



REPORT  JUNCTION.COM

38th ANNUAL REPORT 2003-04



HINDUSTAN ZINC LIMITED



Report  junction.com

CONTENTS

| | |
|-----------------------------|----|
| Financial Highlights | 2 |
| Notice | 3 |
| Board of Directors | 9 |
| Directors' Report | 10 |
| Corporate Governance Report | 22 |
| Auditors' Report | 35 |
| Balance Sheet | 40 |
| Profit & Loss Account | 41 |
| Cash Flow Statement | 42 |
| Schedules | 43 |



FINANCIAL HIGHLIGHTS - LAST FIVE YEARS

(Rs. in Million)

| Particulars | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|---------|---------|---------|---------|---------|
| Turnover | 12,547 | 12,986 | 12,050 | 14,113 | 18,415 |
| Earning before interest, tax , depreciation and amortisation (EBITDA) | 2,611 | 3,437 | 1,962 | 3,304 | 6,608 |
| Tax | 918 | 1,130 | 361 | 872 | 1,801 |
| Profit after tax (PAT) | 904 | 1,692 | 680 | 1,422 | 4,046 |
| Gross Block | 13,717 | 15,277 | 15,348 | 16,028 | 18,516 |
| Net Block | 6,482 | 7,473 | 6,922 | 6,601 | 8,919 |
| Share Capital | 4,225 | 4,225 | 4,225 | 4,225 | 4,225 |
| Reserves & Surplus | 6,218 | 7,378 | 6,447 | 7,472 | 10,843 |
| Net Worth | 10,443 | 11,603 | 9,509 | 9,588 | 15,069 |
| Total Debt | 150 | 57 | 38 | 7 | 6,078 |
| Capital Employed | 10,593 | 11,659 | 9,546 | 9,595 | 20,602 |
| Return on capital employed (%) | 18.18 | 24.42 | 12.73 | 23.94 | 28.42 |
| Earning per Share (Rs.) | 2.14 | 4.00 | 1.61 | 3.36 | 9.58 |
| Dividend per Share (Rs.) | 0.55 | 1.25 | 0.50 | 0.80 | 1.40 |
| Book Value per Share (Rs.) | 24.72 | 27.46 | 22.50 | 22.69 | 35.66 |



HINDUSTAN ZINC LIMITED

Registered Office: Yashad Bhawan, Udaipur-313004

NOTICE

Notice is hereby given that the 38th Annual General Meeting of the Members of the Company will be held on Thursday, the 30th September, 2004 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, 2004 along with Directors' Report and Auditors' Report thereon.
2. To approve dividend for the year 2003-2004.
3. To appoint a Director in place of Shri A.C. Wadhawan who retires by rotation and being eligible has offered himself for re-appointment as per Article 129 of the Articles of Association of the Company.
4. To appoint a Director in place of Shri N.K. Shukla who retires by rotation and being eligible has offered himself for re-appointment as per Article 129 of the Articles of Association of the Company.
5. To appoint a Director in place of Shri Anil Agarwal who retires by rotation and being eligible has offered himself for re-appointment as per Article 129 of the Articles of Association of the Company.
6. To re-appoint the retiring Auditors M/s Deloitte Haskins & Sells as Statutory Auditors of the company 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 re-appointed as Statutory Auditors of the Company for the period from the conclusion of 38th 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".

SPECIAL BUSINESS

1. To consider and accord approval to the Company for giving authorization under Section 293(1)(a) of the Companies Act, 1956 in respect of Security created in favour of UTI Bank Ltd., acting as Security Trustee for the Lenders of ECB loan of US \$ 125 million and to pass the following Ordinary Resolution with or without modification(s):

"RESOLVED THAT the shareholders do hereby accord their consent under Section 293 (1)(a) and other applicable provisions of the Companies Act, 1956 for the Company/ Board of Directors to transfer and/or assign and/or to sell/lease or otherwise dispose off in such form and manner and such time and on such terms as may be necessary, all or any of the movable and/or immovable properties and/or contracts both present and future and/or the whole or substantially the whole of the undertaking or undertakings of the Company together with power to enter upon and take possession of the assets of the Company in certain events (voluntary or otherwise) to secure loans (including in



foreign currency) and/or advances (including credit facilities) and/or debentures/bonds/other debt instruments/financial instruments obtained or as may be obtained or issued from/to banks, financial institutions or other entities or person(s) within the overall limit of US\$ 125 million together with interest/ additional interest/further interest/compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, cost, charges, expenses and any other moneys payable (including any increase as a result of devaluation / revaluation / fluctuation in exchange rate of foreign currency involved), in favour of UTI Bank Limited (or any successor trustee/entity thereof) acting as security trustee to the concerned lenders, and/or agents and/or other persons/trustees in respect of such loans/advances/credit facilities/debentures/bonds/other debt instruments/ financial instruments."

2. To consider and accord approval to the company with regard to reimbursement of remuneration of Shri K.K. Kaura, Managing Director, Hindustan Zinc Limited made to Sterlite Industries (India) Ltd. for the years 2002-03 and 2003-04 and to pass the following Ordinary Resolution with or without modification:

"RESOLVED that consent of the Shareholders be and is hereby given to the company for having made reimbursement of remuneration as per details given below in respect of Shri K.K. Kaura, Managing Director, Hindustan Zinc Limited to Sterlite Industries (India) Ltd. for the years 2002-03 and 2003-04."

(Rs.)

| Particulars | 2002-03 | 2003-04 |
|---|---------|---------|
| Pay | 3360000 | 4874040 |
| Allowances | 885000 | 1398590 |
| Total per annum | 4245000 | 6272630 |
| Retirement Benefits as % of basic*: | | |
| i) Gratuity | 4% | 4% |
| ii) Superannuation | 15% | 15% |
| iii) Provident Fund | 12% | 12% |
| *Basic for 2002-03 – Rs. 150000/- per month | | |
| *Basic for 2003-04 – Rs. 238550/- per month | | |

"RESOLVED FURTHER that consent of Shareholders be and is hereby given to the company to make reimbursement of remuneration of Shri K.K. Kaura, Managing Director, Hindustan Zinc Limited to Sterlite Industries (India) Ltd. for the year 2004-05 as per details given below.



(Rs.)

| Particulars | 2004-05 |
|---|---------|
| Pay | 7345360 |
| Allowances | 1605588 |
| Total per annum | 8950948 |
| Retirement Benefits as % of basic*: | |
| i) Gratuity | 4% |
| ii) Superannuation | 15% |
| iii) Provident Fund | 12% |
| *Basic for 2004-05 – Rs. 274232/- per month | |

3. To consider and accord approval to the company for delisting of securities from Delhi and Jaipur Stock Exchanges as per the SEBI (Delisting of Securities) Guidelines 2003 and to pass the following Special Resolution with or without modification:

“RESOLVED that pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the Delisting Guidelines) and subject to applicable provisions of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force and all other applicable rules, regulations and guidelines and subject to the approval of the Securities and Exchange Board of India, Stock Exchanges where the shares are listed and other appropriate authorities and subject to such conditions, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed by the Board of Directors of the Company (hereinafter referred to as ‘the Board’ which term shall be deemed to include any Committee thereof for the time being exercising the powers of the Board), the consent of the company be and is hereby accorded to the Board to delist the equity shares of the company from all or any of the Stock Exchanges at Delhi and Jaipur at such time or times as the Board may decide”.

“RESOLVED FURTHER that the Board of Directors be and are hereby authorised to do all such acts, things and deeds and take all such steps as may be necessary or expedient in this regard.”

By order of the Board

(K.K. Kaura)

Managing Director

Place: Udaipur
Date : 22.07.2004



EXPLANATORY STATEMENT AS PER SECTION 173(2) OF THE COMPANIES ACT, 1956

FOR SPECIAL BUSINESS NO. 1:

The Board of Directors of HZL, the Company, in its 265th meeting held on 16th June, 2003, approved the proposal for External Commercial Borrowings (ECBs) of US\$ 125 million to part finance the setting up of 170000 TPA Brown Field zinc expansion project at Chanderiya Lead Zinc Smelter, capacity expansion of concentrate to 3.7 million TPA at Rampura Agucha Mine and setting up of 154 MW Captive Power Plant at Chanderiya Lead Zinc Smelter. The Company was authorised by the Board to raise ECBs through ANZ Investment Bank and create security for such ECBs and execute all documents and/or agreements that may be required to be executed including for security creation with regard to the said ECBs. The Company, in accordance with the approval accorded by the Board, entered into two agreements with ANZ Investment Bank, other lenders and other relevant parties for ECB Loan facilities namely 1) First Facility Agreement for US \$ 50,000,000 dt. 31.3.2003, 2) Second Facility Agreement for US\$ 75,000,000 dt. 25.6.2003. Both the aforesaid Facility Agreements have been subsequently modified and revised as Syndication Amendment and Restatement Agreements dt. 31.10.2003.

ANZ Investment Bank, the Company and other relevant parties also entered into another agreement called "Common Terms Agreement" dt. 31.10.2003 in connection with the aforesaid Facility Agreements. The aforesaid Agreements require the Borrower i.e. the Company to execute and deliver to the Lenders of ECB loan the Security Documents such as a) Equitable Mortgage, b) Hypothecation Agreement, c) Security Description Letter, d) Deed entered into between the Borrower, the Lenders and the Security Trustee to act as Security Trustee on their behalf.

According to the above, the Lenders of ECB Loan, appointed UTI Bank Ltd. as Security Trustee to maintain and facilitate the realisation of the assets and undertaking secured. The Borrower i.e. the Company created charges in favour of UTI Bank Limited in respect of moveable properties other than inventories, receivables and excluded assets and deposited title deeds of immovable properties (by way of equitable mortgage) of Chanderiya Lead Zinc Smelter, Zinc Smelter, Debari and Vizag Zinc Smelter with UTI Bank Limited in its capacity as security trustee.

The shareholders of the Company are required to give authorization to the Company/Board of Directors under Section 293(1)(a) of the Companies Act, 1956 to transfer/assign/sell/lease or otherwise dispose of the assets pursuant to the creation/enforcement of the security interest, in favour of UTI Bank Limited acting as security trustee for the Lenders of the ECB Loan in respect of security created. As such authority to give power to the Company under Section 293(1)(a) of the Companies Act, 1956 is vested with the Shareholders at the General Meeting of the Company, the Board recommends the subject business for consideration and approval.

None of the Directors are, directly or indirectly interested or concerned in the aforesaid resolution.

FOR SPECIAL BUSINESS NO. 2 :

Consequent to the disinvestment of Govt. of India's stake in the company to the extent of 26% of the paid up capital of the Company including management control in favour of Strategic Partner (SP) i.e. SOVL and pursuant to Share Purchase Agreement entered into between Government of India and Sterlite



Opportunities and Ventures Limited (SOVL), Shri K.K. Kaura was appointed as Managing Director by the Board w.e.f. 11.04.2002 and this was subsequently confirmed by the Shareholders at the Extra-ordinary General Meeting held on 10th May, 2002. Since then, Shri K.K. Kaura, has been functioning as Managing Director of the company. The company has not fixed any remuneration or any terms of his appointment as per the provisions of the Companies Act, 1956.

Sterlite Industries (I) Ltd. under whose control the affairs of SOVL are conducted, rendered to the Company a variety of services, which included the services of Shri K.K. Kaura, as the Managing Director. Having regard to the fact that the Company did not pay any remuneration to Shri K.K. Kaura directly, the Company had in good faith proceeded on the assumption that approval of the shareholders of the Company vis-à-vis remuneration of Shri K.K. Kaura was not required. While the legal position is not free from doubt, the Company has been advised that it would, as a measure of extra precaution, be more prudent and transparent if approval of the shareholders of the Company is obtained with regard to such reimbursement of the remuneration of the Managing Director, as proposed in the Resolution. The Board recommends the subject business for consideration and approval.

None of the Directors except Shri K.K. Kaura, Managing Director, are directly or indirectly interested or concerned in the aforesaid resolution.

FOR SPECIAL BUSINESS NO. 3 :

The Company's shares are presently listed with Stock Exchanges at Mumbai, Delhi and Jaipur.

The Securities and Exchange Board of India (SEBI) has issued 'The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003' (hereinafter referred to as "Delisting of Securities") providing for voluntary delisting of securities of any body corporate, provided the company's shares continue to be listed with a stock exchange having nationwide trading terminals.

The bulk of the trading in company's equity shares takes place on The Stock Exchange, Mumbai (BSE) and there is very insignificant volume of trading in other stock exchanges. With the advanced technology, trading in shares and securities through the terminals of BSE is available to investors across the country and listing with other Stock Exchanges has outlived its purpose.

The Board of Directors has therefore decided to delist the company's equity shares from other stock exchanges viz. Delhi and Jaipur as this will not affect the liquidity or trading in the company's shares by the investors.

The Members' approval is being sought by a Special Resolution to enable voluntary delisting of the company's equity shares from the said Stock Exchanges at Delhi and Jaipur under the SEBI regulations. BSE is a stock exchange having nationwide terminals and company's shares will continue to be listed on it.

None of the Directors are, directly or indirectly interested or concerned in the aforesaid resolution.



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 23rd September, 2004 to 29th September, 2004 (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 2002-03 are requested to submit the warrants for revalidation.
8. Documents/papers with respect to item no. 1 of Special Business will be made available for inspection by the Members at the place of meeting.
9. As the Ordinary Resolution proposed under Special Business No. 1 to be passed by following the procedure laid down for Postal Ballot Voting under Section 192A and the Rules made thereunder viz. "Companies (Passing of the Resolutions by Postal Ballot) Rules 2001, the shareholders are requested to send their consent in the format mailed separately within 30 days from the date of issue of Postal Ballot Notice.



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 K.K. Kaura | : | Managing Director |

Company Secretary & General Manager

Shri C. Sankaran

Registered Office

Yashad Bhawan,
Udaipur - 313004

Bankers

State Bank of Bikaner & Jaipur
IDBI Bank Ltd.
ICICI Bank Ltd.
UTI Bank Ltd.
HDFC Bank Ltd.

AUDITORS :

M/s. Deloitte Haskins & Sells (Statutory Auditors)

Chartered Accountants,
12, Dr. Annie Besant Road
Opp. Shiv Sagar Estate
Worli
Mumbai - 400 018