



ANNUAL REPORT
2002-2003



HINDUSTAN ZINC LIMITED



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HINDUSTAN ZINC LIMITED

Registered Office : Yashad Bhawan, Udaipur-313004

NOTICE

Notice is hereby given that the 37th Annual General Meeting of the Members of the Company will be held on Friday, the 5th September 2003 at 4.00 PM 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, 2003 along with Directors' Report and Auditors' Report thereon.
2. To approve dividend for the year 2002-2003.
3. To appoint a Director in place of Shri Tarun Jain who retires by rotation and being eligible has offered himself for reappointment as per Article 129 of the Articles of Association of the Company.
4. To appoint a Director in place of Shri C.V. Krishnan who retires by rotation and being eligible has offered himself for reappointment as per Article 129 of the Articles of Association of the Company.
5. To appoint a Director in place of Shri C.A. Sundaram who retires by rotation and being eligible has offered himself for reappointment as per Article 129 of the Articles of Association of the Company.
6. To appoint **M/s. Deloitte Haskins & Sells** as Statutory Auditors of the company in place of the retiring Auditors viz. M/s. Parakh & Co. and 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** be and are hereby appointed as Statutory Auditors of the Company for the period from the conclusion of 37th Annual General Meeting to the conclusion of the next Annual General Meeting at 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 : 7th August, 2003



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 30.8.2003 to 4.9.2003 (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 2001-02 are requested to submit the warrants for revalidation.
8. Retiring Auditors' letter dated 21.6.2003 expressing their inability for consideration of their name for appointment as Statutory Auditors is available for inspection at the registered office of the company.

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BOARD OF DIRECTORS

Shri C.D. Arha	:	Chairman
Shri Prashant Mehta	:	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

Shri C. Sankaran

Registered Office

Yashad Bhawan,
Udaipur - 313004

Bankers

State Bank of Bikaner & Jaipur
State Bank of India
IDBI Bank Ltd.
ICICI Bank Ltd.

AUDITORS :

M/s. Parakh & Company (Statutory Auditors)

Chartered Accountants,
J-45, Krishna Marg, "C" Scheme,
Jaipur - 302001

M/s. Ghiya & Company (Branch Auditors)

Chartered Accountants,
Bhukmaria Bhawan, GR Ka Rasta,
Chandpole Bazar, Jaipur - 302001

M/s. Brahmayya & Company (Branch Auditors)

Chartered Accountants,
10-50-24, Siripuram Junction,
Visakhapatnam - 530003



DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting the 37th Annual Report together with the statement of Audited Accounts for the financial year ended 31st March, 2003.

FINANCIAL RESULTS

(Rs. Million)

Year ended 31 st March	2003	2002
Income from operations	16,494.92	14,184.07
Profit before interest, depreciation and tax	3,004.26	1,881.01
Less: Interest	2.98	174.23
Gross Profit	3,001.28	1,706.78
Less: Depreciation	707.63	665.69
Taxation	872.12	361.47
Profit for the year	1,421.53	679.62
Add: Balance brought forward from previous year	579.48	111.13
Amount available for appropriation	2,001.01	790.75
Appropriation:		
General Reserve	1,000.00	-
Proposed dividend on equity shares *	381.34	211.27
Balance carried forward to next year	619.67	579.48

* including corporate tax on dividend

FINANCIAL REVIEW

During the year under review, your Company achieved a gross turnover of Rs. 16,494.92 million as compared to Rs. 14,184.07 million during the last year. The Company achieved gross profit of Rs. 3,001.28 million and net profit

after tax of Rs. 1,421.53 million for the year as against Rs. 1,706.78 million and Rs. 679.62 million respectively in the previous year.

Zinc prices continued to decline during the year and for the year the average zinc LME price was US\$ 777 PMT as against US\$ 830 PMT during the year 2001-02. In spite of this adverse circumstance, the profitability of your Company improved mainly on account of higher production, higher sales and cost reduction achieved in the operational and other areas.

DIVIDEND

The Board of Directors is pleased to recommend a dividend of 8% on the paid up equity share capital of the company. The amount of equity dividend outgo will be Rs. 381.34 million as against Rs. 211.27 million for the previous year.

SHARES OF THE COMPANY

Your Company's Strategic Partner namely Sterlite Opportunities and Ventures Limited (SOVL) made an open offer for acquisition of shares of your Company consequent to the disinvestment of Government of India's stake (26%) including management control to SOVL and pursuant to the regulations of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997 acquired

additional 20% shares of your Company from the public during the year. With the aforesaid additional acquisition, the stake of SOVL has increased to 46% from 26%.

During the year under report, the Government of India (GoI) also made an offer for sale of shares to the employees of your Company pursuant to the provisions of Shareholders' Agreement entered into between the GoI and SOVL up to 5% of the equity capital of the Company and in response, employees accepted the offer to the extent of 1.46% of the equity capital of the company. Consequent to the above offer, the GoI's shareholding has declined from 49.92% to 48.46%.

OPERATIONS OVERVIEW

Your Company continued to maintain its leadership position in the domestic zinc industry with a record sale of 204914 tonnes of metal, which is about 2/3rd the domestic requirement. Your Company also exported 117,199 tonnes of zinc concentrate and 14,623 tonnes of lead concentrate during the year thereby earning foreign exchange of about Rs. 1622 million.

The production of zinc metal and zinc concentrate during the year improved by about 17% and 22% respectively. The mines and



smelters showed significantly higher production levels due to de-bottlenecking of operations, improvements in recovery efficiencies and other operational parameters.

Your Company placed special focus on power which is a major cost element and apart from taking various measures to conserve energy, efforts were initiated to generate cheaper power by running the available diesel generator sets. In addition, a new 29 MW diesel generating station was commissioned at Debari zinc smelter in April, 2003 in a record time of around 7 months. This will reduce the cost of energy and consequently, cost of production of the Debari smelter.

The commercial and procurement processes were reviewed and streamlined with a view to reduce lead time for procurement of goods and services and to reduce inventories. In these processes, the Company has engaged international consultants to accelerate implementation.

To bridge the demand and supply gap in India your Company requested the Government for a special permission for tolling of zinc and lead concentrates so as to increase the local supply till the additional expansion capacities planned by the Company become operational. Tolling has commenced with the first batch arriving in April-2003.

PROJECT OVERVIEW

Mansi Wakal Project

The Rs. 600 million Mansi Wakal Stage-I Project has been jointly funded by Government of Rajasthan and the Company in a 70:30 ratio. The construction of dam has started and is expected to be completed by June 2004. Rs. 169.5 million has been spent up to March 2003 and about 40% work of dam has been completed. The redesigning work relating to water conveyance system is in progress.

Nickel Technology Proving Plant (NTPP)

The Company has 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 transfer of Nickel TPP to NALCO/CSIR has been effected.

Polymetallic Nodules Pilot Plant

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

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 Ltd. 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 now expected to take about one year for completion.

FUTURE OUTLOOK

With the reviving of economic activity the 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 environment and expansion in infrastructure sector and increased Government spending are expected to increase Zinc consumption in the country by about 7% per annum during the IX and X plan periods. Further, export demand for galvanised products like GP sheets is likely to increase with revival in the global automobile industry.

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 overseas market in near future.

In addition, Company has undertaken market development efforts by introducing applications of zinc mainly in the construction sector like galvanized rebars, safety guards on the highways and cast alloys. It is expected that the zinc demand in India will increase from the present level of 330,000 MT to around 465,000 MT by year 2007-08.

In line with our vision to become global world-class player in the zinc industry, your Company's Board of Directors has approved a brown-field expansion plan at Chanderiya by installing 170,000 MT zinc smelter with matching mining capacities and a captive power plant of 150 MW. Implementation of the project has commenced and is scheduled for completion in early 2005.

DEPOSITORY SYSTEM

During the year, about 49.75% of the shares of your Company were dematerialised. The Securities and Exchange Board of India (SEBI) has made trading in the

Company's shares in dematerialised form mandatory.

DIRECTORS

After the conclusion of last Annual General Meeting to this report, the following change has occurred in the Board of Directors of your company:

Dr. A.K. Kundra ceased to be a Director w.e.f. 30th April, 2003 and in place of him Shri C.D. Arha, Secretary (Mines), Government of India, Ministry of Mines has been nominated as Director and Chairman on the Board of your Company by the Government.

The Board of Directors places on record its appreciation for the valuable guidance and services rendered by Dr. A.K. Kundra during his tenure.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges, Management Discussion and 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 Annual Accounts, applicable accounting standards had

been followed along with 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.

GROUP

The Company is controlled by the Agarwal Group being a Group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. A list of these entities is given below:

Group entities and persons in control or exercising joint control over the Company:

- 1 Volcan Investments Limited, Bahamas



2. Twinstar Holdings Limited, Mauritius
3. Vedanta Resources Limited, United Kingdom
4. Vedanta Resources Holdings Limited, United Kingdom
5. Mr. Dwarkaprasad Agarwal
6. Mr. Agnivesh Agarwal

AUDITORS

As the Auditors appointed at 36th AGM namely M/s Deloitte Haskins & Sells did not accept the appointment, Regional Director (North Region), Department of Company Affairs, Kanpur 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 2002-03 pursuant to Section 224(3) of the Companies Act, 1956.

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, 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 co-operation. 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

(C.D. Arha)
Chairman

Place : New Delhi
Date : 30th June, 2003



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, 2003.

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. Recovery of metals from polymetallic nodules (PMN) of Indian ocean.
2. Recovery of metals from stockpiled Moore Cake at DZS/CLZS.
3. Evaluation of reagents such as Nigrosine and Frothers.

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

1. The original process flow sheet was improved without loss in recovery efficiencies for copper, nickel and cobalt in the PMN Plant.
2. Increase in recovery of metals from residue.
3. Improvement in quality of concentrates.

c) Future Plan on R&D

1. Modifications in process flow sheets to improve throughput and efficiencies.
2. Testing of new reagents in beneficiation plant to improve metal recoveries and reduce impurities.