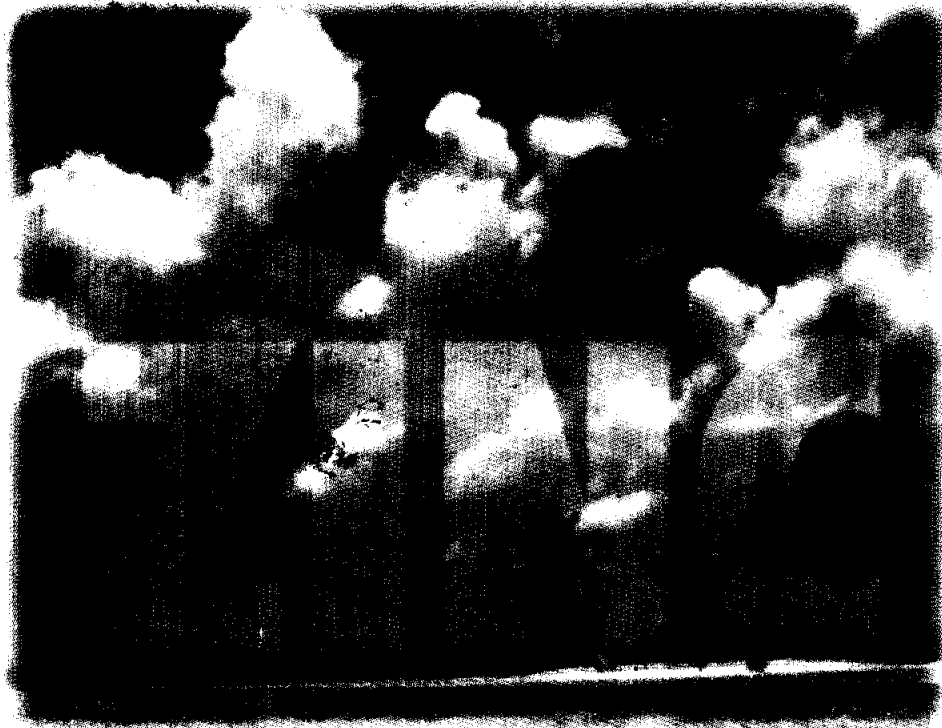


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HINDUSTAN ZINC LIMITED



CONTENTS

Notice	3
Board of Directors	5
Directors' Report	6
Corporate Governance Report	15
Auditors' Report	24
Comments of C & AG under Section 619(4) of the Companies Act, 1956	27
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Cash Flow Statement	53



HINDUSTAN ZINC LIMITED

Registered Office : Yashad Bhawan, Udaipur – 313004

NOTICE

Notice is hereby given that the 36th Annual General Meeting of the Members of the Company will be held on Saturday, the 7th September, 2002 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 on 31st March, 2002 alongwith Directors' Report, Auditors' Report and C&AG comments.
2. To approve dividend for the year 2001-2002.
3. To appoint a Director in place of Shri S.P.Gupta 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 Dr.Sutanu Behuria 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 consider and if thought fit to pass the following resolution as Special Resolution with or without modification(s):
 "RESOLVED that M/s.Deloitte Haskins & Sells, Chartered Accountants be and are hereby appointed as Auditors of the Company for the period from the conclusion of 36th Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board as per the provisions of Section 224 and other applicable provisions of the Companies Act, 1956".

By order of the Board

(K.K.Kaura)

Managing Director

Place : Udaipur

Date : 12th August 2002





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 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.
5. The Register of Members and Share Transfer Books of the Company will remain closed between 22.8.2002 to 31.8.2002 (both days inclusive).
6. Those members attending the Annual General Meeting are requested to bring their Annual Reports, as copies of the Annual Report will not be distributed at the venue.
7. Shareholders who are yet to encash their Dividend Warrants for the year 2000-01 are requested to submit the warrants for revalidation.

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BOARD OF DIRECTORS

Dr.	A.K. Kundra	:	Chairman
Shri	S.P. Gupta	:	Director
Dr.	Sutanu Behuria	:	Director
Shri	A.C. Wadhawan	:	Director
Shri	Nand Kishore Shukla	:	Director
Shri	Anil Agarwal	:	Director
Shri	Navin Agarwal	:	Director
Shri	Tarun Jain	:	Director
Shri	C.V. Krishnan	:	Director
Shri	C.A. Sundaram	:	Director
Shri	K.K. Kaura	:	Managing Director

Company Secretary & General Manager Bankers

Shri C. Sankaran	State Bank of Bikaner & Jaipur
	State Bank of India
	Bank of Baroda
Registered Office	UCo Bank
Yashad Bhawan,	Indian Bank
Udaipur - 313004	Indian Overseas Bank

AUDITORS

M/s. Parakh & Company (Statutory Auditors)

Chartered Accountants,
J-45, Krishna Marg, "C" Scheme,
Jaipur - 302 001

M/s. Ghiya & Company (Branch Auditors)

Chartered Accountants,
Bhukmaria Bhawan, GR Ka Rasta,
Chandpole Bazar, Jaipur - 302 001

M/s. Brahmayya & Company (Branch Auditors)

Chartered Accountants,
10-50-24, Siripuram,
Visakhapatnam - 530 003



DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting the 36th Annual Report together with the statement of Audited Accounts for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

(Rs. in Million)

Year ended 31 st March	2001-02	00-01
Income from operations	14705	15739
Profit before interest, depreciation and tax	1881	3424
Less: Interest	174	25
Gross Profit	1707	3399
Less: Depreciation	666	577
Taxation	361	1130
Profit for the year	680	1692
Add: Balance brought forward from previous year	111	101
Amount available for appropriation	791	1793
Appropriation:		
General Reserve	-	1100
Proposed dividend on equity shares	211	528
Balance carried forward to next year	580	111

TURNOVER AND PROFIT

During the year under review, your company achieved a turnover of Rs.14705 million as compared to Rs.15739 million during the last year. The company achieved gross profit of Rs.1707 million and net profit after tax of Rs.680 million for the year as against Rs.3399 million and Rs.1692 million respectively in the previous year.

Although production and sale

volumes of zinc, the main product, were higher by 19% and 17% respectively over the previous year, profit for the year was substantially lower than that in the previous year. This has been mainly on account of low realization of zinc sales consequent to sharp decline in zinc prices on the LME.

DIVIDEND

The Board of Directors is pleased to recommend a dividend of 5% on the paid up equity share capital of the company. The amount of equity dividend outgo will be Rs.211 million as against Rs.528 million for the previous year.

DISINVESTMENT

In pursuance of its policy of privatization of PSUs, the Government of India approved disinvestment of its stake to the extent of 26% of the paid up Equity Share Capital of the company including management control in favour of a Strategic Partner, i.e. Sterlite Opportunities and Ventures Limited on 28th March 2002. The Share Purchase and Shareholders' Agreements between Government of India and the Strategic Partner were entered into on 4th April 2002. A meeting of the Board of Directors of Hindustan Zinc Limited was convened on 11th April 2002 for reconstitution of the Board as per Share Purchase Agreement. Subsequently, on 10th May 2002, an Extraordinary General Meeting was convened pursuant to the terms of Share Purchase and Shareholders' Agreements to obtain the consent of the shareholders to alter the various Articles of Association of the company to empower the Strategic Partner to exercise management control. At the said Extraordinary General Meeting the Shareholders accorded their approval to alter various Articles of Association of the

company and to confirm the appointment of Directors in terms of Share Purchase and Shareholders' Agreements. The stake of Government in the company has come down to 49.92% from 75.92%.

OPERATIONS OVERVIEW

Your company continued to maintain its leadership position in the zinc industry in India with record sale of 168,652 tonnes of zinc metal. In addition 34,962 tonnes lead metal sale was achieved.

Your company also exported 21,317 tonnes zinc concentrate and 30,225 tonnes lead concentrate during the year, earning foreign exchange of about Rs.510 million.

Due to de-bottlenecking and stabilization of expanded zinc production capacity at Vizag Smelter alongwith implementation of performance improvement measures at all units, the year witnessed zinc metal output of 176,395 tonnes recording a new peak, with a growth of 19% over the preceding year. Lead metal production during the year of 37,860 tonnes was 9% higher over the preceding year. Another highlight of the year was the highest ever lead-zinc concentrate production of 450,438 tonnes, an increase of 7% over the last year.

PROJECT OVERVIEW

Nickel Technology Proving Plant (NITPP)

The Nickel Technology Proving Plant built in the premises of Regional Research Laboratory, Bhubaneswar for recovery of nickel - a strategic metal - from low grade Lateritic Chromite overburden of Sukinda Valley in Orissa was successfully operated in campaigns to generate operational



parameters for proving technology process. The results so obtained were converted into a technology know-how package.

The company has thus developed the project from Basic engineering stage to final know-how package for Nickel extraction.

In the Governing Council Meeting chaired by the Secretary, Ministry of Mines, held on 4th October 2001 a decision was taken to assign Hindustan Zinc Limited's rights to NALCO keeping in view the disinvestment of Hindustan Zinc Limited. Accordingly action for transfer of Nickel TPP to NALCO/CSIR is being taken.

POLYMETALLIC NODULES PILOT PLANT

The Company has been participating in a programme sponsored by the Department of Ocean Development, Government of India for exploitation of seabed mineral resources to develop processes for manufacture of strategic metals.

Processes have been developed by participating laboratories for recovery of metals from Polymetallic Nodules of Indian Ocean containing copper, nickel, cobalt and manganese. A Pilot Plant has been set up at Central Research & Development Laboratory of your Company to evaluate processes developed in laboratory scale. The Pilot Plant was commissioned in April 2002 and test campaigns are being carried out by the company with the participation of Regional Research Laboratory (Bhubaneswar),

Engineers India Limited and Department of Ocean Development. The plant will try out various process options like ammonical leaching and acid leaching to establish the optimum route. The Pilot Plant will also establish the technology package for a large commercial plant in future. The project is expected to take about 2 years.

FINANCE

During the year, your company resorted to short-term borrowings of Rs. 1100 million for payment to employees under VRS scheme. The short-term borrowing, including interest was repaid before March 2002.

FUTURE OUTLOOK

With the reviving of economic activity world over, a global rise in Zinc metal demand is expected at 3-4% per annum during the next two to three years. Improvement in economic climate and expansion in infrastructure sector with increased Government spending and growth in exports of galvanized products like GP sheets are all expected to increase Zinc consumption in the country by about 6-6.5% per annum during the IX and X Plan periods.

The above growth trend in Zinc consumption would provide enormous opportunities for your Company for faster growth in the years to come.

The storage batteries continue to be a dominant market segment for Lead in the world as well as in India. With the expected increasing trend in the inverters and automobile sectors, Lead consumption in the country is expected to grow by about 7% per annum during the IX and X Plan periods.

Your Company is also contemplating to increase production capacity in phases to meet the growing demand

of Zinc and Lead in India and also to enter the overseas market in near future.

DEPOSITORY SYSTEM

During the year, about 49.56% of the shares of your company were dematerialized. The Securities and Exchange Board of India (SEBI) has made trading in the company's shares in dematerialized form mandatory.

DIRECTORS

After the conclusion of last Annual General Meeting to this report, the following changes have occurred on the Board of Directors of HZL:

1. Shri K.V.K. Seshavataram, Chairman-Managing Director retired on attaining superannuation w.e.f. 31st July, 2001.
2. Shri N.S. Ramachandran, Director (Finance) resigned on personal grounds w.e.f. 30th September, 2001.
3. Shri A.N. Misra, ceased to be Director w.e.f. 21st January, 2002.
4. Shri B.K.P. Sinha, Director (Mining Operations) retired on attaining superannuation w.e.f. 28th February, 2002.

Consequent to disinvestment of Hindustan Zinc Limited, and in terms of Share Purchase/ Shareholders' Agreements the following Directors nominated/appointed by Govt. of India tendered their resignations at the 258th Board Meeting held on 11th April, 2002.

1. Dr. Saibal Kanti Gupta, Director.
2. Dr. Vinayshil Gautam, Director.
3. Shri B.N. Mittal, Chairman-Managing Director.



The composition of the re-constituted Board effective from 11th April 2002 is as follows:

1. Dr. A.K. Kundra, Chairman
(Nominated by GOI)
2. Shri K.K. Kaura, Managing Director
(Nominated by Strategic Partner)

DIRECTORS (GOVERNMENT NOMINEES)

1. Shri S.P. Gupta
2. Dr. Sutanu Behuria
3. Shri A.C. Wadhawan
4. Shri N.K. Shukla

DIRECTORS (STRATEGIC PARTNER NOMINEES)

1. Shri Anil Agarwal
2. Shri Navin Agarwal
3. Shri Tarun Jain
4. Shri C.V. Krishnan
5. Shri C.A. Sundaram

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges, Management Discussion & Analysis, Corporate Governance and Auditors' Certificate regarding compliance of Corporate Governance Guidelines are made part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 of the Companies Act, 1956, the Directors hereby confirm that:

- (i) in the preparation of the Annual Accounts, applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for detecting and preventing fraud and other irregularities;
- (iv) The Directors had prepared the Annual Accounts on a "going concern" basis.

AUDITORS

Pursuant to Section 619(2) of the Companies Act, 1956 the Comptroller & Auditor General appointed M/s. Parakh & Company, Chartered Accountants, Jaipur as Statutory Auditors, M/s. Ghiya & Co., Chartered Accountants, Jaipur and M/s. Brahmayya & Co., Chartered Accountants, Visakhapatnam as Branch Auditors to audit your

company's accounts for the financial year 2001-02.

PARTICULARS OF TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1) of the Companies Act, 1956 and rules made therein, the particulars of technology absorption and foreign exchange earnings and outgo are given in Annexure-I, which is attached hereto and forms part of the Directors' Report.


PARTICULARS OF EMPLOYEES

As required by the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, the information on particulars of the employees is "Nil" for the year.

ACKNOWLEDGEMENTS

The Board of Directors place on record their sincere appreciation of the support and co-operation extended by the employees at all levels and also various employees' unions towards the success of the company. Directors are also thankful to the Central Government and State Governments of Rajasthan, Andhra Pradesh, Jharkhand, Orissa and Bankers, Auditors, and suppliers for their cooperation. The Directors would also like to acknowledge the continued patronage and support by the valued and esteemed customers and support of the company's shareholders.

For and on behalf of the Board of Directors


(A.K. Kundra)
Chairman

Place : Mumbai
Date : June 21, 2002



ANNEXURE 1

Particulars of technology absorption and foreign exchange earnings and outgo as per Section 217(1) of the Companies Act, 1956 and the rules made therein and forming part of the Directors' Report for the year ended 31st March, 2002.

A) CONSERVATION OF ENERGY

Energy conservation continues to be a key focus area in the Company and various energy conservation steps were taken during the year in various operating units. Following measures are being continued towards energy conservation resulting in saving in electrical and thermal energy:

1. Use of PTFE insulators in the cell house to reduce specific power consumption in zinc electrolysis operation;
2. Improvement in process parameters and conditions, continuous automatic blow down system for waste heat boiler drum;
3. Implementation of condensate water recycling system to auxiliary boiler and installation of HDPE lines to cells in cell house in place of lead lining;
4. Arresting compressed air leakage in underground mines reducing power consumption;
5. Improvement of power factor by installing capacitor bank and optimization of contract demand, through load and energy management;
6. Installation of variable speed drives in different fans and optimizing of motor sizing of equipment like cooling tower, pump house and ventilation fans;
7. Use of high velocity impulse burner in zinc refining column have given saving in LPG consumption.

B) TECHNOLOGY ABSORPTION

a) Specific areas in which R & D is carried out by company

1. Laboratory and pilot plant testing for developing beneficiation schemes for new lead-zinc deposits/ areas;
2. Beneficiation and leaching tests for recovery of gold from Jagpura Gold Prospect;
3. Utilisation of residues:
 - (a) Recovery of copper from copper cement, being produced at Zinc Smelters as copper sulphate solution;
 - (b) Utilisation of old stockpiled lead-silver residue by chloride leaching or conversion to carbonate;
 - (c) Utilisation of old stockpiled anode mud.
4. Development of technology for recovery of metals from poly-metallic nodule of Indian Ocean.

b) Benefits derived as a result of the above R&D

1. Development of beneficiation flow sheet, which can be implemented for exploitation of Sindesar Khurd deposit;
2. Generation of basic process data for determining viability of Jagpura and other similar gold prospects;
3. Dissolution of copper cement stocks and utilisation of copper sulphate to company's beneficiation plants at much reduced cost;
4. Establishing new resource base for copper-nickel and cobalt in future.

c) Future Plan on R&D

1. Beneficiation tests on Rampura Agucha Lead-Zinc Mine footwall zone ore;
2. Evaluation of various options for utilization of large moore cake (leached residue) at Zinc Smelters;
3. Recovery of zinc from ISF slag;



4. Developing an integrated approach for utilization of different residues;
5. Evaluation of various processes for developing technology for metal recovery from poly-metallic nodule of Indian Ocean;
6. Laboratory scale tests for bio-leaching of low grade zinc ores.

C) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

i) Efforts in brief, made towards technology absorption, adaptation and innovation;

The technologies developed are fully absorbed resulting in utilization of residues and efficiency improvements so as to bring down cost on a continuous basis.

ii) Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development;

Reduced losses, improved overall process efficiency and better waste management.

iii) Information regarding technology imported during last 5 years;

No technology was imported during the last five years.

iv) Foreign exchange earnings and outgo;

During the year, the company exported zinc and lead concentrates. The total foreign exchange earnings for the year was Rs.510 million and outflow was Rs. 154 million.

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	Year ended 31/3/2002	Year ended 31/3/2001
A) Electricity, Power Generation & Fuel consumption			
Purchase Units	kwh	651780636	592464642
Total Amount	Rs. Lac	24478.30	24364.87
Rate/Unit	Rs./kwh	3.76	4.11
Own Generation Units	kwh	28039757	55951715
Unit per unit of fuel	kwh/Ltr	3.33	3.70
Cost/Unit	Rs/kwh	8.48	6.86
Diesel Oil (HSD)			
Quantity	Ltrs.	8408719	15136609
Total Amount	Rs. Lac	1319.84	2196.25
Average cost per Ltr.	Rs./Ltr	15.70	14.51
B) Fuel for Metal Production :			
L.P.G./Propane			
Quantity	Kg	5636981	45640
Total Amount	Rs. Lac	1026.49	940.18
Average cost per Kg.	Rs./Kg	18.21	20.60
L.D.O./LSHS			
Quantity	Ltrs.	15782022	17880262
Total Amount	Rs. Lac	2074.58	2271.28
Average cost per Ltr.	Rs./Ltr	13.15	12.70
Coke			
Quantity	MT	93136	77636.52
Total Amount	Rs. Lac	6819.65	5355.92
Average cost per MT	Rs./ MT	7322.25	6898.71