

HINDUSTAN ZINC LIMITED



33rd Annual Report 1998-99





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HINDUSTAN ZINC LIMITED

(A Govt. of India Enterprise)

Registered Office : Yashad Bhawan, UDAIPUR-313004

NOTICE

Notice is hereby given that the 33rd Annual General Meeting of the Members of the Company will be held on Thursday, the 30th of September, 1999 at 4.00 P.M. at Yashad Bhawan, Udaipur to transact the following business :

ORDINARY BUSINESS

- [1] To receive, consider, approve and adopt the audited accounts for the year ended as on 31st March, 1999 alongwith Directors' Report, Auditors' Report and C & AG comments.
- [2] To declare the dividend for the year 1998-99.
- [3] To appoint a Director in place of Shri A.H. Jung, Addl. Secretary & Financial Advisor, who retires by rotation, and being eligible has offered himself for re-appointment on the existing terms and conditions approved by the President of India.
- [4] To appoint a Director in place of Shri B.K.P. Sinha, Director (Mining Operations), who retires by rotation, and being eligible has offered himself for re-appointment on the existing terms and conditions approved by the President of India.
- [5] To appoint a Director in place of Shri P.K. Mohanty, Addl. Secretary, who retires by rotation, and being eligible has offered himself for re-appointment on the existing terms and conditions approved by the President of India.

SPECIAL BUSINESS

- (A) Appointment of Shri Rajeev Sharma, Shri A.N. Misra, Dr. Vinayshil Gautam and Dr. S.K. Gupta as Directors on the Board of HZL - To pass the following resolutions as ordinary resolutions with or without modification(s) :-
- [1] RESOLVED that appointment of Shri Rajeev Sharma, Secretary (Mines), Department of Mines, Govt. of Rajasthan as a Director of HZL w.e.f. 1st January, 1999 in terms of Ministry of Steel & Mines, Department of Mines Letter No. 5(1)/97-Met.II dated 1st January, 1999 be and is hereby approved.
 - [2] RESOLVED that appointment of Shri A.N. Misra, retired Chairman, Income Tax & Wealth Tax/ Settlement Commission, as a Director of HZL w.e.f. 21st January, 1999 in terms of Ministry of Steel & Mines, Department of Mines Letter No. 5(1)/97-Met.II dated 21st January, 1999 be and is hereby approved.
 - [3] RESOLVED that appointment of Dr. Vinayshil Gautam, Director, Indian Institute of Management (K), as a Director of HZL w.e.f. 21st January, 1999 in terms of Ministry of Steel & Mines, Department of Mines Letter No. 5(1)/97-Met.II dated 21st January, 1999 be and is hereby approved.
 - [4] RESOLVED that appointment of Dr. S.K. Gupta, retired Chairman-cum-Managing Director, MECON, as a Director of HZL w.e.f. 21st January, 1999 in terms of Ministry of Steel & Mines, Department of Mines Letter No. 5(1)/97-Met.II dated 21st January, 1999 be and is hereby approved.

By Order of the Board

(C. Sankaran)
Company Secretary

Place : Udaipur
Dated : 30th August, 1999



NOTES

- [1] A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and the proxy need not be a member of the Company (A copy of the proxy form is attached).
- [2] The instrument appointing proxy should be deposited at the Registered Office of the Company not less than 48 hours before the time for the commencement of the meeting.
- [3] The Register of members and Share Transfer Books shall be available for inspection by members.
- [4] Members are requested to notify any change in their address at the registered office of the Company immediately.

ANNEXURE TO THE NOTICE

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

APPOINTMENT OF DIRECTORS

The Ministry of Steel & Mines, Department of Mines with the approval of the President of India conveyed the appointment of directors as per details given below :

Name of Director	Date of Appointment	Ministry of Steel & Mines, Department of Mines reference
Shri Rajeev Sharma Secretary (Mines) Govt. of Rajasthan Jaipur	01.01.1999	5(1)/97-Met.II dt. 01.01.1999
Shri A.N. Misra Retired Chairman Income Tax & Wealth Tax Settlement Commission C/o LT COM Ashok Misra H/22, Nofra, Navy Nagar, Colaba, Mumbai	21.01.1999	5(1)/97-Met.II dt. 21.01.1999
Dr. Vinayshil Gautam Director Indian Institute of Management (K) RE CPO, Calicut Calicut-673601 (Kerala)	21.01.1999	5(1)/97-Met.II dt. 21.01.1999
Dr. S.K. Gupta Retired Chairman-cum Managing Director MECON Singapore Gardens P.O. Doddakallasandra South Taluk Kanakpura Road Bangalore	21.01.1999	5(1)/97-Met.II dt. 21.01.1999

Wholly owned Government Companies were exempted from the applicability of provisions of Sections 255, 256 and 257 of the Companies Act, 1956. With the disinvestment of shares in May, 1992 provisions of Section 255, 256 and 257 providing for appointment/ retirement of Directors, have become applicable. The Ministry of Industry, Department of Public Enterprises vide its O.M. No. DPE/12(4)/91-Fin. Dated 7th September, 1992 advised disinvested Public Sector Enterprises to comply with the aforesaid provisions of the Act. Accordingly, the appointment of aforesaid Directors requires approval of share holders at the Annual General Meeting. Hence the proposed resolutions.

None of the Directors except Shri Rajeev Sharma, Shri A.N. Misra, Dr. Vinayshil Gautam and Dr. S.K. Gupta to the extent of their appointment are interested in the proposed resolutions.



BOARD OF DIRECTORS

Shri K.V.K. Seshavataram	:	Chairman-Managing Director
Shri B.K.P. Sinha	:	Director (Mining Operations)
Shri N.S. Ramachandran	:	Director (Finance)
Shri B.N. Mittal	:	Director (Smelting Operations)
Shri A.H. Jung	:	Director
Shri P.K. Mohanty	:	Director
Shri Rajeev Sharma	:	Director (w.e.f. 1st January, 1999)
Shri C.K. Mathew	:	Director (upto 1st January, 1999)
Shri A.N. Misra	:	Director (w.e.f. 21st January, 1999)
Dr. Vinayshil Gautam	:	Director (w.e.f. 21st January, 1999)
Dr. Saibal Kanti Gupta	:	Director (w.e.f. 21st January, 1999)

COMPANY SECRETARY

Shri C. Sankaran

BANKERS

Lead Bank

State Bank of Bikaner & Jaipur

REGISTERED OFFICE

Yashad Bhawan,
Udaipur-313004

CONSORTIUM BANKS

State Bank of India
Bank of Baroda
UCo Bank
Indian Bank
Indian Overseas Bank

AUDITORS

M/s. P.S.D. & Associates,
Chartered Accountants,
J-45, Krishna Marg,
"C" Scheme,
JAIPUR-302 001

M/s. Raj Bordia & Co.,
Chartered Accountants,
123-124, Bapu Bazar,
2nd Floor, Near UCo Bank,
UDAIPUR-313004

M/s. Balaji Associates,
Chartered Accountants,
30-7-15, 1st Floor,
Opp. ITO Complex,
DABA Garden,
VISA KHAPATNAM-530020



SENIOR EXECUTIVES

Shri S.N. Prasad	Executive Director (P&A)
Shri Vakil Singh	Executive Director (Smelter Projects)
Shri M.R. Jakhu	Addl. Executive Director (Projects)
Shri Santosh Kumar	Addl. Executive Director (Marketing)
Shri A.K. Agrawal	Addl. Executive Director (RP&D)
Shri M.R. Chulet	General Manager (I & S)
Shri V.P. Uppal	General Manager (Mining Operations)
Shri J.K. Mahamwal	General Manager (Mine Planning & RPD)
Shri P.L. Porwal	General Manager (Management Accounts)
Shri P.P. Kala	General Manager (Geology)
Shri M.M. Mantri	General Manager (Audit & Accounts)
Shri V. Satyamurthy	General Manager (Corporate Finance)
Shri B.L. Agrawal	General Manager (CRDL)
Shri A.K. Bajpai	General Manager (JGP)
Shri B.K. Terapanthi	General Manager (Pers. & Admn.)
Shri A.B. Srivastava	General Manager (Smelting Operations)
Shri S.V.B. Subbarao	Dy. General Manager (Smelter Projects)
Shri R.L. Tayalia	Dy. General Manager (Management Services)
Shri Y.N. Singh	Dy. General Manager (Pers. & Admn.)
Shri S. Chaudhary	Dy. General Manager (Pers. & Admn.)
Shri P.L. Jain	Dy. General Manager (Engg. Services)
Shri A.K. Sanghi	Dy. General Manager (Mats. & Contracts)
Shri V.R. Pandor	Dy. General Manager (Projects)
Shri V.K. Bordia	Dy. General Manager (Nickel TPP)
Shri N.S. Mehta	Dy. General Manager (M.P.)
Shri V.P. Kohad	Dy. General Manager (O.D.)
Shri M.C. Gupta	Dy. General Manager (Maint.)
Shri R.K. Gaur	Dy. General Manager (O.D.)
Shri S.L. Dharmawat	Dy. General Manager (Safety)
Shri M.M. Patidar	Dy. General Manager (Finance)
Shri A.E. George	Dy. General Manager (Mktg.)

MINING UNITS

Shri S.S. Rathore	General Manager, Zawar Mines, Udaipur
Shri A.K. Sinha	General Manager, Rampura-Agucha Mines
Shri K.S. Chaudhary	General Manager, Rajpura-Dariba Mines
Shri B.L. Jain	Dy. General Manager, Maton Mine
Shri R.K. Chilka	Superintendent of Mines-II, Agnigundala Mine
Shri D.S. Bhandari	Superintendent of Mines-II, Sargipali Mine

SMELTING UNITS

Shri S.R. Swarnkar	General Manager, Zinc Smelter Debari
Shri C.D. Gupta	General Manager, Chanderiya Lead-Zinc Smelter
Shri S.C. Patnaik	Dy. General Manager, Vizag Lead-Zinc Smelter
Shri Hari Kant Sharma	Works Manager-II, Lead Smelter, Tundoo



DIRECTORS' REPORT

Members,

Your Directors take immense pleasure in presenting the **33rd Annual Report** of the Company together with Audited Accounts and Auditors' Report thereon for the financial year ended 31st March, 1999.

OPERATIONS

During the year 1998-99, your company turned out improved operational performance in comparison to the previous year.

(Figures in tonnes)

Product	1998-99	1997-98
Lead-Zinc Ore	26,44,883	24,67,729
Lead-Zinc Concentrate	4,12,617	3,53,025
Zinc	1,41,806	1,36,271
Lead	39,010	35,766
Cadmium	231	236
Silver (In Kg.)	44,079	41,674
Sulphuric Acid	2,70,246	2,40,965

Your Directors are happy to inform that your company achieved ever highest levels of performance since inception in the production of zinc metal, lead metal and lead-zinc concentrates. There was significant improvement in the performance of Chanderiya Smelter by achieving 80% capacity utilisation in zinc metal, compared to 72% capacity utilisation during the last year. Your company continues to accord high priority to Quality. Accreditation of ISO 9002 to Zinc Smelter, Debari during November, 1998, is another milestone in this pursuit. The Rampura-Agucha Lead-Zinc mine is already operating with ISO 9002 since August, 1997.

MARKETING

Due to concerted marketing efforts, zinc metal sale of 135,245 tonnes registered a new peak, showing a significant growth of 17% over the previous year. Due to a largely stagnant market, lead metal sale had, however, declined to 24758 tonnes.

Your company also exported 59,993 tonnes of zinc concentrate, valuing 15.43 million US \$ equivalent to Rs. 65.14 crores.

On the international front, prices of zinc and lead at London Metal Exchange (LME) had fallen during the year 1998-99 mainly due to the Asian financial crisis coupled with the recession in Japan. The average LME price for zinc had declined to US \$ 1007 per tonne during 1998-99 from an average of US \$ 1289 per tonne during 1997-98. Average price for lead also declined to US \$ 521 per tonne from the 1997-98 average price of US \$ 588 per tonne.

International price forecast for base metals during the year 1999 appears to be less buoyant due to continuous recession in Japan and the slow economic recovery in Asia, in particular. This could have an adverse impact on the Indian base metals market, including zinc and lead metals.

FINANCIAL

Your Company accomplished a record sales turnover of Rs. 1309.27 crores, registering an increase of 3.6% over the previous year. Your company achieved a pre-tax net profit of Rs. 151.15 crore during 1998-99. The financial results during the year under report as compared to the preceding year are indicated below :

(Rs. in crore)

Particulars	1998-99	1997-98
Sales turnover	1309.27	1263.20
Gross Profit (PBID)	225.65	285.91
Interest	15.24	26.74
Depreciation/Amortisation	59.26	57.40
Net Profit before tax	151.15	201.77

Fall in zinc metal prices had affected the sales realisation and in turn profitability. It was, however, partly compensated by increase in sales volume and incremental capacity utilisation.

Your Directors are pleased to recommend a dividend of Rs. 19.75

crores inclusive of corporate dividend tax for the financial year 1998-99 against Rs. 16.27 crore for the financial year 1997-98. Your company had provided an amount of Rs. 4 crore towards Bond Redemption Reserve, besides transferring Rs. 53.24 crore to the General Reserve.

The deposits under the Public Deposit Scheme of the company as on 31st March, 1999 stood at Rs. 5.40 crore, compared to Rs. 4.48 crore as on 31st March, 1998.

FOREIGN EXCHANGE OUTGO/ EARNINGS

The foreign exchange outgo on technical know-how, basic engineering raw materials, stores and spares, capital goods, travelling expenses etc. during the year was Rs. 64.31 crore. Your company earned the foreign exchange of 15.43 million US Dollars, equivalent to Rs. 65.14 crore through the export of zinc concentrate.

PROJECTS

(a) Sindesar Khurd Lead-Zinc prospect

The Sindesar Khurd Lead-Zinc prospect in Rajsamand District, Rajasthan is being developed as a replacement mine to Rajpura-Dariba with a capacity to produce 1000 tpd ore, at an estimated cost of Rs. 92 crores.

NIT has been issued for pre-production development and excavation of ventilation raise. The Tenders for the shaft sinking and ramp excavation work had been received and are under evaluation.

(b) Kayar Lead-Zinc prospect

Your company had obtained mining lease for 4.87 sq.km. area for the Kayar Lead-Zinc prospect in Ajmer district, Rajasthan. The scheme has been formulated to undertake detailed exploration involving about 16800m of drilling, metallurgical test work, ground water survey etc. The



resources had since been mobilised to site and drilling was commenced from 17th June, 1999.

(c) New Zinc Smelter

The investment proposal of Rs.1132.34 crore for the new zinc smelter project of 100,000 TPA capacity has been submitted to Govt. of India for PIB and CCEA approval. The draft EIA/EMP study report received from the consultant is under evaluation. The comprehensive EIA/EMP study is in progress at Kapasan site. The project is expected to be completed within 48 months from the zero date of grant of Govt. approval.

(d) Zinc Smelter Expansions

The work orders have been issued for turnkey execution of expansion of Debari and Vizag Smelters by 10,000 TPA each. The EIA/EMP studies are under progress at these smelters. The expansions are expected to be completed by August, 2000.

(e) Nickel Technology Proving Plant

Nickel extraction Technology Proving Plant (TPP) of 10 tpd treatment capacity is being set up at Regional Research Laboratory, Bhubaneswar as a joint R&D project between Hindustan Zinc Limited and Council of Scientific and Industrial Research, Govt. of India. TPP will recover nickel from the low grade lateritic chromite overburden dumps at the Sukinda Valley in Orissa state. Erection work is under progress and the plant is expected to be mechanically completed by August, 1999.

EXPLORATION AND R&D

(a) Grass root exploration

A scheme was drawn for the grass root exploration of lead-zinc and associated minerals in the Ajmer region, Rajasthan. Out of the 2344.37 sq. km. of

Prospecting Licence (PL) area 1835 Sq. km. was considered prospective for airborne survey. Geotrex did airborne over 1458 Sq.km. and Helicopter borne survey is being planned for remaining area. During airborne survey anomalies of varied priorities had been identified and ground geological, geophysical and geochemical survey has been completed over these anomalies. Action was initiated for core drilling in the identified potential areas.

Under HZL-BHPM joint venture, ground follow up of anomalies identified. During the Phase-I Airborne geophysical survey is in progress. Phase-II geotem survey was undertaken for 18337 line km. during February - April, 1999. Data interpretation and ground follow up of Phase-II survey are also in progress.

(b) Jagpura Gold Prospect

In Jagpura Gold Prospect, district Banswara, Rajasthan, detailed exploration by your company is in progress since January, 1995 for gold. The exploration has been completed in the oxidized zone of NE and NW blocks upto 50 mtrs. The evaluation of the exploration data in these zones has indicated, gold in small lenses, besides gold in sulphide resources. Further exploration in the SE and SW works is in progress. In the remaining PL area, geophysical survey is planned during the current year. Metallurgical tests are in progress to optimise gold recovery parameters.

(c) Research & Development

Your company attaches great importance to continuous upgradation of technologies in various areas of activities, viz; to reduce cost of production, improve productivity & product quality and recovery of metal values from wastes and residues etc., through its Research and

Development Centre. Your company also continues to undertake R&D projects in collaboration with other National and Overseas R&D institutes of repute.

Some of the major R&D activities carried out in progress are

(1) simultaneous production of copper sulphate solution and cobalt metal from wastes/residues generated in zinc smelters (2) studies on improvement in cobalt metal recovery by creating additional facilities in the solvent extraction plant under TIFAC scheme (3) amenability studies on gold ore for metal winning, studies on recovery of lead and silver from anode mud, which is a smelter waste etc. (4) One tpd pilot plant facilities are being established for firming up process flow sheet developed for recovering zinc from Rampura -Agucha beneficiation plant tailings employing bio-leaching technique.

Another significant R&D activity of your company in progress is the establishment of pilot plant facilities for developing process flow sheet to recover cobalt, nickel and copper from ocean bed manganese nodules in collaboration with Department of Ocean Development, Govt. of India and Regional Research Laboratory, Bhubaneswar. The pilot plant is expected to be completed by the end of the year 2000.

TECHNOLOGY ABSORPTION

Information in respect of technology absorption under Research and Development as per Section 217(1)(e) of the Companies Act, 1956 duly filled in the prescribed format is annexed.

ENVIRONMENT MANAGEMENT

The various pollution control measures are operating effectively maintaining ambient air quality and effluent discharge at your Company's smelters, mines and townships as per the norms. Your company has



modernised the dedusting system by applying new technologies, in consultation with an International Consultant M/s. ISPL, UK in Sinter Plant of Chanderiya Lead-Zinc Smelter, which resulted in significant reduction of dust emission and improvement in work environment. An Environment Policy has also been formulated by your company during the current financial year.

Under afforestation programme, 40,000 saplings had been planted during the year 1998-99 in its mines, smelters and townships.

ENERGY CONSERVATION

Various energy conservation measures taken up by your company during the reporting year have helped to gain overall saving in energy to the tune of Rs. 557.77 lacs. During the year significant reductions were recorded in the consumption of fuel oil, LPG, Coke etc. in the Company's units. In addition to the above the following measures were being continued with a view to conserve energy in different units of the company.

- Load & Energy Management.
- Measurement & Monitoring the consumption of various forms of energy.
- Energy audit and survey.
- Plugging of losses in energy usage.
- Sizing of equipment.
- Optimisation of system power factor.
- Process improvement/modification.
- Use of energy efficient systems and equipment.

OFFICIAL LANGUAGE POLICY

Various measures had been taken by your company to implement and propagate Official Language Policy of GOI during the year and accomplished 100% compliance of Section 3(3) of the Official Language Act. During the report year, Hindi workshops, competitions, seminars, Kavi Sammelans etc. had been organised in all units of the company including

Head Office for the upgradation of Rajbhasha. Visakhapatnam Lead-Zinc Smelter, located in the non-Hindi speaking area has been awarded the South region first prize by Rajbhasha Vibhag (Ministry of Home Affairs, Govt. of India) for the best performance in the field of Rajbhasha implementation.

HUMAN RESOURCES

Your company continued its efforts not only to meet the compulsion of changing economic scenario, but also to successfully handle the ongoing expansion and growth plans. The Human Resources Development is planned on the aforesaid objective and it continued to impart knowledge, create opportunities to improve skills and develop positive attitude of its employees.

The manpower employed at the end of the report year was 11851 as against 11828 during the last year. Out of the total employees on roll, 1825 belonged to SC, 1524 to ST, 228 to Ex-Servicemen and 70 to handicapped categories.

STATUS ON Y2K PREPAREDNESS LEVEL

Your company has pro-actively addressed the Y2K issue, with in-house expertise and external assistance wherever required. The company has accordingly formulated a Y2K compliance plan. As per the plan the company should be Y2K compliant in all fronts before the end of third quarter, 1999. The process of replacing the hardware, conversion of commercial applications and upgradation of process control systems are already in place. The company has taken all required steps to be fully Y2K compliant by the end of third quarter of 1999.

A provision of Rs. 5 crore is earmarked for Y2K compliance activities.

The company has expertise to handle any emergency arising out of Y2K with regard to commercial application software. In case of technical application software and embedded systems it is planned to retain OEMs as consultants and handle emergency situations. This takes of any probable contingency.

INDUSTRIAL RELATIONS

The industrial relations in your company had been peaceful and cordial during the period under report.

SOCIAL OBLIGATIONS

Your company has been playing an important role in undertaking various social welfare activities through a number of schemes. Contribution of Rs. 6.5 crores to Rajasthan Govt. towards construction and establishment of a Cardiology Centre/Block in Maharana Bhupal Govt. Hospital, Udaipur during the year 1998-99 was most significant as the above would cater to the needs of more than five million people residing in the tribal belt of Southern Rajasthan, apart from large number of people from neighbouring areas of Madhya Pradesh and Gujarat.

VIGILANCE

The company continued its Vigilance activities through strategies such as encompassing surveillance on corruption prone areas, adopting preventive methods by streamlining rules and procedures and taking deterrent action wherever necessary. The time-bound measures were taken by the company to curb irregularities/malpractices through co-directed and well directed efforts.

PARTICULARS OF EMPLOYEES

The information in accordance with the provisions of Section 217(2-A) of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules, 1975, as amended from time to time, is NIL for the report year.

AUDITORS

Pursuant to Section 619(2) of the Companies Act, 1956 the Government of India appointed M/s. P.S.D. & Associates, Chartered Accountants, Jaipur as Statutory Auditors, M/s. Raj Bordia & Co., Chartered Accountants, Udaipur and M/s. Balaji Associates, Chartered Accountants, Visakhapatnam as Branch Auditors to audit your company's accounts for the financial year 1998-99.



Management's views on the comments of the Auditors contained in their report are enclosed.

REVIEW OF ACCOUNTS

Review of accounts of your company by the Comptroller & Auditor General of India is annexed.

DIRECTORS

After the conclusion of the last Annual General Meeting, the following changes occurred in the Board of Directors:

- (1) Shri Rajeev Sharma, Secretary (Mines), Govt. of Rajasthan has been appointed as Director w.e.f. 1st January, 1999 in place of Shri C.K. Mathew.

- (2) Shri A.N. Misra has been appointed as non-official part-time Director on the Board of company w.e.f. 21st January, 1999.

- (3) Dr. Vinayshil Gautam has been appointed as non-official part-time Director on the Board of company w.e.f. 21st January, 1999.

- (4) Dr. Saibal Kanti Gupta has been appointed as non-official part-time Director on the Board of company w.e.f. 21st January, 1999.

ACKNOWLEDGEMENT

The Board of Directors place on record their sincere appreciation of the support and co-operation extended by the employees at all levels in

improving the performance of your Company and various employees' unions for help and cooperation. Your Directors also thank the Ministry of Steel & Mines, Department of Mines and other agencies of Govt. of India, State Governments of Rajasthan, Andhra Pradesh, Bihar, Orissa, Bankers, State Electricity Boards, Auditors and suppliers for their continued support, help and guidance. The Directors also specially acknowledge the continued patronage and support given by the valued and esteemed customers which has spurred the company to serve them better in future.

For and on behalf of the Board

(K.V.K. Seshavataram)

Chairman - Managing Director

Place : Udaipur
Date : 30th July, 1999

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