



Hindustan Zinc Limited



Delivering
Growth
Long-term value
Sustainability

Our Vision

Be the world's largest and most admired Zinc-Lead & Silver Company.

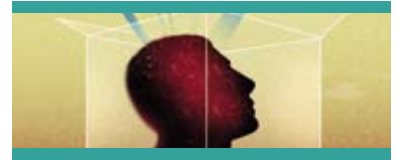
Mission

- Enhance stakeholders' value through exploration, innovation, operational excellence and sustainability.
- Be a globally lowest cost producer.
- Maintain market leadership and customer delight.

Our Values

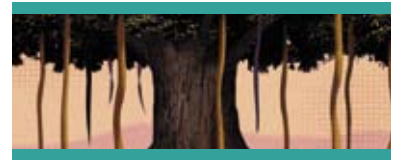
Entrepreneurship

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 practise sustainability within the framework of well-defined governance structures and policies and with the demonstrated commitment of our management and employees. We aim that our projects make a net positive impact on the environment, wherever we work.



Contents



- 02 Highlights
- 04 Hindustan Zinc at a Glance
- 06 Chairman's Statement
- 08 Key Performance Indicators

Company
Overview



- 12 Market Overview
- 14 Operational Performance
- 24 Human Resources
- 25 Financial Review
- 27 Risks and Uncertainties

Business
Overview



- 34 Sustainable Development
- 40 Corporate Social Responsibility

Sustainable
Development



- | | |
|--|--|
| 46 Board of Directors | 63 Additional Shareholder Information |
| 48 Corporate Information | 67 Certification by Chief Operating Officer and Chief Financial Officer of the Company |
| 49 Directors' Report | 68 Auditors' Certificate |
| 52 Annexure 1 | 69 Auditors' Report |
| 53 Form 'A' | 70 Annexure to the Auditors' Report |
| 54 Certificate of Compliance with the Code of Conduct Policy | 71 Annexure A |
| 54 Secretarial Compliance Report | |
| 55 Corporate Governance Report | |

Corporate
Governance



- 72 Balance Sheet
- 73 Profit & Loss Account
- 74 Cash Flow Statement
- 75 Schedule Annexed to and Forming Part of the Accounts
- 103 Balance Sheet Abstract and Company's General Business Profile
- 104 Financial Highlights

Financial
Statements

Highlights

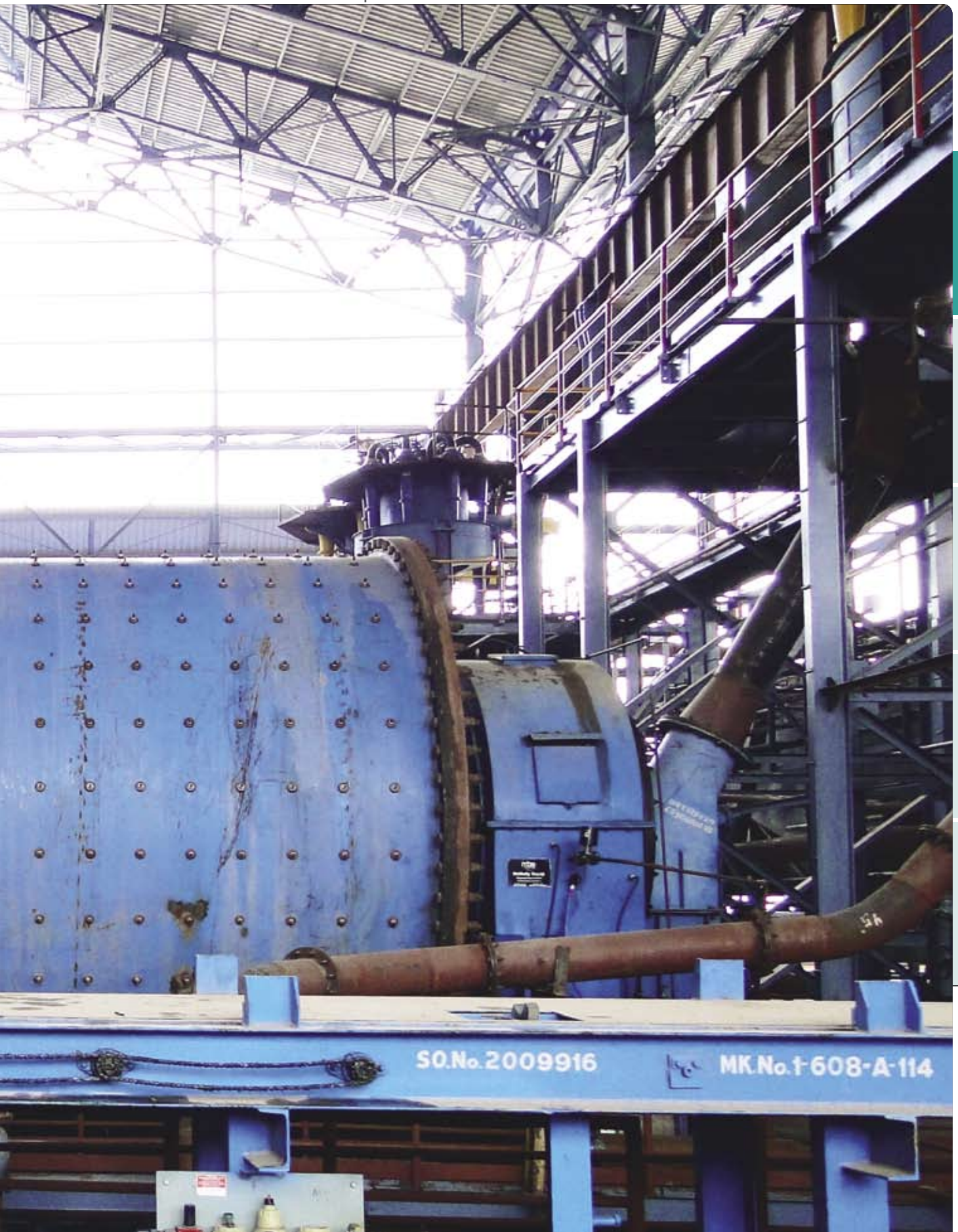
- Revenue of ₹ 9,912 Crores, higher by 24% compared to the previous year, driven by higher volumes, increase in LME prices and improved operational efficiencies.
- Highest ever Zinc & Lead Mined metal production of 840,000 tonnes; Refined Zinc metal production of 712,000 tonnes; and 179,000 kg of Silver (I).
- PBDIT of ₹ 6,454 Crores, up by around 20% compared to FY 2010.
- EPS of ₹ 11.60 per share.
- Stable operating costs, supported by higher volumes and increased operational efficiencies.
- Strong balance sheet with shareholders fund base of ₹ 22,533 Crores and cash/bank balance and liquid investments of ₹ 14,965 Crores.
- Total contribution to exchequer of ₹ 2,602 Crores.
- Green energy contributes 24% of our total power generation capacity.
- Dividend recommended at ₹ 1 per equity share of ₹ 2/- each.

(I) Includes captive consumption of 30,997 kg Silver.

Growth Projects

- Accelerated ramp-up at Silver-rich Sindesar Khurd mine – successfully commissioned the 1.50 mt per annum concentrator.
- Successfully commissioned the 160 MW (80X2) CPP at Dariba.
- Successfully commissioned 48 MW of the total 150 MW expansion in Wind Power generation capacity, announced in January 2011.





Company
Overview

Business
Overview

Sustainable
Development

Corporate
Governance

Financial
Statements

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.

Mining operations

Rampura Agucha Mine

- Ore Produced in FY 2011: 6,149,165 tonnes
- Type of Mine: Open Cast
- Reserves: 69.71 mt
- Resources: 44.65 mt
- Average Reserves Grade: Zinc 14.28%; Lead 1.96%
- Ore Production Capacity: 6.15 mtpa

Sindesar Khurd Mine

- Ore Produced in FY 2011: 654,050 tonnes
- Type of Mine: Underground
- Reserves: 10.10 mt
- Resources: 57.84 mt
- Average Reserves Grade: Zinc 4.93%; Lead 2.78%
- Ore Production Capacity: 1.50 mtpa

Rajpura Dariba Mine

- Ore Produced in FY 2011: 496,234 tonnes
- Type of Mine: Underground
- Reserves: 9.05 mt
- Resources: 40.34 mt
- Average Reserves Grade: Zinc 6.80%; Lead 1.77%
- Ore Production Capacity: 0.9 mtpa

Zawar Mines

- Ore Produced in FY 2011: 240,550 tonnes
- Type of Mine: Underground
- Reserves: 7.87 mt
- Resources: 57.99 mt
- Average Reserves Grade: Zinc 3.66%; Lead 2.03%
- Ore Production Capacity: 1.20 mtpa

Smelting operations

Chanderiya Lead-Zinc Smelter

- Production in FY 2011:
 - 424,418 tonnes of Zinc
 - 63,192 tonnes of Lead (*)
 - 179 tonnes of Silver (!)
- Capacity:
 - 525,000 tonnes of Zinc
 - 85,000 tonnes of Lead
 - 168 tonnes of Silver

(*) Includes captive consumption of 5,898 tonnes Lead.

(!) Includes captive consumption of 30,997 kg Silver.

Zinc Smelter Debari

- Production in FY 2011:
 - 84,839 tonnes of Zinc
- Capacity:
 - 88,000 tonnes of Zinc

Zinc Smelter Vizag

- Production in FY 2011:
 - 38,663 tonnes of Zinc
- Capacity:
 - 56,000 tonnes of Zinc

Dariba Smelting Complex

- Production in FY 2011:
 - 164,551 tonnes of Zinc
- Capacity:
 - 210,000 tonnes of Zinc

Power operations

Chanderiya Lead-Zinc Smelter

- Type: Coal based Captive Power Plant
- Capacity: 234 MW
- Type: DG Set
- Capacity: 14.81 MW
- Type: Waste Heat Recovery
- Capacity: 13.7 MW

Dariba Smelting Complex

- Type: Coal based Captive Power Plant
- Capacity: 160 MW
- Type: Waste Heat Recovery
- Capacity: 4.3 MW

Zawar Mines

- Type: Coal based Captive Power Plant
- Capacity: 80 MW
- Type: DG Set
- Capacity: 6 MW

Zinc Smelter Debari

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

Samana Wind Power Plant

- Type: Wind energy farms
- Capacity: 88.8 MW

Gadag Wind Power Plant

- Type: Wind energy farms
- Capacity: 34.4 MW

Mokal Wind Power Plant

- Type: Wind energy farms
- Capacity: 35.7 MW

Gopalpura Wind Power Plant

- Type: Wind energy farms
- Capacity: 12 MW

mt - million tonnes

mtpa - million tonnes per annum



Company
Overview

Business
Overview

Sustainable
Development

Corporate
Governance



Chairman's Statement

Focused on growth, long-term value and sustainability

“This year we have focused on enhancing the shareholder value by focusing on faster ramp-ups, leading to improvement in growth and profitability. We continue to focus on enhancing value from Silver and are committed to becoming a leading Silver producer globally.”



Dear Shareholders,

I am delighted to report that FY 2011 was yet another year of record volumes, growth and profitability. We have consistently delivered on our commitments and produced strong results. Commodity prices and industrial demand have rebounded sharply; staging a return to economic growth and augmenting conviction and optimism in the global markets.

Our excellent liquidity position, strong cash flows, low-cost operations, strong organic growth pipeline and continuous upgrading of mineral resources; ensures our long-term sustainability, operational growth and profitability and enhanced shareholder value.

Financial Performance

We reported yet another set of excellent results in FY 2011; driven by strong volume growth, operational efficiencies and improved LME prices. We reported

Revenues and PBDIT of ₹ 9,912 Crores and ₹ 6,454 Crores; up by 24% and 20% compared to the previous year. Even with the significant capital investment of ₹ 1,324 Crores in the period, due to our excellent cash conversion, we exited the year with a cash-rich balance sheet having cash/bank balance and liquid investments of around ₹ 14,965 Crores.

Operational Performance and Organic Growth

I have great pleasure in reporting a record production of Zinc-Lead mined metal, refined Zinc metal and refined Silver during the year. The Zinc-Lead mined metal production during the year was 840,000 tonnes, up by 9% compared to the previous year.

Refined Zinc metal production during FY 2011 was highest ever at 712,000 tonnes, up by 23% compared to the previous year. The refined Silver

production for FY 2011 was higher at 179,000 kg. During the year, our total power generation increased by 14% to 2,811.8 Million Units, compared to the previous year. The wind power generation was marginally lower at 201.4 Million Units, compared to the previous year.

We have accelerated the pace of ramp-up at our Silver-rich Sindesar Khurd mine with the commissioning of 1.50 mtpa concentrator. During the year, we also successfully commissioned 160 MW (80X2) CPP at Dariba.

Commissioning of the 100 ktpa Lead smelter at Dariba is expected to be completed in Q1 of FY 2012, post which, we would achieve our stated objective of over 1 mt of metal production capacity.

Our portfolio of existing assets and recently completed expansion projects continues to yield superior performance,

and we continue to make investments and pursue opportunities that drive long-term sustainable growth.

Exploration

I am delighted to report that our ongoing exploration activities have yielded significant success with an increase of 22.1 mt to the reserves and resources, prior to a depletion of 7.5 mt in FY 2011. Contained Zinc-Lead metal has increased by 1.4 mt, prior to a depletion of 0.84 mt during the same period. Contained Silver has increased to 885 million ounces from 832.8 million ounces last year. Total reserves and resources as on 31 March 2011 were 313.2 mt containing 34.7 mt of Zinc-Lead metal and 885 million ounces of Silver. Expansion of our reserves and resources base through exploration is a part of our sustainable growth strategy.

People

The investment that a Company makes in its people is one of the most important investments it can ever make. I am perennially amazed and impressed with the competency, dedication, integrity and enthusiasm of our employees at every level of the Company. We have undergone a phenomenal transformation at the back of competency and improvement-oriented work culture of our people, supported by a string of debottlenecking and expansions. Our people continue to play a vital role in helping the organisation to create value and to grow with confidence. We believe in recruiting truly outstanding people, providing them with quality assignments, training, support and international opportunities in order to help them flourish both professionally and personally. I would like to thank all our employees for their continued contribution to the growth, success and sustainability of the Company. We continue to offer exciting growth

opportunities for all our employees and remain committed towards providing a safe and supportive work environment for all.

Sustainability

Sustainability is a key element of our strategy for future and is consequently, embedded into our routine management processes and practices. We view environmental and social stewardship as one of our key responsibilities. We believe that businesses play an important role in tackling and driving sustainability and climate change challenges. We are constantly involved in seeking proactive solutions to manage the environmental impact of our operations. We have established stringent management systems centred on safety, health, 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. We strive to ensure that our business creates sustainable benefits for each and every one of our stakeholders.

Shareholders value

Keeping in view the demand of the investor community, during the year equity share of ₹ 10/- each was sub-divided into 5 equity shares of ₹ 2/- each, and a bonus issue in the ratio of one equity share of ₹ 2/- each was issued for every one equity share of ₹ 2/- each held. Due to the issue of Bonus shares, the authorised capital of the Company was increased from ₹ 500 Crores to ₹ 1,000 Crores. The board of directors has recommended a dividend of 50%, i.e., ₹ 1/- per equity share of ₹ 2/- each, for

the current year. The dividend is payable on an increased share capital following a 1:1 bonus issue.

Awards and Recognition

We are pleased and humbled to have our efforts acknowledged by the external agencies. During the year, we won numerous awards in the areas of operational excellence, quality and health-safety-environment; notable amongst these are the 'IMC Ramakrishna Bajaj National Quality Award – Performance Excellence Trophy' (RBNQA 2010); the 'CII – National Water Management Award 2010'; the 'CII – National Energy Management Award 2010'; and the 'FIMI-Gem Granites Environment Award for the Year 2009-10'.

Outlook

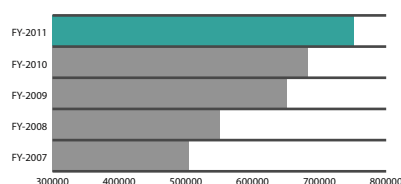
The year has witnessed a significant recovery in demand and commodity prices, which appears deep-seated and stable. Outlook for our commodities thus remains strong. We remain focused on reducing our cost of production, delivering our organic growth programme on time and at benchmark low capital costs and generating strong free cash flows. We have successfully commissioned our 1.50 mtpa concentrator at Sindesar Khurd Mine, and 160 MW (80 X2) CPP at Dariba Smelting Complex; the operational impact of which will be visible in the next fiscal. We are focused on substantially increasing our Silver production through increased mine volumes and improved recovery and efficiency. With the completion of the 100 ktpa Lead smelter and 16 million oz of Silver processing capacity in Q1 of FY 2012, we would achieve our objective of over 1 mt of metal production capacity.

Agnivesh Agarwal
Chairman

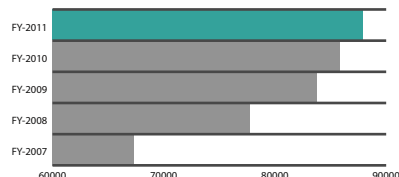
Key Performance Indicators

Operational

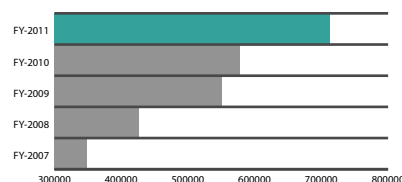
Mined Zinc (tonnes)



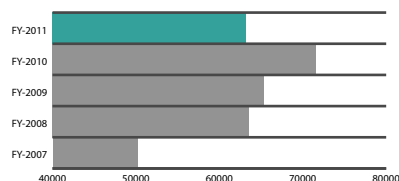
Mined Lead (tonnes)



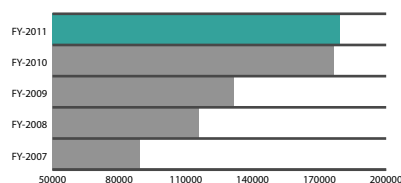
Refined Zinc (tonnes)



Refined Lead (tonnes)

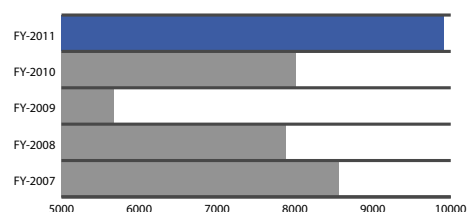


Refined Silver (kg)

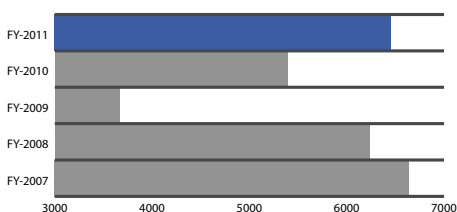


Financial

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



PBDIT (₹ Crores) — PBDIT is a factor of volumes, prices and cost of production. This is calculated by adjusting the 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.



ROCE (%) — This is calculated on the basis of PBIT before exceptional items and 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 is shareholders fund and 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. This indicator measures the efficiency of our productive capital.

