



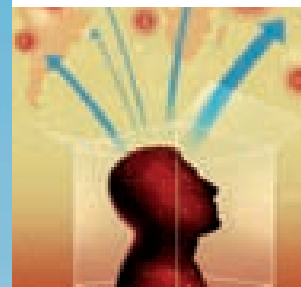
Hindustan Zinc Limited



Our values

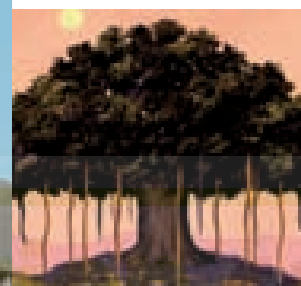
Well positioned
through the cycle

Hindustan Zinc Limited
43rd Annual report 2008–09



Entrepreneurship

We foster an entrepreneurial spirit in our business and value the ability to foresee opportunities early in the cycle and act on them swiftly. Whether it is developing growth projects or it is debottlenecking the existing assets we ensure an entrepreneurial spirit in the heart of our employees.



Growth

We continue to deliver industry-leading growth and generate significant value for our shareholders. Our growth is unique and we are confident that we will continue to deliver significant growth for shareholders in the future. We are not the only beneficiary of our growth. We see growth as a means to enhance the wealth and prosperity of the society at large.



Excellence

Achieving excellence in all that we do is our way of life. We consistently deliver projects ahead of schedule at industry-leading costs of construction and within budget. We are one of the lowest cost zinc producers and our ongoing initiatives should help us to further sharpen our cost performance. Equally important to us is achieving excellence in health, safety and environment performance.



Trust

We value and cherish the trust reposed in us by our stakeholders. We recognize that we must responsibly deliver on the promises we make to earn that trust. We constantly strive to meet stakeholder expectations and try to deliver ahead of expectations. We always behave in a manner that is consistent and upholds our value system. Our desire and ability to act in a competent manner would help us to further build upon the trust of our stakeholders.



Sustainability

We pursue sustainability within the framework of well defined governance structures and policies and with the demonstrated commitment of our management and employees. Our sustainability team comprises of over 280 full time resources including field workers. With the use of appropriate technology and best in class practices, we always endeavour to minimize the damage to the environment, and we do not miss any opportunity to leave a positive mark. Our growth and business policy hinges around the philosophy of inclusive growth with a clear focus on neighbourhood communities.

Our vision

Be a world-class zinc company, creating value, leveraging mineral resources and related core competencies.

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Mission and Highlights

Our mission is to:

- Be the largest integrated producer in the world with a zinc-lead metal capacity of one million tonnes by 2010.
- Be the lowest cost zinc producer on a global scale, maintaining market leadership.
- Be innovative, customer oriented and eco-friendly, maximising stake-holder value.

Highlights

- Revenue of Rs 5,680 crore driven by higher volumes in both Zinc and Lead, despite 48% decline in Zinc LME.
- Highest ever annual saleable metal production of 551,724 tonnes of Zinc, 60,323 tonnes of Lead and 105 tonnes of Silver.
- PBDIT of Rs 3,665 crore driven by excellent cost performance.
- EPS of Rs 64.55 per share.
- Stable operating costs despite sector-wide price pressures.
- Continue to deliver projects ahead of schedule and within budget, in a challenging environment.
- Strong balance sheet with shareholders fund base of Rs 14,357 crore and cash flow and liquid investments of Rs 9,629 crore.
- Total dividend recommended at Rs 4.0 per share.

Growth projects

- Actions to cross 1 million tonnes of metal production capacity.
- Rs 3,600 crore of growth projects under implementation.

Hindustan Zinc at a Glance



Mining operations

1. Rampura Agucha Mine

Ore Produced in FY 2009:
4,953,110 tonnes

Type of Mine: Open Cast

Reserves: 67.88 million tonnes

Resources: 50.88 million tonnes

Average Reserves Grade:

Zinc 13.36%

Lead 1.87%

Ore Production Capacity: 5.00 mtpa

3. Rajpura Dariba Mine

Ore Produced in FY 2009:
483,293 tonnes

Type of Mine: Underground

Reserves: 7.38 million tonnes

Resources: 19.39 million tonnes

Average Reserves Grade:

Zinc 6.26%

Lead 1.56%

Ore Production Capacity: 0.9 mtpa

2. Sindesar Khurd Mine

Ore Produced in FY 2009:
299,995 tonnes

Type of Mine: Underground

Reserves: 6.39 million tonnes

Resources: 50.22 million tonnes

Average Reserves Grade:

Zinc 5.31%

Lead 2.76%

Ore Production Capacity: 0.30 mtpa

4. Zawar Mines

Ore Produced in FY 2009:
944,300 tonnes

Type of Mine: Underground

Reserves: 7.25 million tonnes

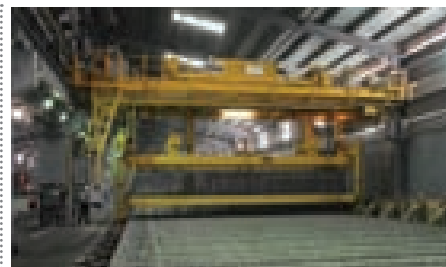
Resources: 48.53 million tonnes

Average Reserves Grade:

Zinc 3.76%

Lead 2.05%

Ore Production Capacity: 1.20 mtpa



Smelting operations

1. Chanderiya Smelting Complex

Production in FY 2009:
413,457 tonnes of Zinc
60,323 tonnes of Lead
105 tonnes of Silver

Capacity:

525,000 tonnes of Zinc
85,000 tonnes of Lead
150 tonnes of Silver

2. Zinc Smelter Debari

Production in FY 2009:
85,191 tonnes of Zinc

Capacity: 88,000 tonnes of Zinc

3. Zinc Smelter Vizag

Production in FY 2009:
53,076 tonnes of Zinc

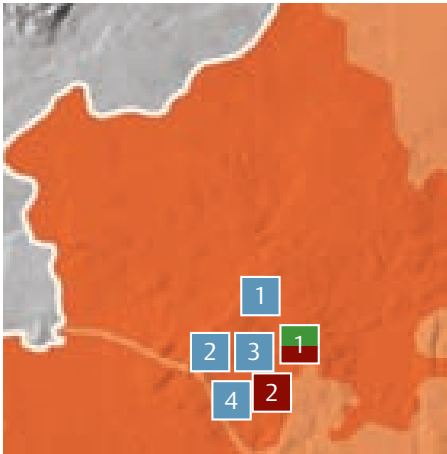
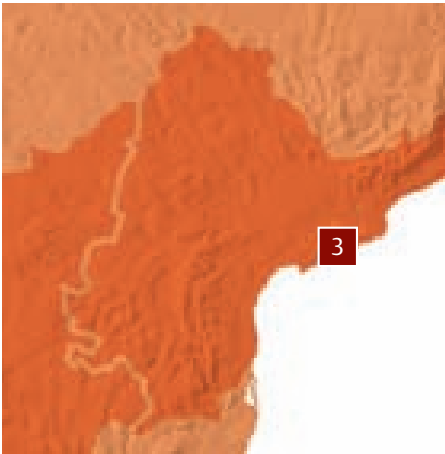
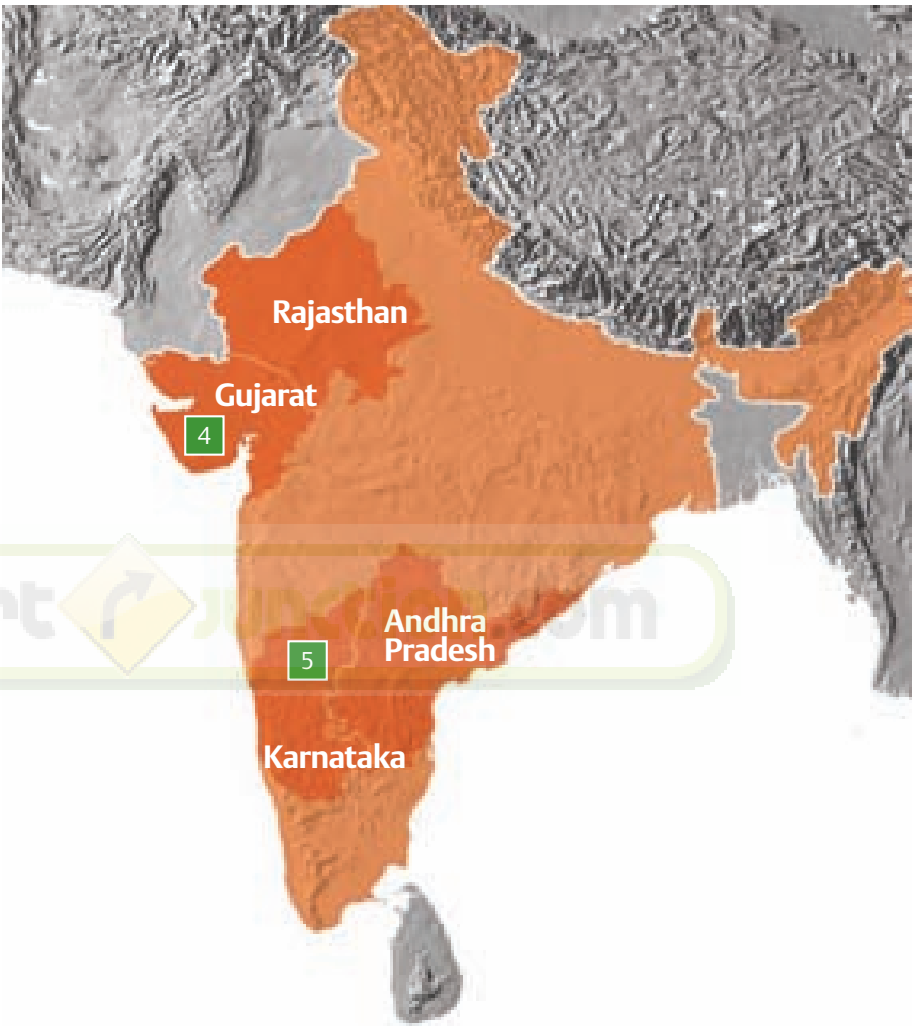
Capacity: 56,000 tonnes of Zinc

India



Power operations

- 1. Chanderiya Smelting Complex**
Type: Coal based captive power plant
Capacity: 234 MW
- 2. Zawar Mines**
Type: Coal based captive power plant
Capacity: 80 MW
Type: DG Set
Capacity: 6 MW
- 3. Zinc Smelter Debari**
Type: DG Set
Capacity: 14.5 MW
- 4. Samana Wind Power Plant**
Type: Wind energy farms
Capacity: 88.8 MW
- 5. Gadag Wind Power Plant**
Type: Wind energy farms
Capacity: 34.4 MW



The maps are not to scale.

- OVERVIEW
- OPERATIONAL PERFORMANCE
- FINANCIAL REVIEW
- SUSTAINABILITY
- BOARD OF DIRECTORS
- FINANCIAL STATEMENTS

Chairman's Statement



We are well positioned through the cycle in a period of difficult economic conditions and commodity prices given our inherent strength of sustainable low cost operations, strong organic growth pipeline and robust balance sheet.

2009 Highlights

I have great pleasure in reporting another strong year for Hindustan Zinc Limited. We reported revenues of Rs 5,680 crore and PBDIT of Rs 3,665 crore, despite a sharp deterioration in commodity prices and the economic environment. Even in this uncertain environment, we are exceptionally well positioned due to our robust balance sheet, low cost operations, and strong organic growth pipeline with an exemplary track record of delivering capital projects within budget and timelines and continuous upgrading of mineral resources. This provides the foundation for delivering profitable growth and creating long term shareholder value.

Higher Volumes

We recorded the highest ever metal production in our history. Our mined metal production for zinc and lead in FY 2009 was up 17% compared to FY 2008, primarily as a result of commissioning the stream III concentrator at the Rampura Agucha Mine. There was an increase of 26% in refined zinc and lead metal production during the year, compared to the previous year, as result of new zinc smelter commissioned at Chanderiya and the zinc debottlenecking project.

Production of saleable silver during the year was the highest ever, up 31% compared with the previous year. During the year, our captive and wind power generation increased by 37% and 122% respectively, as compared to the previous year.

Low Cost Operations

We have succeeded in maintaining stable cost of production at the back of increased volumes and higher operational efficiencies despite higher input costs.

Strong Organic Growth Opportunities

Our portfolio of existing assets and recently completed expansion projects continues to yield superior performance and we continue to make investments that drive sustainable long-term growth. We continue to make excellent progress by delivering strong growth well above the industry average and are on track to produce 1 million tonnes of zinc-lead metal.

Strong Balance Sheet and Liquidity Position

Excellent cash conversion in FY 2009 has ensured that we exited the year with a strong balance sheet, even with the significant capital investment of Rs 1,340 crore in the period. Over the years, we have consistently generated strong free cash flow. We have taken several tax saving initiatives, which have helped push down the current tax rate from 25.8% in FY 2008 to 16.4% in FY 2009.

Exploration

I am happy to report that we have added significant reserves and resources of 46.3 million tonnes, containing 4.7 million tonnes of zinc-lead metal, prior to a depletion of 0.7 million tonnes of metal. Total reserves and resources as on 31 March 2009 were 272 million tonnes, containing 31.5 million tonnes of zinc-lead metal. Expansion of our reserves and resources base through exploration is a part of our sustainable growth strategy.

People

In a business like ours, people are at the center of our operations and are critical in helping us achieve our objectives. Our performance and results speaks of the outstanding people we have across our organization. It is because of them that we have come a long way in a short time.

On behalf of the Board I am thankful to all of them for all their hard work and efforts. We continue to offer exciting growth opportunities for all our employees. We remain committed to provide a safe and supportive work environment for all.

Sustainable Development

Sustainable development is a key element of our business. We believe that businesses play an important role in tackling and driving sustainability and climate change challenges. We are determined to pursue value-creating projects for all our stakeholders effectively addressing opportunities and risks pertaining to environment, social, health and safety. Our aim is to establish sustainable accident-free operations. We strive to ensure that our business creates sustainable benefits for all our stakeholders.

We continue to impact the lives of over 500,000 people in the vicinity of our operations.

Dividend

The Board of Directors has recommended a dividend of 40%, i.e Rs 4 per equity share, for the current year.

Changes to the Board

In October 2008, Mr Akhilesh Joshi was appointed as the Chief Operating Officer and Whole Time Director, to lead Hindustan Zinc through the next stage of development. Mr Akhilesh Joshi has worked with the Company for over 30 years and brings vast knowledge and experience in the mining industry.

In addition Mr G Srinivas and Mr AR Narayanaswamy were appointed on the Board of Directors.

Mr Nand Kishore Shukla, Mr Abhay Kumar Singh, Mr Anil Agarwal, Mr Tarun Jain and Mr Kuldeep Kaura ceased to be Directors during the year.

Awards and Recognition

I am happy that our efforts and actions continue to be acknowledged by the external agencies. During the year, we won over 15 awards in the areas of operational excellence, quality, health and safety, corporate social responsibility; notable amongst them are #2 Best Employer in India – 2009 and Amongst the top 25 Best Employers in Asia – 2009 by Hewitt Associates, Dun & Bradstreet Corporate Award – 2008 for being the Best Company in the Non-Ferrous Metals Sector for the second successive year, IMC Ramkrishna Bajaj National Quality Certificate of Merit – 2008 and the Asian Corporate Social Responsibility Award – 2008.

Outlook

The economic environment in FY 2009 remained uncertain and resulted in depressed commodity prices. We are already seeing some support for commodity prices driven by the demand coming from China and India who are continuing to invest in infrastructure projects.

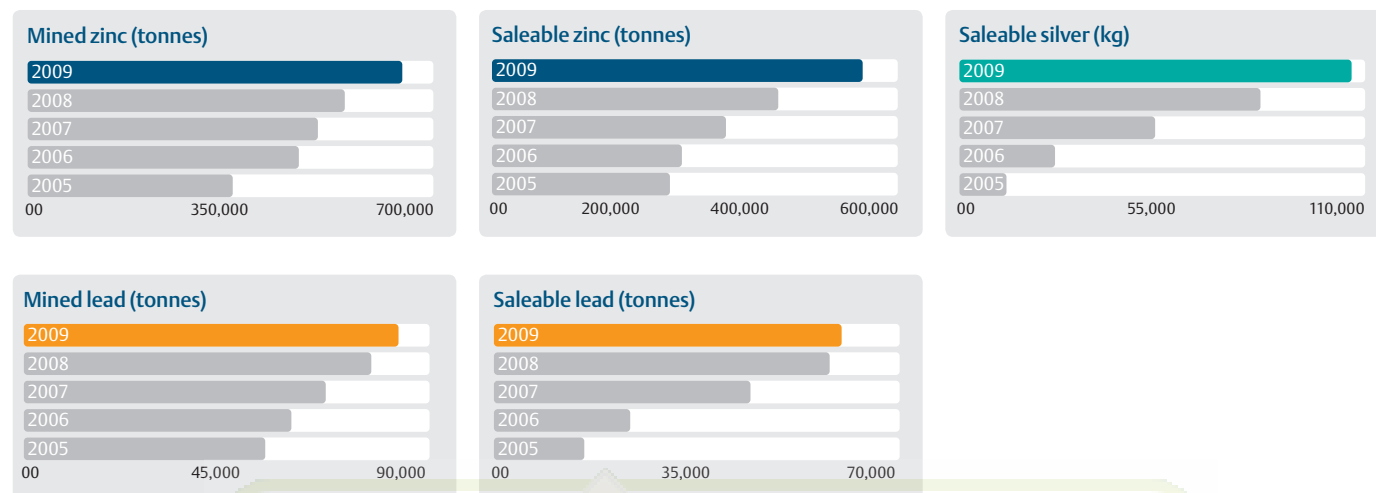
The inherent strength of our sustainable low cost operations ensures we are well positioned through the cycle in a period of difficult economic conditions and commodity prices. We have a robust balance sheet and strong liquidity position. We remain focused on reducing our cost of production, delivering our organic growth program on time and at benchmark low capital costs and generating strong free cash flow.

AGNIVESH AGARWAL
Chairman

Our Performance

Key Performance Indicators

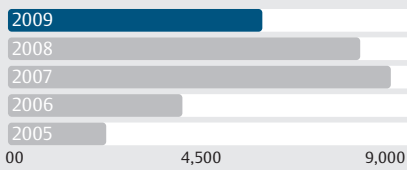
Operational



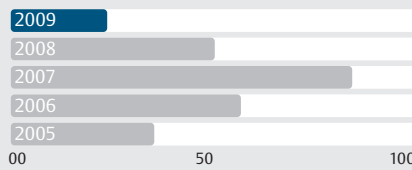
Financial

Non-financial

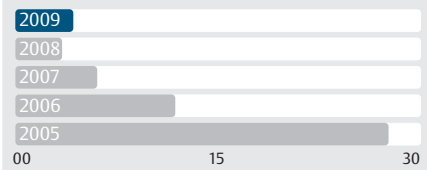
Revenue (Rs crore)



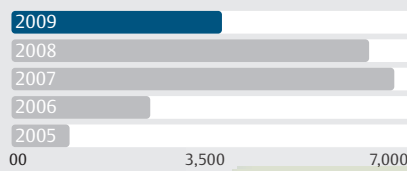
ROCE (%)



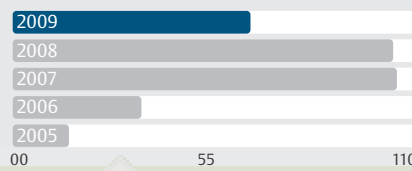
LTIFR



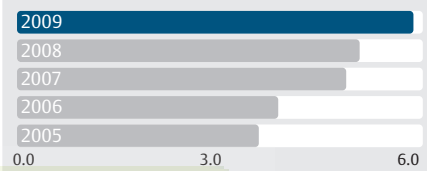
PBDIT (Rs crore)



EPS (Rs)



Women in Workforce (%)



Key Performance Indicator

Description

Revenue

Revenue on sale of products (net of volume rebates) is recognized on delivery of product and/or on passage of title to the buyer. Sales include export benefit. Export benefits are recognized on recognition of export sales.

ROCE %

This is calculated on the basis of profit before tax and interest as a ratio of capital employed in business as at the balance sheet date. The objective is to earn consistently a return to ensure that capital is invested efficiently and this indicator measures the efficiency of our productive capital.

PBDIT

PBDIT is a factor of volumes, prices and cost of production. This is calculated by adjusting operating profit plus depreciation interest and amortisation. Our objective is to take advantage of our low cost base and achieve the best possible margins across the Businesses.

EPS

Net profit attributable to equity shareholders. By producing a stream of profits and EPS we will be able to pay a progressive dividend to our shareholders. EPS growth also demonstrates the management of our capital structure.

LTIFR

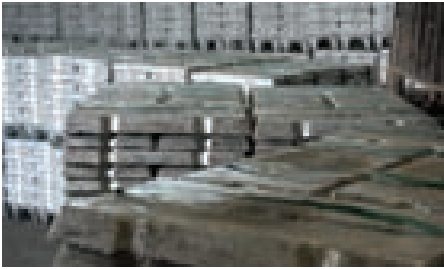
Lost time injuries per million manhours worked.

Diversity

Total number of women in the total permanent employee workforce.

Markets

Zinc



Global Market

In 2008, world zinc demand decreased by about 2% to 11.2 million tonnes. At the same time world mine production increased by 5% to 11.5 million tonnes and the world refined metal production also increased by 3% to 11.5 million tonnes, leaving the zinc market with a surplus of over 300,000 tonnes of refined zinc metal. Although the stock levels had increased at London Metal Exchange and Shanghai Future Exchanges as compared to last year, the stocks still remained at historically low levels in relation to the global consumption.

In FY 2009, the average price of zinc on the London Metal Exchange (LME) was down by 48%, as compared to FY 2008. The decline was principally driven by the global economic meltdown.

The continued fall of zinc LME prices in FY 2009 led to a number of zinc mines closures and to the shutdown or reduction of refined zinc metal production. In the beginning of FY 2009, around 0.8 million tonnes of zinc mine capacity and more than a million tonnes of refined production capacity was shut down. However, the zinc LME price stabilised at the end of FY 2009, as a consequence of a number of production cuts at both mines and smelters, offset by a weak demand in the Western World.

Geographically, we are well positioned to benefit from the global supply demand imbalance, as Asia & Europe

will be net importers and Latin America & Oceania will be net exporters. The demand base for non-ferrous metals is clearly drifting from Western World to Asian and African countries, where we have a strong presence.

Indian Market

Indian demand for refined zinc increased by 2% to 0.48 million tonnes in 2008, as compared to 0.47 million tonnes in the previous year. This was mainly driven by the demand created by infrastructure projects.

Indian zinc demand is expected to grow in the coming years based on a positive GDP forecast. The key components for growth are ongoing and upcoming infrastructure projects, consumer durables and the automobile sector. The Indian Government has also announced a conducive bailout package to boost the demand. 37 Infrastructure projects worth Rs 70,000 crores have already been approved by the Indian Government including various projects for Railway Electrification, Ports, Airports, etc. In long term we see a promising future for zinc demand in India, given the low per capita zinc consumption of 0.42 kg per capita in 2008, as compared to the world average of 1.7 kg per capita zinc consumption.

We hold more than 80% share of the Indian zinc demand, where we see continuous growth in zinc consumption in line with a positive GDP outlook. As is typical of all developing economies, the growth rate of metal consumption in India is expected to be 1.5 times the GDP growth rate.

Applications of Zinc

– **Galvanising:** Zinc is one of the best forms of protection against corrosion and is used extensively in building, construction, infrastructure, household appliances, automobiles, steel furniture, and more. Galvanising accounts for around 48% of global zinc usage.

- **Zinc Oxide:** The most widely used zinc compound, zinc oxide is used in the vulcanisation of rubber, as well as in ceramics, paints, animal feed, pharmaceuticals, and several other products and processes. A special grade of zinc oxide has long been used in photocopiers. 10% of global zinc usage is in this segment.
- **Die Castings:** Zinc is an ideal material for die casting and is extensively used in hardware, electrical equipments, automotive and electronic components. 17% of zinc used in the world is through Die Castings
- **Alloys:** Zinc is extensively used in making alloys, especially brass, which is an alloy of copper and zinc. Alloy accounts for around 11% of global zinc usage.
- **Rolled Zinc:** Zinc sheets are used extensively in the building industry for roofing, flashing and weathering applications. These are also used in graphic art to make plates and blocks, as well as battery callouts and coinage.

Lead

Global Market

Demand for refined lead increased by a modest 3.3% to 8.5 million tonnes in 2008, as compared to the previous year. The increase was mainly driven by the Lead-acid batteries, used principally in SLI (Starting – Lighting – Ignition) applications in motor vehicles, as well as in certain other automotive power and industrial uses, which have accounted for lead consumption growth in the recent past and are expected to augment the consumption growth in the future.

Global lead mine production was 3.5 million tonnes per annum in 2008. At the same time, the global lead smelter production was at 8.5 million tonnes. This left the refined lead market in the deficit, barely by 35,000 tonnes for the year. In FY 2009, the average price of lead on the London Metal Exchange (LME)