes) | 2,983 | 3,245 |
| Metal-in-concentrate (tonnes) | 27,589 | 31,378 |
| Cathode (tonnes) | 30,036 | 44,734 |
| CC Wire Rod (tonnes) | 51,777 | 58,223 |
| Sales (tonnes) | | |
| Refined Copper | 35,714 | 45,384 |
| MIC | 3,540 | nil |

The physical performance suffered on account of disruptions arising put of external as well as internal factors. Production of ore and metal-in-concentrate (MIC) was affected at Malanjkhanda Copper Project (MCP) due to inadequate availability of equipment and poor grade of ore, besides water shortage to operate process plants at Khetri Copper Project (KCC) and MCP.

Cathode production suffered due to major overhauling work undertaken at ICC smelter for technological up gradation, capacity enhancement (from present 16,500 tonnes to 20,500 tonnes per annum). The smelter remained under shutdown on this account from April 2008 virtually till September 2008 after which there was gradual ramp up of production. Besides, due to steep downturn in world copper prices, operations at KCC smelter became unviable with imported MIC, and had to be suspended as from December 2008 onwards pending further review. Consequently, the Company could not attain its targeted production of cathode.

To address production bottlenecks and improve physical performance, your Company has worked out a strategic plan under which the following actions have been initiated :

- Mine development at Khetri & Koliha underground mines of KCC:* 42,000 metres of mine development together with production drilling over a long term period 5 years has been off loaded to outside agencies.
- Large scale excavation at MCP open cast mine:* Based on the recommendations of the mining consultant (M/s SRK Consulting, UK), Company proposes to outsource rock excavation of 320 lakh bank cubic metres to be completed over a period of 5 years whereby the life of the open cast mine will get extended till 2019 (against 2014 as at present) besides increase in production capacity.



- iii. *Reopening of closed underground mines at ICC:* Having successfully reopened Surda mine in the region through outsourcing business model, Company has initiated preliminary activities to recommence operations at Kendadih mine on a similar mode, which will also be subsequently followed for reopening of Rakha mine.
- iv. *Higher capacity underground mining equipment at KCC:* Mobilisation of one set of larger sized loader and dumper hired for use at Kolihan mine has helped raise production, and based on this experience, actions have been initiated to hire additional two sets of similar sized equipment on wet lease basis to further raise production.
- v. *Water conservation at KCC:* To improve process water availability in this water starved region of Rajasthan, a more effective form of re-cycling at the concentrator plant comprising 'high rate tailing thickener' (HRT) is being installed which will get commissioned by the 2nd quarter of 2008-09. Additionally, a proposal to install 'thickened tailing disposal (TTD) system is being examined. These will help increase retrieval of process water and reduce fresh water requirements. Action has also been taken to replace old bore wells to improve upon fresh water supply.
- vi. *Efficiency of ICC smelter:* Consequent to commissioning of high-tech PLC controlled CJD (central jet distribution) burner and cooling elements, imported from Outotec, Finland, and general plant overhauling, the operational efficiency of the smelter has improved significantly. The system is under stabilization after initial teething problems after which further benefits as envisaged will be realized.

2. FINANCIAL PERFORMANCE

The comparative working results for the year 2008-09 vis-à-vis 2007-08 are as under :

| (Rs in crore) | | |
|-----------------------------|---------|---------|
| Particulars | 2008-09 | 2007-08 |
| Turnover | 1349.10 | 1839.79 |
| Profit/(Loss) before tax | 5.48 | 302.50 |
| Net profit/(Loss) after tax | (10.31) | 246.46 |

Despite macroeconomic parameters turning adverse coupled with steep fall in copper prices as witnessed during the second half of 2008-09, your Company managed to maintain a positive gross margin. London Metal Exchange (LME) price of copper which was ruling at an average of USD 8665 per tonne in April 2008 slipped to its lowest in December 2008 at USD 3072 per tonne; the average price for the year 2008-09 was USD 5864 per tonne compared to previous year (2007-08) average of USD 7584.

To cope with the downtrend :

- (i) Company stopped imports of MIC (that was being done hitherto to make good the shortfall of in-house production) and suspended KCC smelter operations as from December 2008 pending further review; presently only ICC smelter is operational using in-house MIC as raw material.
- (ii) Sale of surplus MIC from in-house production has been added to Company's business portfolio with encouraging results.
- (iii) To sustain capacity utilisation of Company's rod mill at Taloja Copper Project (TCP), in the face of shortfall of in-house cathode availability for feeding the plant as a consequence of factors mentioned at sub para (i) above, procurement/tolling of cathode from outside sources has been stepped up.



3. ENERGY CONSERVATION

Recommendations arising out of energy audits done by the consultant (PCRA) appointed earlier have largely been implemented. Energy audit cells that were set up at each of the units are constantly monitoring energy consumption at the mines, plants and townships to achieve overall reduction. Suitable measures are also being initiated to improve power factor further. Installation of high-tech CJD burner at ICC smelter has significantly reduced energy consumption.

The reduction in specific energy consumption ratios vis-à-vis the previous year is given below.

| | Specific consumption | 2008-09 | 2007-08 |
|----------------------|--------------------------|---------|---------|
| Power (KWH/t) | | | |
| | KCC Concentrator | 20.52 | 21.84 |
| | ICC Smelter | 1154.30 | 1226.33 |
| | ICC Sulphuric Acid Plant | 129.64 | 174.31 |
| Fuel (Lt/t) | | | |
| | ICC Sulphuric Acid Plant | 17.18 | 79.91 |

In financial terms, implementation of various measures resulted in savings of approx Rs 395 lacs during 2008-09.

4. ENVIRONMENT & POLLUTION CONTROL MEASURES

The ambient air quality is regularly monitored at mines, process plants and residential areas at all units as per pollution control board guidelines/standards. Environmental audits have also been carried out at all plants through an independent outside agency. The agency has given recommendations that would assist the Company to further improve the existing environmental management plans. The environment cell of the Company is in the process of implementing those recommendations in phases taking into account the availability of the funds.

The range of air quality around the various mines of the Company given in Annexure-I is well within the standards and limits as prescribed by the pollution control board.

Effluent treatment facilities installed at the units of the Company have been working satisfactorily during the year and meeting regulatory norms as prescribed by the Pollution Control Boards. Discharged process water is being recycled after treatment thus conserving the water. Quality of treated water which is recycled is projected in Annexure-I.

Solid waste from plants and hospitals are also safely disposed off or stored as per the guidelines prescribed by the pollution control boards.

Company promotes several environment friendly activities by planting trees, improving house keeping, cleanliness, hygiene and safety through several programmes round the year. The Company has planted about 657 acres of the land with different types of flora around the mining areas at different units thus maintaining the green environment. Various species are : Acacia nilotice (Babul), Del bergia Sisso (Shisham), Amaltas, Pipal and Bargad.

5. SAFETY

Safety remains a high priority area, and the Company is always aiming to achieve 'zero accident potential'. MCP maintained 'zero accident' status at its mines in the calendar year 2008, like in the previous years.



It achieved the excellent performance award in the area of Mine Safety for 2008 under the aegis of Director General of Mines Safety (DGMS), Western Zone, Nagpur.

At KCC, Kolihaan mine reported eight accidents (including one fatal) while Khetri mine had four accidents during the calendar year 2008.

Special training programmes and regular refresher training programme and on-the-job training are provided to workers. Regular safety campaigns like fire service day and annual mines safety week celebrations are being conducted with active participation of employees, who also participated in All India Mine Rescue Competition and won prizes.

6. RESEARCH & DEVELOPMENT / SCIENCE & TECHNOLOGY / TECHNOLOGY ABSORPTION

Company has collaborated with the Institute of Minerals & Materials Technology (IMMT), Bhubaneswar to develop bio heap leaching technique at MCP. The project has been approved by the department of Science of Technology (S & T) Govt. of India. Upon successful completion of experimental trials, the technique can be commercialised to recover copper from low grade sulphur-bearing ore. The project is progressing as per schedule.

To improve the concentrate grade and recovery at KCC, where the ore has inherent adverse characteristics and mineralogy, bigger capacity floatation cells of 300 cft have been installed in the scavenger and cleaner sections of the concentrator plant with encouraging results.

Accreditation for ICC's R&D laboratory has been obtained from NABL (National Accreditation Board for Testing and Calibration of Laboratories) for analysis of impurities in copper cathode by optical emission spectrometer.

7. IT Initiatives

For bringing about greater dynamism, transparency and business efficiency, Company has initiated several IT initiatives spanning all operational areas. Major initiatives are :

i. ERP implementation

Enterprise Resource Planning (ERP) – ERP solution (Oracle e-biz suite R12) covering all operational areas – manufacturing, maintenance, marketing, finance, materials, HR, projects – has been implemented and the system has gone live from 1st October 2008. Real time and uniform transaction processing and reliable information flow from ERP has enabled faster decision making along with standardization of all processes, procedures and management information system.

ii. e-Procurement

e-Procurement has been initiated for procurement of Stores & Spares items above a threshold value through outside agency.

iii. e-Payments

e-Payment system was introduced wherein payments are made directly to Supplier/Contractor bank accounts after obtaining proper mandate eliminating manual cheque preparation and processing.

iv. Real time LME booking

A web based system was developed and implemented to enable customers to place orders with HCL on-line, based on Real time LME rate. The customers can monitor the order booking status and can view HCL's price circulars.



v. On-line Vendor registration

On-line Vendor registration system was improved in our website. The Vendors can register on-line with HCL giving details of their company particulars, addresses, etc. The vendor data is captured online, validated and stored in the database for further use and monitoring.

vi. On-line Vigilance Complaints registration and monitoring

Web based system was developed and implemented where complaints can be registered through our website. The complaint status can also be captured on-line.

vii. On-line Annual Property return submission

A System was developed for Employees to submit their annual property returns through Employee Self Service login facility in ERP. The data can be accessed through secure login by HR department.

viii. Mine planning software

Datamine & Surpac mine planning software were implemented in Khetri & Malanjkand units respectively. The main features of the software are digitized block modeling and grade estimation, digitized mine planning and drill design, accurate reserve & excavated quantity measuring, geological data immersion.

8. DEVELOPMENT OF SSI AND ANCILLARY UNITS

The Company continued to follow Government guidelines in encouraging procurement of materials from SSI & ancillary units. During the year 2008-09, the Company, among other several items, purchased cast iron grinding media balls worth over Rs 18 crores from SSI consortia units of the National Small Industries Corporation (NSIC) Limited. SSI units, registered with NSIC, are exempted from payment of earnest money deposit (EMD) in full, and from security deposit (SD) to the extent of their monetary limits fixed by NSIC.

9. MANAGEMENT DISCUSSION AND ANALYSIS

9.1 Industry structure and developments

Till 1997, state owned Hindustan Copper Limited (HCL) was the only Company producing primary refined copper in the country meeting 25-30% of country's refined copper requirements, the balance being imported. Presently, four major players with total installed production capacity of about 10 lakh tonnes of refined copper per annum dominate the Indian copper industry. However, HCL continues to be the only vertically integrated primary copper producer having its own captive mines. The captive mines meet about 60% of Company's requirement for copper concentrate, the rest having to be imported. Efforts are underway to increase mine production to become self-sufficient at the earliest. The two private sector companies, viz., M/s Hindalco Industries Ltd. (Unit: Birla Copper) and M/s Sterlite Industries (I) Ltd., with production capacities of 5,00,000 tonnes and 4,00,000 tonnes per annum respectively, have set up shore-based smelters relying fully on imported concentrate as raw material. The fourth player, M/s Jhagadia Copper Ltd. with plant capacity of 50,000 tonnes per annum produces refined copper through the secondary route (i.e. by using copper scrap as raw material). While the two major private Companies have the benefit of large scales of operation along with locational advantages, HCL has a competitive advantage by virtue of its having captive mines in the country.

As a result of significant growth in refined copper production capabilities, India has become a net exporter of refined copper as opposed to its earlier position when bulk of its refined copper requirements had to be met through imports.