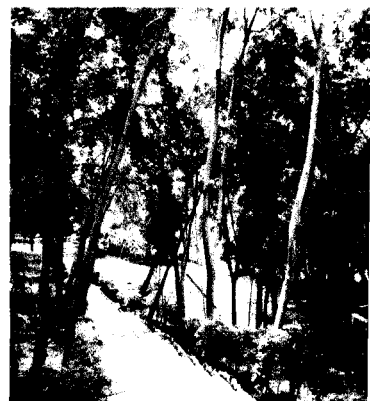
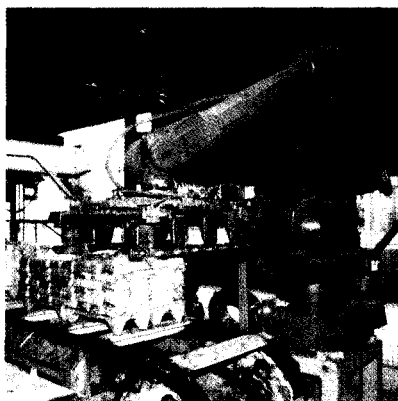
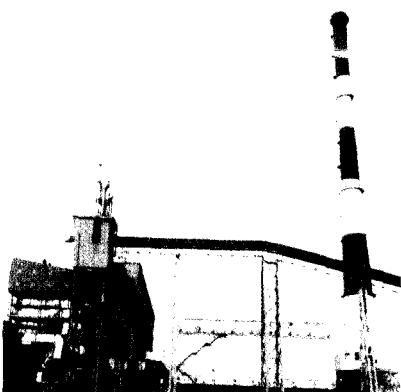




HINDUSTAN ZINC LIMITED



40th ANNUAL REPORT 2005-06

CREATING VALUE

BOARD OF DIRECTORS

Shri Agnivesh Agarwal	: Chairman
Smt. Ajita Bajpai Pande	: Director
Shri Sujit Gulati	: Director
Shri A.C. Wadhawan	: Director
Shri N.K. Shukla	: Director
Shri Anil Agarwal	: Director
Shri Navin Agarwal	: Director
Shri K.K. Kaura	: Director
Shri Tarun Jain	: Director
Shri M.S. Mehta	: CEO & Whole-time Director

Chief Financial Officer

Shri S.L. Bajaj

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
State Bank of India

Auditors

M/s Deloitte Haskins & Sells (Statutory Auditors)
Chartered Accountants
12, Dr. Annie Besant Road,
Opp. Shiv Sagar Estate, Worli
Mumbai - 400 018.

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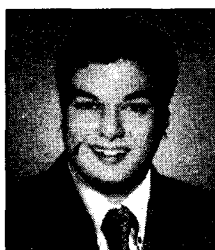
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FINANCIAL HIGHLIGHTS - LAST FIVE YEARS

(Rs. in Crore)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Turnover	1,205	1,411	1,842	2,202	3,877
Earning before interest, tax, depreciation and amortisation (EBITDA)	196	330	660	1,018	2,418
Tax	36	87	180	272	757
Profit after tax (PAT)	68	142	405	655	1,472
Gross Block	1,535	1,603	1,852	2,855	3,048
Net Block	692	660	892	1,844	1,918
Share Capital	423	423	423	423	423
Reserves & Surplus	645	747	1,084	1,655	3,007
Net Worth	951	959	1,507	2,078	3,430
Total Debt	4	1	608	571	558
Capital Employed	955	960	2,060	2,625	3,988
Return on capital employed (%)	12.73	23.93	28.42	35.38	57.10
Earning per Share (Rs.)	1.61	3.36	9.58	15.51	34.85
Dividend per Share (Rs.)	0.50	0.80	1.40	1.75	2.50
Book Value per Share (Rs.)	22.50	22.69	35.66	49.17	81.17



LETTER FROM THE CHAIRMAN

Dear Shareholders

It is a matter of great honour and pride for me to become a part of the Hindustan Zinc family. I look forward to working with this organization that has many a pioneering achievements in all dimensions of business to its credit and would be grateful for support from one and all.

The centre of economic growth is shifting to Asia. Demand and rapid capacity creation in every aspect of the economy characterizes the Asian growth story. The developed countries are focusing on the economic power of the two most populous nations India and China. In the coming years the entire world will be looking at the growth paradigms of these two countries. It is expected that the Indian economy will continue to grow at almost 8-10% in the years to come. This rapid regional and domestic growth will be on back of significant investments in the infrastructure sector, which in turn is expected to drive the Zinc demand. Your company, is uniquely positioned to participate in this growth.

This year was a landmark year for Hindustan Zinc, both in terms of superior performance from existing operations as well completion of expansions.

This year your company recorded highest ever production of Zinc Concentrate 889,007 MT and Lead Concentrate 95,738 MT and Zinc metal 282,668 MT and Lead metal 23,636 MT. Hindustan Zinc realized a net profit of Rs. 1,472 crore (previous year Rs. 655 crore) on a revenue of Rs. 3,993 crore (previous year Rs. 2,337 crore). Better operating scales and efficiencies, robust metal prices and prudent financial management resulted in a significant improvement in the EPS from Rs. 15.51 to Rs. 34.85. In terms of expansion, this year your Company completed the first phase of expansion at Chanderiya Lead Zinc Smelter and Rampura Agucha Mines. This expansion was completed before time and under budget. The operations at the Sindesar Khurd Mine has also been started, which will further add to concentrate production. Your company's excellent operating performance and delivery on expansions is reflected in the superior performance of the Company's share price on the capital markets. It is also worth mentioning that our ultimate holding Company Vedanta Resources Plc. has now become part of FTSE 100 index in UK market.

I am happy to inform the shareholders that during the current year, your Board has further approved an expansion plan which include 170,000 tpa Zinc metal and 77 MW Captive Power Plant at Chanderiya with corresponding expansion of mining and ore dressing plant at Rampura Agucha Mines. Work on this expansion has already commenced.

Keeping in view the fund requirements for the ongoing routine capex requirement and new expansion projects, and to maintain consistency in dividend payment the Board of Directors have recommended a dividend of 25% on the paid up equity capital of the Company as against 17.5% dividend declared in the last year. This is the highest dividend ever in HZL.



Your Company has also become Joint Venture partner of about 20% in the Madanpur South Coal Company Ltd, a Company formed for mining coal in the state of Chattisgarh. Through this joint venture Hindustan Zinc will have access to 31.5 million tonnes of coal.

As you all are aware that the Life of a mining Company depends on the ore reserves it has. To enhance the life of the Company in the long run continues exploration related activities must be undertaken to add new reserves. In line with this, your Company had applied for 6430 Sq. Km. area in 6 Reconnaissance Permits which are under active consideration of Ministry of Mines /Department of Mines & Geology for grant.

During the report year, exploration related activities were further intensified and as a result of which the Company has been able to increase its reserves and resources base by 12.8 million tpa containing 2.20 million tpa insitu metal. The total proven and probable ore reserves stood at 68.6 million tones as on 31st March, 2006.

Your Company is further committed to explore newer avenues of growth and technological innovations in order to strengthen its global leadership position.

We believe that development must be enduring and sustainable. Therefore our initiatives are aimed to ensure a better quality of life for the communities and society all around our areas of operations, under Company's CSR activities.

The successes that I have been able to report in this statement are due to the outstanding commitment and contribution of our employees at all levels and I wish to thank them on behalf of the entire Board.

We are proud of the knowledge and intellectual capital that our young professional workforce brings to the organization. The challenging assignments they are given at an early stage in their careers make them highly motivated, committed and enthusiastic. Our hands-on participative style of management continues to strengthen our organizational culture and values through to grass-root levels.

Talent management remains a key driver of performance in Hindustan Zinc. Our access to the substantial pool of high quality professional talent especially enables us to consistently attract world-class professionals. We have created attractive working environments with highly competitive incentive arrangements, which ensure that we are amongst the most preferred employers in our business and region.

On the back of proven project implementation and operational excellence track record your Company has built a strong reputation for creating lasting shareholder value underpinned by delivery and growth. Looking ahead, we must progress the next phase of our growth in a responsible manner commensurate with our position as a leading Zinc and Lead Company in the global landscape while continuing to generate superior returns for our shareholders. I also wish to thank the Company's valued and esteemed customers for their continued patronage. In light of my thoughts on demand and markets, I remain confident that we are well on our way to delivering on this.

Sincerely your

Agnivesh Agarwal
Chairman



HINDUSTAN ZINC LIMITED

Registered Office: Yashad Bhawan, Udaipur-313004

NOTICE

Notice is hereby given that the 40th Annual General Meeting of the Members of the Company will be held on Saturday, the 16th September, 2006 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, 2006 along with Directors' Report and Auditors' Report thereon.
2. To approve dividend for the year 2005-2006.
3. To appoint a Director in place of Shri Tarun Jain, who retires by rotation and, being eligible, offers 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 A.C. Wadhawan, who retires by rotation and, being eligible, offers 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 N.K. Shukla, who retires by rotation, and being eligible, offers 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 Chartered Accountants be and are hereby re-appointed as Statutory Auditors of the Company for the period from the conclusion of 40th 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 M.S. Mehta, CEO & Whole-time Director, HZL made to Sterlite Industries (I) Ltd. for the period from 15.11.2005 and to pass the following Ordinary Resolution with or without modification(s):

"RESOLVED that appointment of Shri M.S. Mehta as CEO & Whole-time Director in terms of the Share Purchase Agreement by the Board of Directors in their 276th Meeting held on 15.11.2005 be and is hereby confirmed."

"FURTHER RESOLVED that consent of shareholders be and is hereby given to the company to make reimbursement of remuneration from time to time as per details given below, with such increase as may be approved by the Board of Directors subject to Section 198, 309 and other applicable provisions of the Companies Act, 1956, in respect of Shri M.S. Mehta, to Sterlite Industries (I) Ltd. during his tenure as CEO & Whole-time Director of Hindustan Zinc Limited.



S. No.	Particulars	Amount (in Rs.)
I)	Basic	168,800
	HRA (40% of basic)	67,520
	Personal Allowance	165,079
	Bonus (20% of basic)	33,760
	Provident Fund (12% of basic)	20,256
	TOTAL - Monthly	455,415
	TOTAL - Annual (I)	5,464,980
II)	LTA (one month's basic)	168,800
	Medical	15,000
	Gratuity	97,385
	Super Annuation (15% of basic)	303,840
	TOTAL - Annual (II)	585,025
	GRAND TOTAL - annual (I+II)	6,050,005
III)	Vehicle Reimbursements (Annual)	Actuals
	TOTAL (III)	Actuals
	GRAND TOTAL - Annual (I+II+III)	6,050,005

Notes:

1. In addition to the above, he will be entitled for Performance Incentive as per Company's policies.
2. He will be provided with a company car. Expenses relating to fuel, maintenance and personal driver will be reimbursed to him on actuals.
3. He will be eligible for Personal Accident Insurance, Mediclaim hospitalization, Credit Card and Professional Body Membership Fee as per Company rules.

By order of the Board

Place : Udaipur
Date : April 28, 2006

K.K. Kaura
Director



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 M.S. Mehta was appointed as CEO & Whole-time Director w.e.f. 15.11.2005 by the Board in its 27th meeting.

Accordingly the remuneration of Shri M.S. Mehta is reimbursed to Sterlite Industries (I) Limited. Sterlite Industries (I) Limited under whose control the affairs of SOVL are conducted, renders to the Hindustan Zinc Limited a variety of services, which includes the services of Shri M.S. Mehta as CEO & Whole-time Director.

The Board recommends the subject business for consideration and approval.

None of the Directors except Shri M.S. Mehta, CEO & Whole-time Director 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 from 09.09.2006 to 15.09.2006 (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 2004-05 are requested to submit the warrants for revalidation.



DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting the 40th Annual Report together with the statement of Audited Accounts for the financial year ended 31st March 2006.

FINANCIAL RESULTS

(Rs. in Crore)

Year ended 31st March	2006	2005
Total Revenue	3,992.78	2,337.20
Earning before interest, tax, depreciation and amortization (EBITDA)	2,417.65	1,017.73
Less: Interest	47.40	1.80
Profit before Depreciation and Taxes (PBDT)	2,370.25	1,015.93
Less: Depreciation and amortization	140.68	89.01
Taxation	757.09	271.59
Net Profit for the year	1,472.48	655.33
Add: Balance brought forward from previous year	120.69	99.82
Amount available for appropriation	1,593.17	755.15
Appropriation:		
General Reserve	1,350.00	550.00
Proposed dividend on equity shares (including corporate tax thereon)	120.45	84.46
Balance carried forward to next year	122.72	120.69

FINANCIAL REVIEW

During the year under review, the total revenues of your Company increased by 71 % from Rs. 2,337.20 crore to

Rs. 3,992.78 crore. The EBITDA for the same period increased from Rs. 1,017.73 crore to Rs. 2,417.65 crore representing an increase of 138%. The net profit increased by 125% from Rs. 655.33 crore to Rs. 1,472.48 crore.

The increase in revenues is attributed to 12% increase in Zinc metal sales to 322,744 MT from 288,866 and 84% increase in Lead metal sales to 26,928 MT from 14,622 MT. The Company has also selectively increased concentrate sales (MIC) by 65% to 101,706 MT from 61,819 MT, to benefit from the strong commodity prices. The improvement in profitability of the Company is mainly attributed to higher volumes and prices, which have resulted in better realizations due to higher price of Zinc and Lead.

The operating costs showed a declining trend except for increase in cost of fuel and increase in royalty due to higher LME.

Globally, Zinc and Lead prices firmed up during the year under review. The average Zinc LME price for the year 2005-06 was US\$ 1,614.32 PMT as against US\$ 1,109.86 PMT during the year 2004-05. The average Lead LME price was US\$ 1,040.94 PMT against US\$ 920.55 PMT during the last fiscal year.

DIVIDEND

The Board of Directors is pleased to recommend a dividend of 25%

(previous year 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. 120.45 crore as against Rs. 84.46 crore for the previous year.

The dividend payout for the year has been determined in a manner so as to enable your Company to pay stable dividends over a longer term and also be able to finance your Company's growth plans to the maximum extent by internal accruals. The Board of Directors believes that this would increase shareholder value and thus enhance the overall return to the shareholders.

OPERATIONS OVERVIEW

The year under review has been a landmark year for your Company. This year your Company completed and operationalised major expansions, which included 170,000 tpa of Zinc Smelting, 50,000 tpa of Lead Smelting and a Captive Power Plant of 154 MW and associated expansion in the Rampura Agucha Mines. Now your Company is world's 4th largest company in mining Zinc and Lead and 6th largest in smelting capacity.

During the year under review your Company consolidated its leadership position in domestic Zinc with record sales of 309,128 MT of Zinc metal with a market share of 68%. In Lead your



Company's domestic sales were 25,680 MT representing a market share of 11%. Your Company also exported Zinc concentrate (MIC) 99,659 MT, 13,616 MT of Zinc metal and 1,248 MT of Lead metal, thus earning a foreign exchange of Rs. 862.35 crore (previous year Rs. 365.01 crore).

For the year under report the production of Zinc concentrate increased by 34% from 661,068 DMT to 889,007 DMT and Lead Concentrate increased by 14% from 83,976 DMT to 95,738 DMT. The production of Zinc metal increased from 265,924 MT to 317,558 MT. Even as the expanded Lead capacity got operationalised towards the end of the financial year, the production of Lead metal increased by 50% from 15,727 MT to 23,636 MT.

HEALTH, SAFETY AND ENVIRONMENT

The Company is committed to providing a safe and healthy work place for all its employees including contract workmen. During the year under report, the Company introduce a new scheme called "HSE Steward System" under which each location/plant is divided into several smaller areas owned by a designated HSE Steward, who monitors the ground level situation in the area assigned to him. This has resulted in considerable improvement in our LTIFR score from 25.21 to 10.70.

EXPLORATION

During the report year, exploration related activities were further intensified and as a result of which the Company has been able to increase its reserves and resources base by 12.8 million tpa containing 2.20 million tpa insitu metal. The total proven and probable ore reserves stood at 68.6 million tones as on 31st March, 2006.

PROJECT OVERVIEW

Expansion Projects

Looking to the rising demand of Zinc in India and in the international market, during the current year the Board has approved an expansion plan which included 170,000 tpa Zinc smelter and 77 MW Captive Power Plant, at Chanderiya with corresponding expansion of mining and ore dressing plant at Rampura Agucha Mines. The estimated cost of the project is Rs. 1100 crore to be financed from internal accruals. Preliminary work on this expansion has commenced.

Mansi Wakal Project

Your Company is partnering with the Government of Rajasthan on an important project that aims to augment the drinking water supply to the people of the city of Udaipur, where your Company is headquartered. The Rs. 60 crore Manasi Wakal Project Stage I as the project is known primarily entails construction of a Dam at Gorana, about 60 km away from Udaipur. The overall project

entails construction of storage capacity of 24.41 million cubic meters and a pipeline infrastructure to transport 36 million litres per day over an 8 Km long, 800 mm diameter pipeline network. The project will also help the Company augmenting water supply for its plants in Rajasthan. On making the pipeline system operational by December 2006, the city of Udaipur, which faces water shortage, will benefit significantly.

Government of Rajasthan and the Company has jointly funded this project in a 70:30 ratio. A total of Rs. 56.87 crore has been spent on this project upto March 2006. Of this, about Rs. 17.06 crore has been shared by your Company. During the year under review your Company has incurred an expenditure of about Rs. 3.12 crore for this project.

With the completion of water carrying tunnel and building of the pumping reservoir by the State Government, the overall project is expected to be commissioned by December 2006.

RECOGNITION

Your Company's pursuit of excellence in areas of operations, safety, environment, energy conservation, research & development, etc. has been widely recognized at various for a such as

- Best Non-Ferrous Metals Company Award from Indian Institute of Metals.