



Hindustan Zinc Limited



FOCUSED ON  
DELIVERY  
LONG-TERM GROWTH  
PEOPLE  
A SUSTAINABLE FUTURE



## Introduction

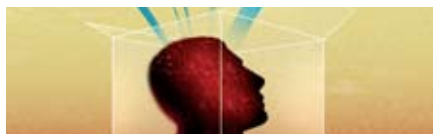
Hindustan Zinc is India's largest and the world's second largest integrated producer of zinc & lead, with a global share of approximately 6.0% in zinc.

## Our Vision

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

## Our Values

### Entrepreneurship



We foster an entrepreneurial spirit throughout our businesses and value the ability to foresee business opportunities early in the cycle and act on them swiftly. Whether it be developing organic growth projects, making strategic acquisitions or creating entrepreneurs from within, we ensure an entrepreneurial spirit at the heart of our workplace.

### Growth



We continue to deliver growth and generate significant value for our shareholders. Moreover, our organic growth pipeline is strong as we seek to continue to deliver significant growth for shareholders in the future. We have pursued growth across all our businesses and into new areas, always on the basis that value must be delivered.

### Excellence



Achieving excellence in all that we do is our way of life. We strive to consistently deliver projects ahead of time at industry-leading costs of construction and within budget. We are constantly focused on achieving a top decile cost of production in each of our businesses. To achieve this, we follow a culture of best practice benchmarking.

### Trust



The trust that our stakeholders place in us is key to our success. We recognise that we must responsibly deliver on the promises we make to earn that trust. We constantly strive to meet stakeholder expectations of us and deliver ahead of expectations.

### Sustainability

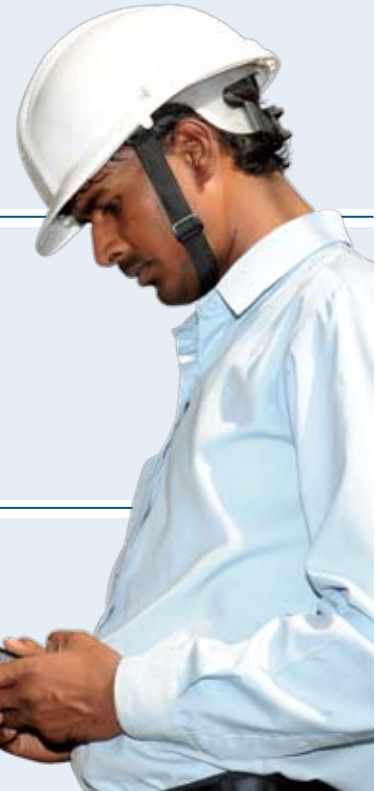


We practice sustainability within the framework of well defined governance structures and policies and with the demonstrated commitment of our management and employees. We aim not only to minimise damage to the environment from our projects but to make a net positive impact on the environment wherever we work.





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## Highlights

- ▶ Revenue of Rs 8,017 Crore, higher by 41% compared to the previous year, driven by higher volumes, increase in LME prices and improved operational efficiencies.
- ▶ Highest ever Mined metal production of 768,620 tonnes; Refined metal production of 650,038 tonnes<sup>1</sup>; and 176,381 kilograms of Silver<sup>2</sup>.
- ▶ PBDIT of Rs 5,392 Crore, up by 47% compared with FY 2009.
- ▶ EPS of Rs 95.65 per share.
- ▶ The 210 ktpa zinc smelter at Dariba and 1 mtpa concentrator at Rampura Agucha successfully commissioned, around a quarter ahead of schedule.
- ▶ Stable operating costs, supported by higher volumes, increased operational efficiencies, increased capacities.
- ▶ Strong balance sheet with shareholders fund base of Rs 18,124 Crore and cash flow and liquid investments of Rs 11,900 Crore.
- ▶ Total dividend recommended at Rs 6 per share.

<sup>1</sup> Includes captive consumption of 7,308 tonnes Lead.

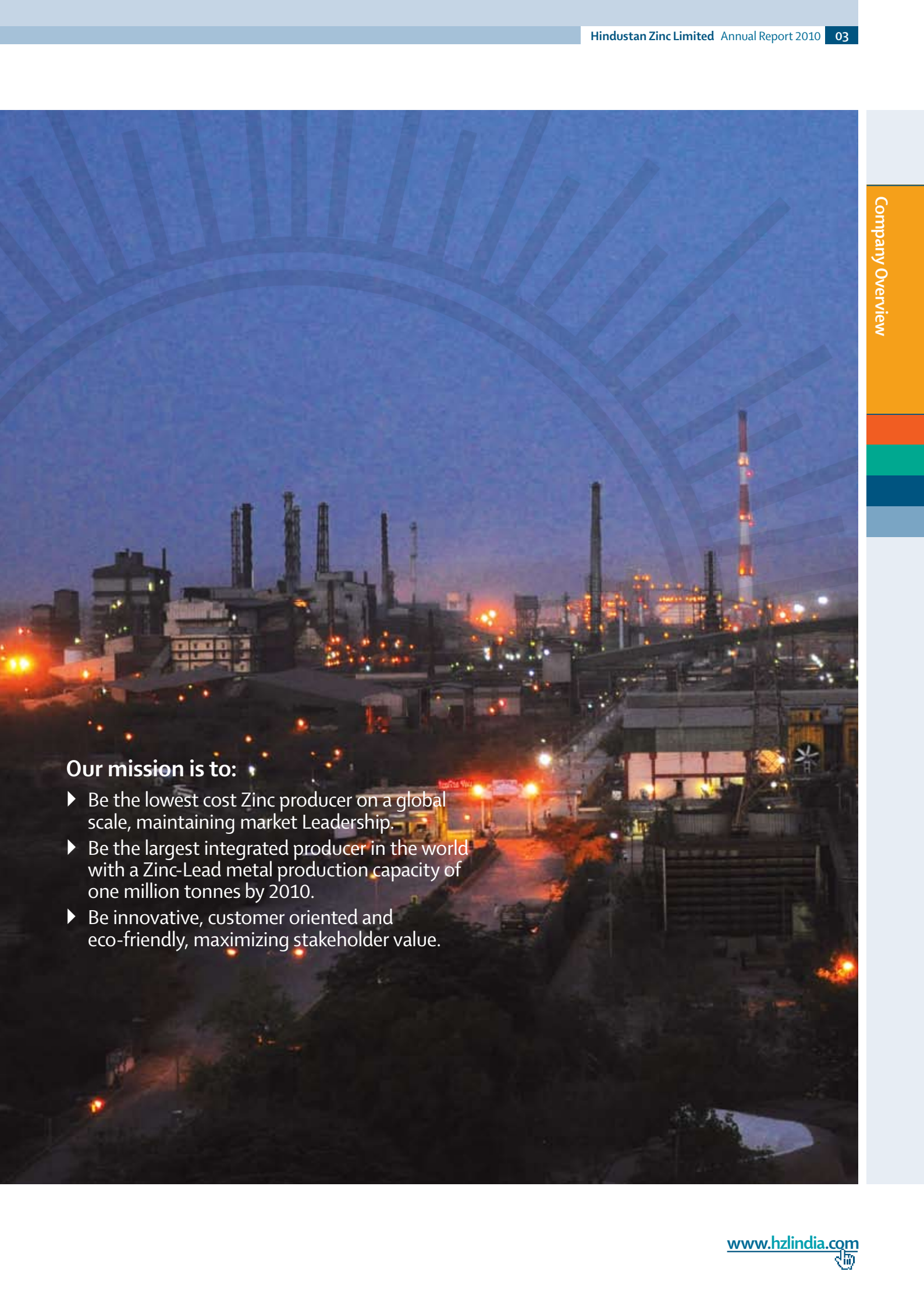
<sup>2</sup> Includes captive consumption of 37,831 kilograms Silver.

## Growth projects

- ▶ The 210 ktpa zinc smelter at Dariba and 1 mtpa concentrator at Rampura Agucha successfully commissioned.
- ▶ 100 ktpa Lead smelter, 160 MW CPP and the mine projects are on track for scheduled completion.







## Our mission is to:

- ▶ Be the lowest cost Zinc producer on a global scale, maintaining market Leadership.
- ▶ Be the largest integrated producer in the world with a Zinc-Lead metal production capacity of one million tonnes by 2010.
- ▶ Be innovative, customer oriented and eco-friendly, maximizing stakeholder value.

## Hindustan Zinc at a Glance

We are one of the lowest cost producers in the world and are well placed to serve the growing demand of Asian countries. Hindustan Zinc is a subsidiary of the NYSE listed – Sterlite Industries (India) Limited (NYSE: SLT) and London listed FTSE 100 diversified metals and mining major – Vedanta Resources plc.

Our core business comprises of mining and smelting of zinc and lead along with captive power generation. We have four mines and four smelting operations: mines are situated at Rampura Agucha, Sindesar Khurd, Rajpura Dariba and Zawar in the State of Rajasthan, while the smelters are located at Chanderiya, Debari and Dariba in the State of Rajasthan and Vizag in the State of Andhra Pradesh.

### Mining

#### 1. Rampura Agucha Mine

Ore Produced in FY 2010:  
5,135,625 tonnes

Type of Mine: Open Cast

Reserves: 75.71 million tonnes

Resources: 44.65 million tonnes

Reserves Grade:  
Zinc 14.23%;  
Lead 1.99%

Ore Production Capacity: 6.00 mtpa

#### 2. Sindesar Khurd Mine

Ore Produced in FY 2010:  
444,715 tonnes

Type of Mine: Underground

Reserves: 10.74 million tonnes

Resources: 50.08 million tonnes

Reserves Grade:  
Zinc 5.45%;  
Lead 2.95%

Ore Production Capacity: 0.50 mtpa

#### 3. Rajpura Dariba Mine

Ore Produced in FY 2010:  
501,282 tonnes

Type of Mine: Underground

Reserves: 7.80 million tonnes

Resources: 34.41 million tonnes

Reserves Grade:  
Zinc 6.25%;  
Lead 1.40%

Ore Production Capacity: 0.90 mtpa

#### 4. Zawar Mines

Ore Produced in FY 2010:  
1,020,250 tonnes

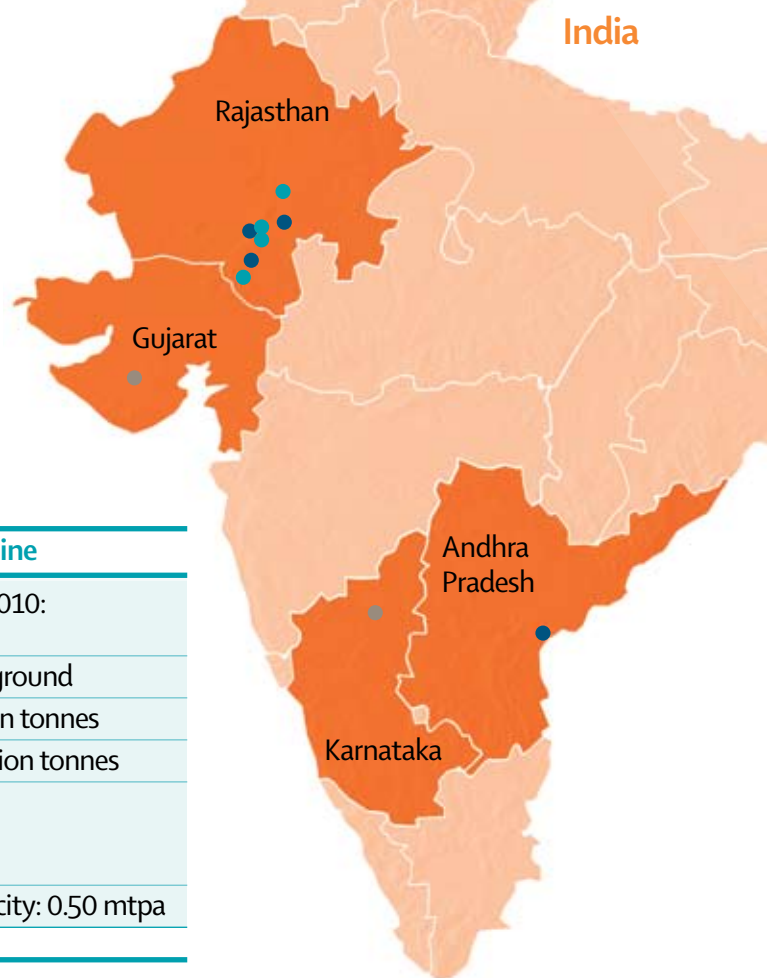
Type of Mine: Underground

Reserves: 7.85 million tonnes

Resources: 53.36 million tonnes

Reserves Grade:  
Zinc 3.66%;  
Lead 1.95%

Ore Production Capacity: 1.20 mtpa



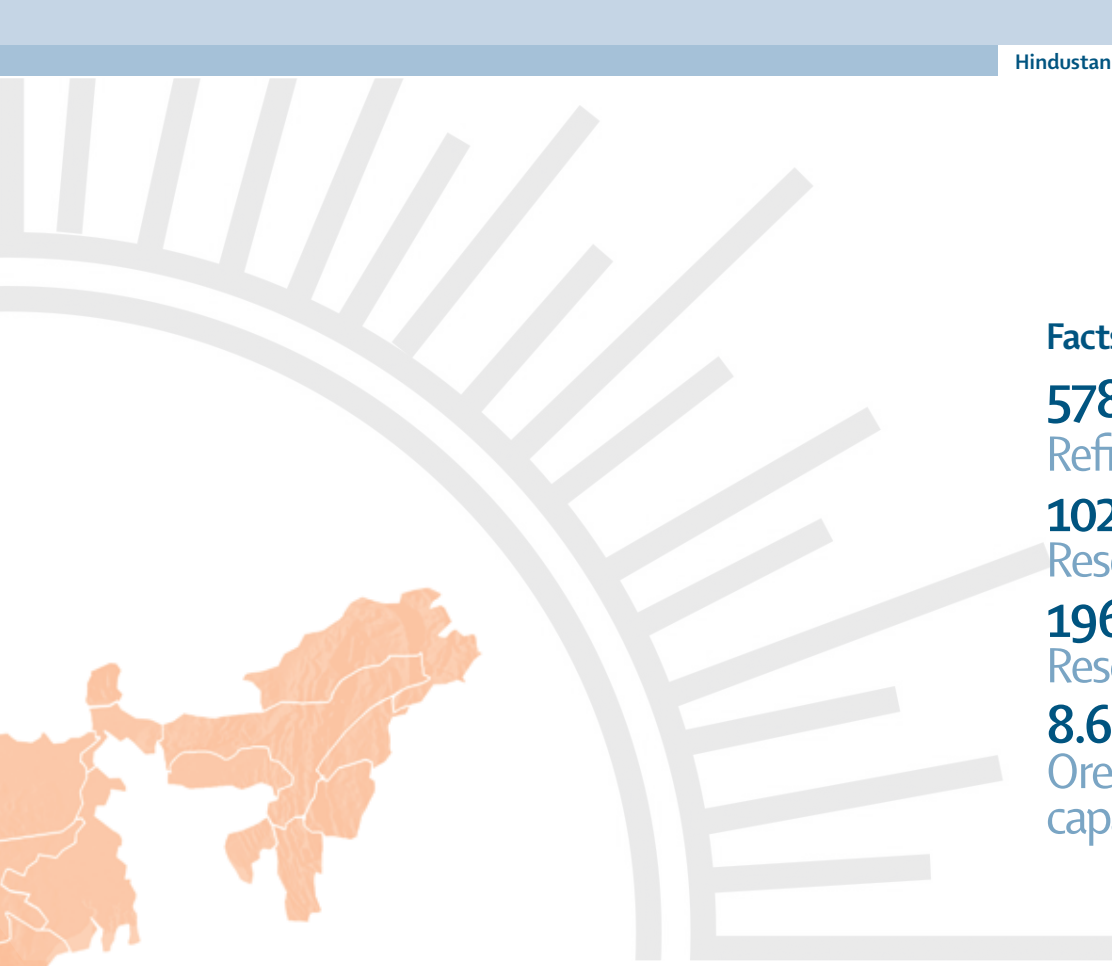
## Facts + figures (2009-10)

**578 ktpa**  
Refined Zinc production

**102.09 mtpa**  
Reserves

**196.56 mtpa**  
Resources

**8.60 mtpa**  
Ore production capacity



Map is indicative and not to scale.

## Smelting

### 1. Chanderiya Smelting Complex

Production in FY 2010:  
436,909 tonnes of Zinc  
71,627 tonnes of Lead<sup>1</sup>  
176 tonnes of Silver<sup>2</sup>

Capacity:  
525,000 tonnes of Zinc;  
85,000 tonnes of Lead;  
168 tonnes of Silver

### 2. Zinc Smelter Debari

Production in FY 2010:  
87,347 tonnes of Zinc  
Capacity: 88,000 tonnes of Zinc

### 3. Zinc Smelter Vizag

Production in FY 2010:  
54,184 tonnes of Zinc  
Capacity: 56,000 tonnes of Zinc

### 4. Dariba Smelting Complex – Hydro Zinc Smelter

Capacity: 210,000 tonnes of Zinc

<sup>1</sup> Includes captive consumption of 7,308 tonnes Lead.

<sup>2</sup> Includes captive consumption of 38 tonnes Silver.

## Power Generation

### 1. Chanderiya Smelting Complex

Type: Coal based  
Capacity: 234 MW  
Type: DG Set  
Capacity: 14.81 MW  
Type: Waste Heat Recovery  
Capacity: 13.7 MW

### 2. Zawar Mines

Type: Coal based  
Capacity: 80 MW  
Type: DG Set  
Capacity: 6 MW

### 3. Zinc Smelter Debari

Type: DG Set  
Capacity: 14.81 MW  
Type: Waste Heat Recovery  
Capacity: 6.5 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





## Chairman's Statement



**“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.”**  
Agnivesh Agarwal, Chairman

The success story of Hindustan Zinc continues as we report another set of excellent results, even in a year that was challenging for our industry and the global economy. The 2010 financial year began with developed markets in recession and commodity prices and industrial demand subdued. Emerging markets – especially India and China – proved more resilient to the economic downturn, with continued economic and metals consumption growth.

The large and coordinated stimulus from governments globally has secured greater stability in financial markets and a return to economic growth. Commodity prices and industrial demand have recovered and we enter the FY 2011 with much greater optimism to when we entered 2010.

Excellent liquidity, strong cash flow, low cost operations, strong organic growth pipeline and continuous upgrading of mineral

resources is what distinguishes us from our peers and positions us well to deliver even in these unprecedented markets. This ensures long term sustainability and enhanced shareholder value.

### Financial Performance

We reported excellent results in FY 2010, backed by increased volumes, stable costs, operational efficiencies and improved LME prices. Revenues rose by 41% to Rs 8,017 Crore and PBDIT rose by 47% to Rs 5,392 Crore, compared to the previous year. Over the years, we have consistently generated strong free cash flows. We exited the year with a cash-rich balance sheet having cash and cash equivalents of around Rs 11,900 Crore, due to our excellent cash conversion, even with the significant capital investment of Rs 2,400 Crore in the period.

### Operational performance and Organic growth

During the year, we achieved the highest ever production of Zinc and Lead mined & refined metal, as well as the highest ever Silver production. Our mined metal production for Zinc and Lead in FY2010 was 768,620 tonnes, up 4.5% compared with FY 2009. The Zinc & Lead refined metal production during the year was 650,038 tonnes, up 5.3% compared with the previous year. The Company also recorded its highest ever Silver production at 176,381 kilograms, an increase of 33.9% compared with the previous year. During the year, our total power generation increased by 25% to 2,473 million units, compared with the previous year. The wind power generation was marginally lower at 219.1 million units, compared with the previous year.

During the year, we successfully commissioned our 210 ktpa Hydro-Zinc smelter at Dariba and 1 mtpa concentrator at Rampura Agucha, ahead of schedule. The work at the 100 ktpa Lead smelter and the 160MW Captive Power Plant (CPP) at Dariba is progressing well for scheduled completion in Q2 FY2011.



Work at the Sindesar Khurd Mine project is also on schedule for progressive expansion to 1.50 mtpa. Post the completion of the 100 ktpa lead smelter, we will become the largest integrated Zinc-Lead producer in the world with metal production capacity of 1,064 ktpa.

Our portfolio of existing assets and recently completed expansion projects continues to yield superior performance and we continue to make investments that drive long-term sustainable growth.

### Exploration

Expansion of our reserves and resources base through exploration is a part of our sustainable growth strategy. I have great pleasure in reporting that our ongoing exploration activities have yielded significant success with an increase of 33.7 million tonnes to the reserves and resources, prior to a depletion of 7.1 million tonnes in FY 2010. Contained zinc-lead metal has increased by 3.4 million tonnes, prior to a depletion of 0.8 million tonnes during the same period. Total reserves and resources at 31 March 2010 were 298.6 million tonnes containing 34.1 million tonnes of zinc-lead metal.

### People

We believe our people play a vital role in helping the organization create value and grow with confidence. We have undergone a great transformation at the back of competency and improvement oriented work culture of our people supported by a string of debottlenecking and expansions. We believe in recruiting truly outstanding people, providing them with quality assignments, training, support and international opportunities to flourish professionally and personally. 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.

### Sustainability

Sustainable development is an integral part of our business philosophy and represents core commitment of our management and employees. We believe that businesses play an important role in tackling and driving sustainability and climate change challenges. We have been continuously prioritizing and emphasizing the need to ensure compliance and improve our social and environmental performance. We strive to ensure that our business creates sustainable benefits for all our stakeholders.

### During the year, we achieved the highest ever production of Zinc-Lead mined & refined metal, as well as the highest ever Silver production.

We have established stringent management systems centred on safety, health, the environment and social performance. We continue to impact the lives of over 500,000 people in the vicinity of our operations. Our focus is on nurturing leaders, conserving resources, improving health, safety and environmental performance, enhancing the quality of life and fostering innovation.

### Dividend

The Board of Directors has recommended a dividend of 60%, i.e., Rs 6 per equity share, for the current year.

### Awards and Recognition

Our efforts and actions continue to be acknowledged by the external agencies. During the year, we won numerous awards in the areas of operational excellence, quality, health and safety, corporate social responsibility; notable amongst those are the 'IMC Ramakrishna Bajaj National Quality Award (RBNQA) – Performance Excellence Trophy'; the 'RoSPA gold award 2009 from Royal Society for Prevention of Accidents, UK'; the 'Golden Peacock Occupational

Health & Safety Award'; the 'CII-ITC Sustainability Award (Commendation for Strong Commitment towards sustainability)'; the 'CII-Leadership & Excellence Award in Environment, Health & Safety'; and the 'Stars of the Industries Awards in Green Manufacturers category'.

### Outlook

The recovery in demand and commodity prices appears well-founded and the medium and long-term outlook for our commodities remains strong. We are well placed to benefit from a sustained recovery given our structurally low cost position, presence in growing economies and the organic growth programme. 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 flows. We have successfully commissioned our 210 ktpa Hydro Zinc smelter in Dariba and 1 mtpa concentrator at Rampura Agucha during the last quarter of FY 2010; the operational impact of which will become visible in the next fiscal. We are focused on substantially increasing our Silver production through increased volume and improved recovery & efficiency. The work at the 100 ktpa Lead smelter and the 160MW CPP at Dariba is progressing well for scheduled completion in Q2 FY2011. Work at the Sindesar Khurd Mine project is also on schedule for progressive expansion to 1.50 mtpa. Post the completion of the 100 ktpa lead smelter, we will become the largest integrated Zinc-Lead producer in the world with metal production capacity of 1,064 ktpa.

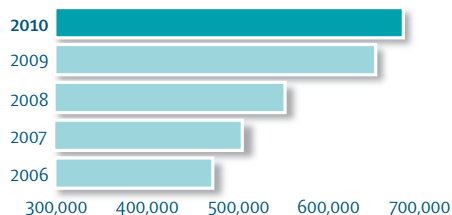
**Agnivesh Agarwal**  
Chairman

## Key Performance Indicators

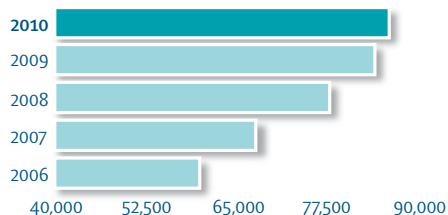
Our strategic goal is to generate strong financial returns.

### Operational

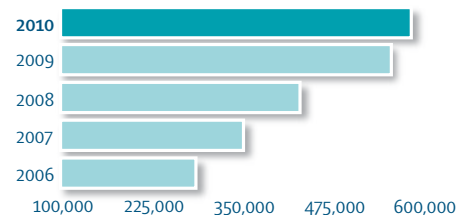
#### Mined Zinc (tonnes)



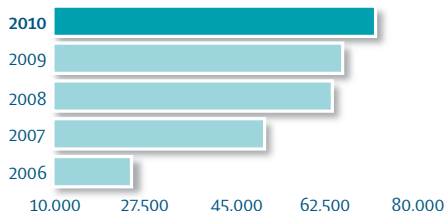
#### Mined Lead (tonnes)



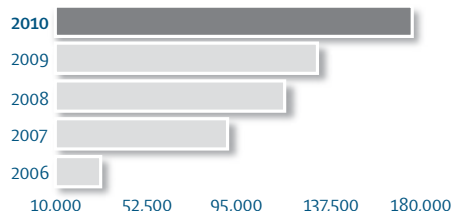
#### Refined Zinc (tonnes)



#### Refined Lead (tonnes)



#### Refined Silver (kg)



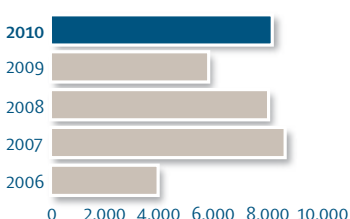
### Financial

#### Description

#### 2010 performance

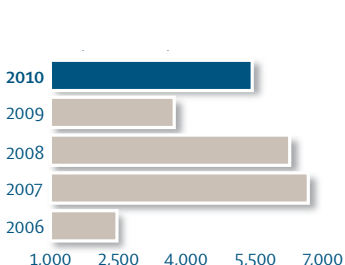
##### Revenue (Rs crore)

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.



##### PBDIT (Rs crore)

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

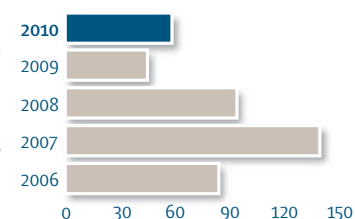


#### Description

#### 2010 performance

##### ROCE %

This is calculated on the basis of PBIT before exceptional items & other non operational incomes/expenses, net of effective tax; as a ratio of capital employed in business as at the balance sheet date. Capital employed its shareholders fund & loan funds, net of non operational net cash and investments after adjusting the non operational debt. 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.



##### EPS (Rs)

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.

