



HINDUSTAN ZINC LIMITED

39th Annual Report 2004-05
Diversified metals and mining

Delivery and Growth

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FINANCIAL HIGHLIGHTS - LAST FIVE YEARS

(Rs. in Millions)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
Turnover	12,986	12,050	14,113	18,415	21,868
Earning before interest, tax, depreciation and amortisation (EBITDA)	3,437	1,962	3,304	6,603	10,177
Tax	1,130	361	872	1,801	2,716
Profit after tax (PAT)	1,692	680	1,422	4,046	6,553
Gross Block	15,277	15,348	16,028	18,516	28,551
Net Block	7,473	6,922	6,601	8,919	18,441
Share Capital	4,225	4,225	4,225	4,225	4,225
Reserves & Surplus	7,378	6,447	7,472	10,843	16,552
Net Worth	11,603	9,509	9,588	15,069	20,777
Total Debt	57	38	7	6,078	5,713
Capital Employed	11,659	9,546	9,595	20,602	26,250
Return on capital employed (%)	24.42	12.73	23.94	28.42	35.38
Earning per Share (Rs.)	4.00	1.61	3.36	9.58	15.51
Dividend per Share (Rs.)	1.25	0.50	0.80	1.40	1.75
Book Value per Share (Rs.)	27.46	22.50	22.69	35.66	49.17



HINDUSTAN ZINC LIMITED

Registered Office: Yashad Bhawan, Udaipur-313004

NOTICE

Notice is hereby given that the 39th Annual General Meeting of the Members of the Company will be held on Friday, the 16th September, 2005 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, 2005 along with Directors' Report and Auditors' Report thereon.
2. To approve dividend for the year 2004-2005.
3. To appoint a Director in place of Shri Navin 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.
4. To appoint a Director in place of Shri K.K. Kaura 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 Prashant Mehta 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 39th 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 appointment and reimbursement of remuneration in respect of Shri Aditya Narayan, Managing Director, HZL made to Sterlite Industries (I) Ltd. for the period from 24.11.2004 to 31.3.2005 and to pass the following Ordinary Resolution with or without modification(s):

"RESOLVED that appointment of Shri Aditya Narayan as Managing Director in terms of the Share Purchase Agreement by the Board of Directors in their 271st Meeting held on 24.11.2004 be and is hereby confirmed."

"FURTHER RESOLVED that consent of shareholders be and is hereby given to the company for having made reimbursement of remuneration as per details given below in respect of Shri Aditya Narayan, during his tenure as Managing Director, of Hindustan Zinc Limited to Sterlite Industries (I) Ltd. for the period from 24.11.2004 to 31.3.2005."



Basic per month	Rs. 3,00,000
HRA	40% of Basic
Personal Allowance	40% of Basic
Bonus	20% of Basic
LTA	One month's basic
Medical	upto Rs. 15,000
Vehicle reimbursements (i.e. fuel, maintenance and personal driver wages).	Actuals
Personal Accident Insurance, Mediclaim hospitalization, credit card and Prof. Body Membership fee.	As per Company's Rules
Car Allowance in lieu of Company car as per Company's policy per month	Rs.14584
Company's house at Udaipur	Chargeable as per Company's Rules
Provident Fund	12% of Basic
Gratuity	4.8% of Basic
Superannuation	15% of Basic

2. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :

"Resolved that pursuant to the provisions of Clause 49 of the Listing Agreement entered with the Stock Exchange, Mumbai, consent of the Shareholders be and is hereby accorded for payment of sitting fees of Rs. 5000/- to each Non-Executive Director for Board Meetings and Committee Meetings attended, or such other amount as may be approved by the Board of Directors from time to time, subject to the ceiling prescribed under the Companies Act, 1956, or Rules framed there under, as amended and for the time being in force."

By order of the Board

(K.K. Kaura)

Director

Place : Udaipur

Date : 7th June, 2005



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

FOR SPECIAL BUSINESS NO. 1:

Consequent to the disinvestment of Govt. of India's stake in the company including management control in favour of Strategic Partner i.e. Sterlite Opportunities and Ventures Limited (SOVL) and pursuant to Share Purchase Agreement entered into between Government of India and SOVL, Shri Aditya Narayan was appointed as Managing Director w.e.f. 24.11.2004 by the Board in its 271st meeting. Shri Aditya Narayan functioned as Managing Director of the company for the period from 24.11.2004 to 31.3.2005.

The remuneration of Shri Aditya Narayan was reimbursed to Sterlite Industries (I) Ltd. under whose control the affairs of SOVL are conducted.

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:

The Securities and Exchange Board of India (SEBI) has issued a circular to all the Stock Exchanges advising them to amend the Listing Agreement by inserting the revised Clause 49 relating to Corporate Governance requirements to be fulfilled by the Companies. The Stock Exchange, Mumbai where the company's shares are listed has accordingly amended the Listing Agreement and the revised Clause 49 has to be complied with by 31st December, 2005. One of the new requirements is that all the fees / compensation payable to Non-Executive Directors, including Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the members in General Meeting.

At present the Company is paying to each Non-Executive Director sitting fees of Rs.5000/- for Board Meetings and Committee Meetings attended by them.

In view of the requirement of revised Clause 49 of the Listing Agreement, approval of members is requested for payment of sitting fees as decided by the Board of Directors from time to time to each Non-Executive Director of the Company for attending Board and Committee Meetings.

The Non-Executive Directors may be deemed to be concerned or interested in this resolution to the extent of the sitting fees received by them for attending the Board / Committee meetings.

The Board recommends the subject business for consideration and approval.



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 from 09.09.2005 to 15.09.2005 (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 2003-04 are requested to submit the warrants for revalidation.



BOARD OF DIRECTORS

Shri C.D. Arha	:	Chairman (upto 4.7.2005)
Shri Prashant Mehta	:	Director
Shri Harbhajan Singh	:	Director
Shri A.C. Wadhawan	:	Director
Shri N.K. Shukla	:	Director
Shri Anil Agarwal	:	Director
Shri Navin Agarwal	:	Director
Shri Tarun Jain	:	Director
Shri C.V. Krishnan	:	Director
Shri K.K. Kaura	:	Director

Company Secretary

Shri Rajendra Pandwal

Registered Office

Yashad Bhawan
Udaipur - 313 004.

Bankers

State Bank of Bikaner & Jaipur
IDBI Bank Limited
ICICI Bank Limited
UTI Bank Limited
HDFC Bank Limited
Calyon Bank

AUDITORS:

M/s Deloitte Haskins & Sells (Statutory Auditors)

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



DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting the 39th Annual Report together with the statement of Audited Accounts for the financial year ended 31st March 2005.

FINANCIAL RESULTS

(Rs. million)

Year ended	2005	2004
31st March		
Income from operations	24408.01	20790.13
Profit before interest, depreciation, tax and exceptional items	10150.81	8681.24
Less: Interest	17.96	7.45
Gross Profit	10132.85	8673.79
Less: Depreciation	863.66	717.59
Exceptional items	--	2108.87
Taxation	2715.85	1801.45
Net Profit for the year	6553.34	4045.88
Add: Balance brought forward from previous year	998.21	619.67
Amount available for appropriation	7551.55	4665.55
Appropriation:		
General Reserve	5500.00	3000.00
Proposed dividend on equity shares (including corporate tax thereon)	843.13	667.34
Cess on dividend tax for previous year	1.52	-
Balance carried forward to next year	1206.90	998.21

FINANCIAL REVIEW

During the year under review, your Company achieved a gross turnover of Rs.24408.01 million as compared to Rs.20790.13 million

during the last year. The Company achieved gross profit of Rs. 10132.85 million and net profit after tax of Rs. 6553.34 million for the year as against Rs.8673.79 million and Rs. 4045.88 million respectively in the previous year.

The increase in profit can be attributed to higher Zinc metal sales of 288866 MTs as against 259130 MTs in the previous year and significant improvement in realization on both metal and concentrate sales. The increased revenue was partially offset by steep increase in prices of fuels and consumables.

Zinc and Lead prices firmed up during the year under review. The average Zinc LME price for the year 2004-05 was US\$ 1105 PMT as against US\$ 899 PMT during the year 2003-04. The average Lead LME price was US\$ 918 PMT against US\$ 611 PMT during the last fiscal year. The increase in LME prices contributed towards higher sales realization and more than offset the reduction in custom duties on Zinc and Lead metals.

DIVIDEND

The Board of Directors is pleased to recommend a dividend of 17.5 % on the paid up equity share capital of the company. The amount of equity dividend outgo (including tax on dividend) will be Rs. 843.13 million as against Rs. 667.34 million for the previous year.

SHARES OF THE COMPANY

During the year under report, the stake of Sterlite Opportunities and Ventures Limited in the company continued to be 64.92%, while the stake of Government of India in the company stood at 29.54%. As approved by the Share - holders in the 38th AGM, the shares of the company were delisted from Jaipur and Delhi Stock Exchanges w.e.f. 31st March, 2005. However the shares continue to be listed on The Stock Exchange, Mumbai.

OPERATIONS OVERVIEW

Your Company consolidated its leadership position in the domestic Zinc industry with a record sale of 266586 MTs of zinc metal, which helped it serve effectively the growing zinc market. Your Company also exported 57699 MTs of Zinc concentrate, 52039 MTs of Lead concentrate and 22280 MTs of Zinc metal during the year. The foreign exchange earning therefrom was Rs. 3650.11 million as against Rs. 2216.16 million in the previous year.

During the year under report, production of Zinc and Lead concentrate increased by 7.5% and 13% respectively over the previous year due to debottlenecking and operational improvement at all the mines. Zinc metal production increased marginally to 265924 MTs mainly due to higher tolled metal.



NEW INITIATIVES

During the year under review your company launched Six Sigma initiatives at Chanderiya Lead Zinc Smelter, Rampura Agucha Mines and Debari Zinc Smelter. The projects related to productivity improvement, reduction in consumption levels, recovery efficiency improvement etc. Several of these projects initiated have been completed successfully. Considering the promising results, action has also been initiated for implementing six sigma initiatives at other units of the Company during the year.

PROJECT OVERVIEW

Expansion Projects

In line with the vision to become World Class Player in Zinc Industry, your company has commissioned 170000 TPA Hydro Met Zinc Smelter at Chanderiya Lead Zinc Smelter along with a Captive Power Plant of 154 MW, with matching expansion of 3.75 Million TPA of mining and milling at Rampura Agucha Mines. While the expansion at Rampura Agucha Mine & beneficiation plant, and the CPP of 154 MW have been completed in March '05, the new Zinc smelter has been commissioned and trial runs are in progress.

The New Lead Project of 50000 TPA capacity using Ausmelt technology is in progress and is expected to be commissioned in the second quarter of 2005-06.

Mansi Wakal Project

The Rs. 600 million Mansi Wakal Stage-I Project which consists of construction of dam, laying of water conveying system through tunnel, Power Transmission System and allied jobs have been jointly funded by Government of Rajasthan and the Company in a 70:30 ratio.

The construction work of Mansi Wakal Dam is nearing completion which would benefit the entire Udaipur population with more water. The project will be fully operational only after completion of a tunnel project being commissioned by Government of Rajasthan.

Total amount of Rs. 464.66 million has been spent on this project upto March 2005, which includes Rs. 139.43 million contributed by your Company. During the year 2004-05 the Company contributed Rs.42.26 million for the Mansi Wakal Project.

AWARDS AND PRIZES

Your company received the following awards/prizes during the year:

- i. Vizag Zinc Smelter won May Day Award 2005 for Best Management for its outstanding contribution in maintenance of Industrial Relations, Social Welfare and Productivity.
- ii. Vizag Zinc Smelter also won the Award for Occupational Health and Safety (OHSAS-18001) at National Safety

Day Celebration held on 4th March 2005 at Hyderabad.

- iii. Rampura Agucha Mine has been awarded certificate of "Overall Excellence" at the Mines Environment and Minerals Conservation Week, under the aegis of Indian Bureau of Mines, Ajmer region.
- iv. Rampura Agucha Mine got the 1st prize in the following categories: Open Cast Working, Explosive management (storage, transport and use), Welfare Amenities, Protective equipment VTC. Mine Lighting, Mine Plans and record keeping and Overall 1st prize for overall performance at the 18th Mines Safety Week.
- v. Rajpura Dariba Mine bagged the first prize in afforestation/plantation, waste dump management and other prizes at 5th Mine and Minerals Conservation Week 2004 at J.K. Cement, Nimbahera.
- vi. Rajpura Dariba Mine won "Best Team Award on Recovery" at All India Mine Rescue Competition 2004-05 at Mahanadi Coal Field Limited, Talchar.

FUTURE OUTLOOK

The global Zinc consumption is expected to increase by 4.3 % in 2005. Although, the western world demand is expected to remain flat or grow marginally, the demand would primarily come from China