



HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

PRESENT BOARD OF DIRECTORS

Shri Rana Som

Chairman-cum-Managing Director

Shri R. K. Bhargava

Shri Hem Pande

COMPANY SECRETARY

Shri C. S. Singhi

AUDITORS

M/s. M. C. Bhandari & Company, Kolkata

M/s. Dinesh Mehta & Company, New Delhi

BANKERS

State Bank of India

State Bank of Bikaner and Jaipur

Indian Overseas Bank

United Bank of India

Syndicate Bank

Punjab National Bank

State Bank of Hyderabad

REGISTERED OFFICE

Tamra Bhavan

1, Ashutosh Chowdhury Avenue

Kolkata-700 019



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REPORT OF THE BOARD OF DIRECTORS

The Shareholders Hindustan Copper Limited Kolkata

1. Your Directors have pleasure in presenting the thirty-sixth Annual Report of the Company together with the audited statement of accounts and Auditors' Report thereon for the year ended 31st March, 2004.

2. GENERAL

2.1 The production performance of the Company in respect of major items during 2003-2004 is given below :

Item	1. 4. 2003 to 31. 3. 2004		
	Target	Actual	% Achievement
Ore Production ('000T)	3061	2895	95
Metal in Concentrate (T)	30000	28306	94
Cathode (T)	40000	30598	76
Wire Rod (T)	35000	28003	80
Wirebar (T)	-	455	-

2.2 During the year ending 31st March, 2004, copper sales was 30144 tonnes. The turnover during the year was Rs. 499.28 crores and Company ended the financial year 2003-2004 with a net loss of Rs. 56.16 crores compared to net loss of Rs.147.70 crores during 2002-03.

2.3 During 2003-2004, there was a total reduction in manpower of 1870 out of which 1808 were separated through VRS. The cost of separation of 1808 employees through VRS was Rs.126.75 crores. As on 31.3.2004 total manpower strength of HCL was 5995.

3.1 At Malanjkhand Copper Project, ore production of 23.21 lakh tonnes and recovery at concentrator plant of 93.58% during the year 2003-2004 was the highest ever achieved since inception.

3.2 The by-products produced by the Company during the year was as follows :

Gold – 195 Kgs., Silver – 3207 Kgs., Sulphuric Acid – 20439 T, Selenium – 2357 Kgs., Nickel Sulphate – 10 T

4. POWER SUPPLY POSITION

Power supply position in all the units of the Company except ICC unit was more or less satisfactory. ICC experienced occasional load shedding imposed by DVC due to payment default by JSEB. HCL took up the matter with JSEB and DVC and the latest position has been comparatively stable.

5. ENERGY CONSERVATION

HCL continued to give priority for energy conservation measures at various stages of process from mining of ore to extraction of Copper metal and other by-products. Special efforts were made in making the operations energy efficient. In most of the areas of production the company was able to achieve reduction in specific consumption rates over the previous year. The achievements made in this regard

3. PRODUCTION PERFORMANCE

Products	2003-2004 (April 2003 to March 2004)				2002-2003 (April 2002 to March 2003)			
	KCC	ICC	MCP	Total	KCC	ICC	MCP	Total
Ore Raised ('000 T)	574	-	2321	2895	702	89	2273	3064
Ore Milled ('000 T)	678	-	2265	2943	738	89	2318	3145
Metal in Conc. (T)	6249	-	22057	28306	7306	786	22732	30824
Blister Copper (T)	28173	2697	-	30870	29281	15313	-	44594
Cathodes (T)	27303	3295	-	30598	24026	12549	-	36575
CC Wire Rod (T)	-	-	-	28003	-	-	-	30346

KCC-Khetri Copper Complex, ICC-Indian Copper Complex, MCP-Malanjkhand Copper Project.



in KCC and MCP (ICC was under shutdown for most part of the year) are indicated below :

	Specific Consumption	Unit	2003-2004	2002-2003
1	KCC Mine Power	KWH/T	23.60	26.23
2	KCC Smelter Power including STP	KWH/T	1203.38	1275.95
3	KCC Refinery Power	KWH/T	361.91	372.28
4	KCC Sulphuric Acid Power	KWH/T	295.65	412.38
5	MCP Ore Milling Power	KWH/T	19.22	19.34
6	KCC Smelter Fuel Consumption	Ltr./T	696.08	848.20
7	KCC Smelter Oxygen Consumption	Nm ³ /T	684.71	703.31

6. FINANCIAL

6.1 The financial results of the Company during the year 2003-2004 (April 2003 to March 2004) compared with 2002-2003 (April 2002 to March 2003) are summarised below :

(Rs. in Crore)

	Head	2003-2004	2002-2003
a	Sales	499.28	505.68
b	Value of Production	514.84	501.53
c	Cost of production excluding depreciation, provisions & write-offs and interest	481.11	554.56
d	Profit/(Loss) before depreciation, provisions & write-offs and interest	33.73	(53.03)
e	Depreciation and provisions & write-offs	30.26	35.10
f	Interest	59.63	59.57
g	Profit/(Loss) before tax	(56.16)	(147.70)
h	Provision for tax	0.00	0.00
i	Profit/(Loss) after tax	(56.16)	(147.70)
j	Value added	209.42	147.37

6.2 The cash loss during 2003-2004 was Rs.25.90 crores

as compared to the cash loss of Rs.112.60 crores in 2002-2003.

6.3 The capital structure of the Company as on 31.3.2004 stood as under :

Share Capital	(Rs. in Crore)
a. Authorised Capital	
(i) Equity Share of Rs. 10/- each	700.00
(ii) 7.5% Non-Cumulative Preference Share of Rs.1000/- each	200.00
b. Issued, Subscribed & Paid up Capital	
(i) Equity Share	362.88
(ii) 7.5% Non-Cumulative Preference Share	180.73
c. Share money awaiting allotment	365.34

6.4 Investment in Equity by Government

During the year 2003-04, HCL has received Rs.113.84 crores as equity from the Govt. out of which Rs.20.00 crores was on account of Plan Expenditure and the balance Rs.93.84 crores on account of Working Capital for meeting past liabilities and cash losses.

6.5 Grant-in-Aid from Government

HCL has received Rs.25.00 crores from the Govt. as Grant-in-Aid during the year 2003-04 towards separation of manpower through VRS.

6.6 Bonds (Secured and Unsecured)

Out of the total 14.00% Unsecured privately placed bonds of Rs.63.33 crores, the Company has already redeemed Rs.39.83 crores leaving a balance of Rs.23.50 crores.

The details of total Bonds and Debenture liability as on 31.3.2004 stood as under :

(Rs. in Crore)

14.00% Unsecured Bonds	23.50
14.75% Secured Bonds	8.59
15.00% Secured Bonds	29.53
10.65% Secured Bonds	150.00
14% Debenture	87.50
Total	299.12



Bonds and Debentures have been further redeemed and outstanding liabilities position as on the date of this report was : 14% Unsecured Bonds – Rs.15.80 crores, 14.75% Secured Bonds – Rs.4.91 crores, 15% Secured Bonds – Nil, 10.65% Secured Bonds – Rs.150 crores and 14% Debentures – Rs.81.25 crores.

6.7 Contribution to Exchequer

During the year 2003-2004, the Company contributed a total sum of Rs.94.16 crore to the exchequer as shown below :

(Rs. in Crore)

Particulars	
Excise Duty	69.68
Customs Duty	2.04
Sales Tax	9.12
Royalty and Cess	10.18
Others	3.14
Total	94.16

6.8 Expenditure in foreign currency

During 2003-2004, the Company spent foreign currency towards import of raw material, components, stores and spares, machines etc. to the tune of Rs.47.90 crores. This includes mainly import of concentrate to the tune of Rs.45.68 crores and components, spare parts & stores amounting to Rs.2.14 crores.

6.9 Earnings in Foreign Exchange

During 2003-04, Company has earned foreign exchange of Rs.20.09 crores by exporting reverts as against Rs.9.97 crores earned in 2002-03.

7. MARKETING

7.1 During the year 2003-04, the total sale of Copper was 30144 MT with a monthly average of 2512 MT against the average sale of 3099 MT per month in 2002-03.

7.2 CC Rod sale during 2003-04 was 27603 MT with an average of 2300 against an average sale of 2476 MT in 2002-03.

7.3 The sale of Cathode and Misc. Copper during the year was 2080 MT as compared to sale of 5114 MT in 2002-03.

7.4 Out of the above total copper sale, the sale of wire bar was 461 MT as against 2002-03 sale of 2366 MT.

7.5 In 2003-04, the sale of CC Rod has reduced mainly due to low off-take of customers in Jelly Filled Telecom Cable sector as there was a delay in finalisation of orders by Department of Telecommunication and the quantity was lower.

Due to a major shutdown in ICC from July 2003, availability of copper cathode during 2003-04 had decreased and HCL had to plan a product mix, which maximised realisation, thereby temporarily not producing Wire Bar in 2003-04. Further, the sale of Cathode has also reduced as there was no lifting by India Government Mints in 2003-04 since they had not placed new order for this year.

8. PROGRESS OF NEW PROJECTS/EXPANSION SCHEMES

No new Projects/expansion Schemes were taken up during the year.

9. DEVELOPMENT OF SSI AND ANCILLARY UNITS

All units of Hindustan Copper Limited continued to follow the Government guidelines in encouraging procurement of materials from SSI & Ancillary units in or around their areas. Items like Grinding media, Earth moving equipment, spares etc. are regularly purchased from SSI/NSIC Units. SSI and Ancillary Units are also provided assistance to develop import substitution items.

10. RESEARCH & DEVELOPMENT

- Specific areas in which R&D activities carried out during the year : Nil
- Benefits derived as a result of R&D : Nil
- Future plan of action : Two schemes have been taken up by HCL for initiation of action in 2004-05. One relates to bio-leaching of lean grade sulphide ore at MCP and the other is on selection of appropriate combination of reagents for beneficiation of oxidised ore. Project on the first scheme has been prepared and sent to the Administrative Ministry for S&T support. The second project is being finalised in consultation with Tata Research Development and Design Centre.
- Expenditure on R&D : Not applicable



11. SCIENCE & TECHNOLOGY/TECHNOLOGY ABSORPTION

During the year, Company concentrated on improving the operational practices with a view to reduce processing cost. No new technology has been absorbed during the year.

12. PERSONNEL AND INDUSTRIAL RELATIONS

12.1 The Industrial Relations situation in the Company continued to be peaceful and harmonious during the year under report.

12.2 The Surda Mine and other establishments of Hindustan Copper Limited at Mosaboni were closed with effect from 17.6.2003 in terms of the permission granted vide letter No.L-42024/53/2002-IR (Misc.) dated 5.6.2003 by the Ministry of Labour, Government of India under Section 25(O) of the Industrial Disputes Act,1947. The workmen were separated through Voluntary Retirement Scheme of the Company. However, it has been decided to run the Surda Mine through workers' cooperative for which Government approval has also been received.

12.3 The permission for closure of the Khetri mine was also received from the Ministry of Labour, Government of India vide letter No.42024/54/2002-IR(Misc.) dated 1.10.2003. However, the four registered trade unions operating at KCC filed a writ petition in the Hon'ble High Court of Rajasthan, Jaipur against the permission granted by the Government for closure of Khetri Copper Mine. The Hon'ble High Court stayed the closure of the Khetri Mine. Pending final decision of the Hon'ble Court, the operations of the Khetri Mine which were under suspension were resumed to take advantage of the increased copper price in the international market(LME).

13. STATUS OF VOLUNTARY RETIREMENT

During the financial year 2003-04, 1808 employees were released on VR by utilising Grant-in-Aid of Rs. 126.75 crores.

14. RESERVATION FOR APPOINTMENT OF SC/ST/OBC CANDIDATES

The representation of SC, ST and OBC employees out of the total manpower of 5,995 is 15.60%, 12.43%

and 11.68% respectively as on 31.3.2004. There had been no recruitment during the year under report.

15. EMPLOYEES PARTICIPATION IN MANAGEMENT

Over the years, Employees Participation in Management has been the backbone of harmonious Industrial Relations in the Company. The successful operation of various Bi-partite forums at all the three levels namely at the Apex level, Unit level and shop floor level has immensely contributed in the reduction of cost and in areas of Production, Safety, Welfare etc.

16. COMMUNAL HARMONY AND NATIONAL INTEGRATION

In the Townships of the Company located at Khetri, Malanjkhanda and Ghatsila as well as in other places of work, the employees of different caste, creed, religion cohabit in a spirit of togetherness and celebrate all the religious festivals with pomp and gaiety.

17. EMPLOYMENT SITUATION OF WOMEN

The Groupwise strength of female employees as on 31.3.2004 *vis-à-vis* the total strength of HCL is given below :

Group	Total Strength	No. of Female Employees	% of Female Employees to Total Strength
Group A	664	16	2.41
Group B	160	11	6.88
Group C	4253	140	3.29
Group D	918	163	17.76
Total	5995	330	5.50

In pursuance to the judgement of the Supreme Court, HCL has set Committees in all the Units/ Offices of the company for the Prevention of Sexual Harassment of Workmen in Work Place. A provision in this regard has also been incorporated in the Conduct, Discipline and Appeal Rules of HCL.

During the year under report, no incidence of discrimination amongst employees on the basis of gender has come to light.



18. HUMAN RESOURCE DEVELOPMENT

Training and development of all levels of employees is given due priority by the Company to increase effectiveness. Special emphasis was given to organisation building and shaping right attitudes, team building and work culture besides preparing employees to understand the trends in fast changing technology/switching over to latest technology for achieving higher results in production, productivity and profitability.

Workers :

Apart from Statutory, Safety, Technical and Functional Programmes, workers were exposed to General Education and Development Programmes. Special programmes were conducted for weaker sections i.e. Scheduled Castes and Scheduled Tribes employees. A total of 1359 workers attended various training programmes conducted in Training Establishments in our Projects.

Supervisors :

66 First line shop floor and Mine Supervisors attended Supervisory Development Programme on Productivity, Safety, Cost Control, Communications and Human Relations.

Executives :

Based on systematic identification of training needs of executives, In-company Management Development Programmes were planned with the best faculty available in the country. 348 executives were exposed to either In-company Programmes or were sponsored in prestigious programmes conducted by various establishments in the country.

19. PROGRESSIVE USE OF HINDI

Hindi fortnight, Hindi Week and Hindi Day was celebrated in the offices and units of Company, under which various Hindi competitions were organised and prizes were distributed to winner participants. The messages of Hon'ble Home Minister, State Minister for Mines, Cabinet Secretary and CMD were circulated in all offices/units to be read out on the occasion of Hindi Day. Vigorous efforts were made to fulfil the targets prescribed by Government of India in regard to increased use of Hindi in the Company during the year 2003-04. Employees were motivated to use their working knowledge of Hindi in their day

to day official work by conducting Hindi workshops in our Units and Head Office. Check points were made more effective to ensure 100% compliance of Section 3(3) of Official Language Act. Replies of all letters received in Hindi were given in Hindi. Regular review in regard to progress of Hindi use and difficulties faced in its way was carried out in quarterly meetings of Official Language Implementation Committee under the chairmanship of Unit Heads in Units and the CMD at Head Office. CMD participated in both the meetings of Hindi Salahkar Samiti of Ministry of Mines held on 26th May, 2003 and 8th October, 2003. The Third Sub-Committee of Committee of Parliament on Official language visited Head Office on 4th November, 2003 and inspected the progressive use of Hindi in the office in detail and gave many suggestions to improve and increase the use of Hindi on which action is being taken. The Website of the Company has been made bilingual. All the stamps of the office have been made bilingual. The use of Hindi in computer was further increased. The Annual Report of the Company for the year 2002-03 has also been published in Hindi alongwith English. Office orders at the corporate level have been issued in which instructions have been given to all the officers and staff to sign and to write more and more notings in files in Hindi.

20. SAFETY

Safety continues to be a priority area for HCL in all its activities. During 2003-04 total injury in the mines were 6 compared to 10 in the year 2002-03 registering a reduction of 40%. Two units i.e. KCC and ICC have reported Zero Accident in Mines. No fatal accident occurred during the year.

The recommendation of 9th Conference on Safety in Mines held in February 2002 and the decision taken in Tripartite Committee Meeting on Safety have been implemented. Safety matters are discussed at corporate level with Project Heads and representatives of recognised unions regularly.

21. VIGILANCE ACTIVITIES

For effective control, surprise checks/regular inspections were conducted. Returns and reports were submitted to the statutory agencies and the CVC guidelines, received from time to time, were followed and adhered to as precautionary and preventive measures. A campaign for creating awareness was taken up by organising the Vigilance Awareness Week Celebration commencing from 31st October to



6th November 2003 at all the Units including at Head Office. Stress was given on preventive vigilance with a view to minimise scope for corruption and assisting the management in improving the systems and procedures.

22. FUTURE OUTLOOK

Having registered a net profit in the last quarter of 2003-04, HCL looks forward to having a decisive turn around of the Company in the year 2004-05. While higher LME price for copper has improved the overall viability of mining and other operations in the Company, HCL's thrust for the year 2004-05 would be on improving mining production, reducing cost on power and oxygen and improving the operational efficiency for securing higher yield and recovery and reducing the specific consumptions of inputs. Another area of thrust would be to reduce interest cost through repayment and restructuring of loans and reduction of interest rates through negotiation. Meanwhile, the company has also initiated a special drive in repairing and replacing old machines and equipment, a job which was neglected in the Company for quite some time in the past because of paucity of fund. Backlogs in mine development both in the open cast mine at Malanjkhanda and the underground mine at Khetri have also been proposed to be cleared from 2004-05 through upgradation of mining equipment and partial off-loading of mining development work. In brief, the Company's thrust for 2004-05 would be to augment its internal strength and to sustain its profitability.

23. STATUS OF MINING LEASE

The mining leases in respect of Khetri, Koliha and Chandmari at KCC are valid upto 22.2.2013, 23.11.2016 and 26.12.2012 respectively. Mining Lease Nos. 1 and 2 of Malanjkhanda (for operative mines) are valid upto 26.8.2013. HCL's application for grant of two more leases (Lease Nos.3 and 4) for development of underground mining at Malanjkhanda is under process with State Government of Madhya Pradesh. The applications are pending due to delay in firming up of the development plan for underground mine which is a pre-requisite for grant of approval by Indian Bureau of Mines. Application for surrender of Rakha Mining Lease of ICC has been submitted to Jharkhand State Government on 17.5.2002. Final approval from State Government is awaited. As all

the mines under Mosaboni mining lease at ICC have been closed, the mining lease has been allowed to lapse on 15.6.2004 by not renewing the lease except for Surda mine which is proposed to be run through a workers' cooperative. As Government approval for operating the Surda mine through workers' cooperative has been received on 28.5.2004, necessary action has been initiated for transfer of mining lease in favour of the cooperative.

24. CORPORATE GOVERNANCE

A report on Corporate Governance as per SEBI directives and Stock Exchange Listing requirement is given in Annexure-I forming part of this report together with Statutory Auditors' Certificate on Corporate Governance.

25. DIRECTORS' RESPONSIBILITY STATEMENT

- i. Your Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2004, the applicable accounting standards had been followed along with proper explanations relating to material departures/ variations.
- ii. Such accounting policies have been selected and applied which are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 31st March, 2004 and of the Profit or Loss of the Company for the year.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors had prepared the annual accounts on a going concern basis.

26. PRESIDENTIAL DIRECTIVES

The Company did not get any Presidential Directive during 2003-2004.

27. BOARD OF DIRECTORS

The following changes took place in the Board of Directors of the Company since last report :

Shri S K Kar ceased to be Director (Finance) w.e.f. 23rd July, 2003 on his resignation from the Board.



Smt. Adrash Misra ceased to be part time official director of HCL from 30.9.2003 and Shri Madhukar Gupta, the then Additional Secretary(Mines) took over as part time official director vice Smt. Adrash Misra w.e.f. 30.9.2003. Shri Madhukar Gupta ceased to be Director of HCL from 2.7.2004.

Shri B K Menon ceased to be Chairman-cum-Managing Director of the Company on attaining the age of superannuation w.e.f. 29.11.2003. Shri Rana Som, Director(Personnel) took over the charge as Acting CMD of the Company w.e.f. 29.11.2003.

S/Shri V K Chanana and S B Kucheria cased to be part time non official Directors of HCL on completion of their tenure on 28.5.2004.

Shri R K Bhargava, Additional Secretary(Mines) was appointed as part-time Official Director of HCL w.e.f. 18.8.2004.

The Board places on record its appreciation for the valuable services rendered and contribution made by Smt. Adrash Misra, S/Shri Madhukar Gupta, V K Chanana, S B Kucheria, B K Menon and S K Kar during thmeir tenure on the Board of HCL.

28. AUDITORS

M/s. Dinesh Mehta & Company, New Delhi and M/s. M C Bhandari & Company, Kolkata were appointed as Joint Statutory Auditors to audit the accounts of the Company for the year 2003-2004.

M/s. H Tara & Company, New Delhi and M/s. Sekhar Ranjan Guha, Kolkata were appointed as Cost Auditors of the Company to audit cost accounts relating to manufacture of Sulphuric Acid at KCC and ICC respectively for 2003-2004.

Auditors' Remuneration

In accordance with Section 224 of the Companies Act, 1956, the remuneration of Auditors to be appointed under Section 619 by the Comptroller and Auditor General of India, is required to be fixed by the Company in a general meeting or, in such manner, as the Company in general meeting may determine. Accordingly, an Ordinary Resolution under the Ordinary Business has been recommended by the Board for fixing the remuneration of the Statutory Auditors for 2004-2005 to be appointed by the

Central Government on the recommendations of the Comptroller and Auditor General of India for consideration by the shareholders.

29. COMMENTS OF C&AG AND STATUTORY AUDITORS & MANAGEMENT REPLIES THEREON

The comments of C&AG under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31.3.2004 alongwith the Review of Accounts of your Company by C&AG and Statutory Auditors' observations alongwith Management replies thereto are annexed to this report.

30. PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

31. APPRECIATION

In conclusion, your Directors wish to place on record their appreciation of the hard work put in by all the employees of the Company during the year under review. The Board also gratefully acknowledges the valuable guidance and co-operation received from the Ministry of Coal and Mines and other Ministries/ Departments of the Government of India and the support received from the State Governments of Rajasthan, Jharkhand, Madhya Pradesh, Maharashtra, West Bengal and the Company's Bankers, Auditors, C&AG, customers and the office bearers of the recognised trade unions of different projects.

For and on behalf of the Board of Directors

Rana Som
Acting Chairman-cum-Mg. Director

Date : 26th August, 2004

Place : Kolkata

ANNEXURE – I TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement, a report on compliance of the provisions of Corporate Governance is given below.

Philosophy of Company on Corporate Governance

Good Corporate Governance means the adoption of best business practices which ensure that the Company operates not only within the regulatory framework, but is also guided by ethics. The adoption of such corporate practices ensures accountability of the persons in charge of the Company on the one hand and brings benefits to investors, customers, creditors, employees and the society at large on the other.

MANDATORY REQUIREMENTS

1. Board of Directors :

(a) Board Composition

The Board of Directors of the Company, as on the date of this report, comprises of three directors – Director(Personnel) who is also Acting CMD and two Govt. directors. The posts of three part-time non-official directors and three full time functional directors viz. regular CMD, Director (Finance) and Director (Operations) are lying vacant. The matter has been taken up with Government of India for due constitution and appointment of the members of the Board.

The members of the Board apart from receiving director's remuneration do not have any material pecuniary relationship or transactions with the Company, its promoters which in the judgement of Board may affect independence of judgement of the Directors.

The details of the members of the Board are given below :

Name	Category of Director	No. of other Directorships	No. of Committee position held	
			Chairman	Member
Executive				
Shri Rana Som, D(P) & Acting CMD	Functional	–	–	–
Shri B. K. Menon, CMD (upto 29.11.03)	Functional	–	–	–
Shri S. K. Kar, D(F) (upto 23.7.03)	Functional	–	–	–
Non-executive/Independent				
Smt. Adarsh Misra (upto 30.9.03)	Part-time Official	–	–	–
Dr. Sutanu Behuria (upto 1.7.03)	Part-time Official	5	–	–
Shri Hem Pande (upto 1.7.03)	Part-time Official	2	–	2
Shri Madhukar Gupta (upto 2.7.04)	Part-time Official	–	–	–
Shri R. K. Bhargava (from 18.8.04)	Part-time Official	–	–	–
Shri V. K. Chanana (upto 28.5.04)	Part-time Non-Official	8	–	2
Shri S. B. Kucheria (upto 28.5.04)	Part-time Non-Official	3	2	2

(b) Directors’ Attendance

The attendance of directors at Board meetings during 2003-2004 and last Annual General Meeting is given below :

Name of Directors	No of Board meeting(s) attended out of 8 held	Attendance at the last Annual General Meeting
Shri B. K. Menon	6	Present
Shri S. K. Kar	3	–
Shri Rana Som	8	Present
Smt. Adarsh Misra	2	–
Shri Madhukar Gupta	3	–
Dr. Sutanu Behuria	1	–
Shri Hem Pande	6	–
Shri V. K. Chanana	6	–
Shri S. B. Kucheria	6	Present

During 2003-2004, eight Board meetings were held on 1.5.2003, 13.6.2003, 23.7.2003, 15.9.2003, 21.10.2003, 10.11.2003 10.2.2004, 26.3.2004 and majority of members of the Board remained present. Leave of absence was, however, granted to the Directors who could not attend the meeting due to preoccupation.

(c) Board Procedure

The meetings of the Board are generally held in Delhi. The Board meets at least once in every quarter, focusing on strategy formulation, policy and control, delegation of powers and approving quarterly results, annual accounts, annual operating plan and budgets, reviewing performance of the Units and for considering statutorily required matters. The agenda for the meetings is prepared by the Company Secretary in consultation with CMD/Functional Directors and the Board papers are circulated to the Directors in advance. The members of the Board have access to all information and are free to recommend inclusion of any matter in the agenda for discussion. Senior Executives of the Company are invited to attend the Board meetings and provide clarifications as and when required. The part-time Directors play an important role in deliberations at the Board Meeting and bring to the Company their wide experience in the fields of finance, marketing, law, public policy and operations.

Company’s 4(four) operating units at Khetri Copper Complex (KCC), Indian Copper Complex (ICC), Malanjkhanda Copper Project (MCP) and Talaja Copper Project (TCP) are headed by Unit Heads who work under the overall supervision of Functional Directors and CMD.

(d) Directors’ Remuneration**(i) Sitting Fees to Part-time Directors**

The part-time official Directors representing the Ministry of Mines as well as the whole-time functional Directors are not entitled to sitting fees. The part-time non-official Directors are paid sitting fees @ Rs.800 for attending every Board Meeting and @ Rs.400 for attending every Committee Meeting. The sitting fees paid to the part-time non-official Directors during the period from 1.4.2003 to 31.3.2004 was as follows :

Non-official Part-time Directors	For Board Meeting (Rs.)	For Committee Meeting (Rs.)
Mr. V. K. Chanana	4800	800
Mr. S. B. Kucheria	4800	1200

(ii) Remuneration paid to Wholetime Directors

The details of remuneration paid to the Wholetime Functional Directors during 2003-2004 was as follows :

Directors’ Remuneration	(Rs. in lakhs)
Salaries and Allowance	5.21
Contribution to Provident Fund	0.62
Medical & Leave Encashment	1.91
Gratuity	1.04
Total	8.78

2. Audit Committee

The Board had constituted an Audit Committee comprising of 3 part-time directors. As on 31st March, 2004, the members of the Committee were – Shri S.B.Kucheria as chairman and S/Shri Hem Pande and V K Chanana as members. CMD and Head of Finance attend the meeting as a special invitee and Company Secretary acts as convener of the meeting. The terms of reference of the Audit Committee are as per Clause 49 of the Listing Agreement and provisions of the Companies Act, 1956. The constitution of Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956. During the year, 3 meetings of the Audit Committee were held on 2.5.2003, 23.7.2003 and 10.2.2004 and the attendance of the members in the meetings was as follows :-

Name of Member	No. of Audit Committee meetings attended out of 3 held
Shri S. B. Kucheria	3
Dr. Sutanu Behuria	1
Shri Hem Pande	2
Shri V. K. Chanana	2

3. Remuneration Committee :

Being a Government company, the remuneration, terms and conditions for appointment of Directors is fixed by the Government of India. As such, no Remuneration Committee has been constituted by the Company.

4. Investors’ Grievance Committee :

The Board had constituted a Shareholders’/Investors’ Grievance Committee comprising of three part time directors. As on 31st March, 2004, the members of the Committee were - Shri S B Kucheria as chairman and S/Shri Hem Pande and V K Chanana as members. Company Secretary acts as convener of the meeting. The Committee looks into the redressal of Shareholders’/Investors’ complaints pertaining to transfer of shares, non-receipt of balance sheet and issue of duplicate shares etc. Outstanding complaints as on 31.3.2004 was nil. No meeting was held during the year.

5. Share Transfer Committee :

A Sub-Committee of the Board comprising of all the functional directors of the Company known as Share/Bonds Transfer Committee is already in existence. During 2003-2004, the Committee met 12(twelve) times on 22.4.2003, 22.5.2003, 25.6.2003, 26.7.2003, 26.8.2003, 26.9.2003, 28.10.2003, 27.11.2003, 26.12.2003, 27.1.2004, 23.2.2004, 29.3.2004 and approved transfer/transmission of shares, bonds and issue of duplicate certificates etc. Company Secretary has been nominated as Compliance Officer as per Listing Agreement clauses. As on 31.3.2004 there was no pending case of share/bond transfer.

ANNEXURE – I TO THE DIRECTORS' REPORT (Contd.)

6. General Body Meeting :

Location and time of General Body Meeting held during the last 3 financial years were as under :

Year	Annual General Meeting			Extraordinary General Meeting		
	Date	Location	Time	Date	Location	Time
2001	28.12.2001	Kolkata	3.30 pm	7.6.2001	Kolkata	4.00 pm
2002	27.09.2002	Kolkata	3.30 pm	20.2.2002	Kolkata	4.30 pm
2003	30.09.2003	Kolkata	4.00 pm	–	–	–

No special resolution was put through ballot last year.

7. Disclosures :

During 2003-2004, Company has not entered into any transactions of material nature with the Directors that may have potential conflict with the interest of the Company at large. No penalties, strictures have been imposed on the Company by the Stock Exchanges or SEBI on any matters related to capital markets.

8. Means of Communication :

The Company communicates with its shareholders through its Annual Report, publication of financial results and by submission and filing of reports and returns with all statutory bodies. The unaudited working results were published by the Company in Financial Express (English Newspaper) and Sambad Pratidin (Bengali Newspaper) during 2003-2004.

9. General Information :

i) 37th Annual General Meeting

Date : 30.9.2004
Time : 4.00 p.m.
Venue : Tamra Bhavan
1 Ashutosh Chowdhury Avenue, Kolkata-700 019

ii) Financial Year 2004-2005 (Tentative)

Results for quarter ending

30th June, 2004 : 4th week of July, 2004
30th September, 2004 : 4th week of October, 2004
31st December, 2004 : 4th week of January, 2005
31st March, 2005 : 4th week of April, 2005

iii) Book-closure date : 24.9.2004 to 29.9.2004 (both days inclusive)

iv) Listing of Equity Shares on Stock Exchanges along with Stock Code :
Kolkata – 18067
Mumbai – 13699
Delhi – 6917
Chennai – Hindcopper
Ahmedabad – 24709/HINDUSTACO
Annual Listing Fee for 2004-2005 has been paid to all the above stock exchanges.

ANNEXURE – I TO THE DIRECTORS' REPORT (Contd.)

v) Stock Market Price Data : Monthly High and Low quotations of shares traded on The Stock Exchange, Mumbai(BSE) during the financial year 2003-04 :

Month	BSE	
	High (Rs.)	Low (Rs.)
April, 2003	26.45	26.00
May, 2003	35.90	27.50
June, 2003	38.00	32.50
July, 2003	48.05	34.90
August, 2003	41.00	36.46
September, 2003	40.00	33.00
October, 2003	44.86	30.00
November, 2003	40.40	33.00
December, 2003	42.50	39.00
January, 2004	70.00	45.11
February, 2004	47.40	44.15
March, 2004	43.71	35.00

vi) Dematerialisation of Shares

The Company's shares are tradable compulsorily in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd.(NSDL) and Central Depository Services(India) Ltd.(CDSL). The International Securities Identification Number(ISIN) allotted to Company's equity shares is INE531E01018 w.e.f 11.9.02. Status of dematerialisation as on 31.3.04 was as follows:

Particulars	No. of Shares	% of Holding	No. of Folio
DEMAT :			
a) NSDL	33,33,400	0.919	664
b) CDSL	-	-	-
PHYSICAL :			
a) Govt. of India	35,90,78,800	98.953	1
b) Others	4,65,800	0.128	1892
TOTAL :	36,28,78,000	100.000	2557

vii) Shareholding pattern as on 31st March, 2004

Category	No. of shares held	%
1 President of India	35,90,79,500	98.953
2 Mutual Funds	9,70,400	00.267
3 Financial Institutions	18,94,600	00.522
4 Private Corporate Bodies	1,93,617	00.0534
5 Indian Public including employees	7,39,883	0.2046
TOTAL :	36,28,78,000	100.00

viii) Distribution of shareholding as on 31st March, 2004

RANGE		SHARES	FOLIOS	% SHARES
1	500	436417	2357	0.1203
501	1000	78000	93	0.0215
1001	2000	77700	51	0.0214
2001	3000	37300	15	0.0103
3001	4000	17883	5	0.0049
4001	5000	42200	9	0.0116
5001	10000	55900	8	0.0154
10001	50000	189100	10	0.0521
50001	100000	54300	1	0.0150
100001	and above	361889200	8	99.7275
TOTAL		362878000	2557	100.0000

ix) Share Transfer System

Share transfer requests received by the Company are processed and certificates despatched to the buyers within 30 days from the date of receipt as stipulated in Listing norms of Stock Exchanges.

x) Registrar & Share Transfer Agents

HCL is having a full-fledged share cell at its Corporate and Registered Office at Tamra Bhavan, 1 Ashutosh Chowdhury Avenue, Kolkata. However, Company has appointed M/s. MCS Ltd., 77/2A, Hazra Road, Kolkata - 700 029 to take care of all share related matters in demat form and for maintaining all the records in computer.

xi) Plant Location :**Indian Copper Complex**

P.O. Ghatsila
Dist. Singhbhum
Jharkhand

Khetri Copper Complex

P.O. Khetrinagar
Dist. Jhunjhunu
Rajasthan

Malanjkhand Copper Project

P.O. Malanjkhand
Dist. Balaghat
Madhya Pradesh

Taloja Copper Project

P.O. Taloja
Dist. Raigad
Maharashtra

xii) Address for correspondence

Shareholders desiring the information may write to the Company Secretary, HCL Corporate Office at 1 Ashutosh Chowdhury Avenue, Kolkata-700 019 or e-mail their query to hindcop@vsnl.com

NON-MANDATORY REQUIREMENTS

- The Wholtime Directors of the Company including the Chairman-cum-Managing Director are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. The Company, therefore, has not constituted any Remuneration Committee to decide the policy for the Directors' remuneration.
- The Chairman of the Board is a wholtime Functional Director of the Company. He has been provided only those facilities which are permissible under the terms and conditions of his appointment by the Govt. of India.
- The quarterly declaration of financial performance including summary of significant events is made known to the shareholders through press advertisement.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the members of
Hindustan Copper Limited
Kolkata

We have examined the compliance of conditions of corporate governance by Hindustan Copper Limited, for the year ended on 31.03.2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we, hereby certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
DINESH MEHTA & CO.
Chartered Accountants
Hiren Mehta
Partner

M. C. BHANDARI & CO.
Chartered Accountants
M R Jain
Partner

Date : August 26, 2004

Place : Kolkata

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS

Comments of Statutory Auditors (Ref. Statutory Auditors' Report dated 26th August, 2004) and Explanations of the Company

Audit Observation No.	Comments on	Explanations of the Company
4(d)(i)	In preference to Accounting Standard No. 6 regarding depreciation on Fixed Assets for efflux of time.	This is as per Accounting Policy No. 4.1 and as explained in Note No. 7 of accounts.
4(d)(ii)	The machinery spares of the nature of capital spares/ insurance spares have not been identified except in respect of two units.	The position in this regard has been explained in Note No. 21 of accounts.
5(ii)	Non-charging of Rs. 61420 thousand being the difference in rates of electricity duty applicable to mines and plants.	The position has been explained in Note No. 9 of accounts.
5(iii)	Non-provision of interest on overdue Payments to SSI Units.	This has been explained in Note No. 6 of accounts.
5(iv)	Non-provision of interest liability on arrear fuel surcharge.	This has been explained in Note No. 10 of accounts.
5(vii)	Adequacy or otherwise of the provisions made against the condemned fixed assets.	The position has been explained in Note No. 12 of accounts.

Place : Kolkata
Dated : 28th September, 2004

Rana Som
Chairman-cum-Managing Director

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS

Comments of Statutory Auditors (Ref. Statutory Auditors' Report dated 26th August, 2004) and Explanations of the Company

Annexure to the Auditors' Report

Audit Observation No.	Comments on	Explanations of the Company
(2a) & (b)	Physical verification of stocks followed by management are reasonable and adequate except on unit.	Comments of the Auditors have been noted and shall be improved further.
2(c)	Discrepancies noticed on physical verification have been properly dealt with in the books of accounts. However, discrepancies have not been adjusted and continued to be shown in stock though necessary provision for the same has been made in the accounts.	Though steps were initiated to investigate the discrepancies, the same could not be completed in full in the current year.

Place : Kolkata

Dated : 28th September, 2004

Rana Som

Chairman-cum-Managing Director

Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Hindustan Copper Limited, Kolkata for the year ended 31st March, 2004.

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Hindustan Copper Limited, Kolkata for the year ended 31st March, 2004.

Place : Kolkata

Dated : 27th September, 2004

S. B. Pillay

*Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board – I, Kolkata*

Review of Accounts of Hindustan Copper Limited

for the year ended 31st March, 2004 by the Comptroller & Auditor General of India

(Review of Accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and the qualifications contained in Statutory Auditors' Report)

1. FINANCIAL POSITION

The Table below summarises the financial position of the Company under broad headings for the last three accounting periods :

	2001-02	2002-03	2003-04
<i>(Rs. in crore)</i>			
LIABILITIES			
a) Paid up Capital			
i) Government of India (including share deposit)	706.31	791.31	905.15
ii) Other	3.80	3.80	3.80
b) Reserve & Surplus			
i) Free Reserves & Surplus	0.41	0.37	0.34
ii) Capital Reserve	6.53	6.54	7.10
c) Borrowings from :			
i) Government of India	—	—	—
ii) Bonds	225.10	216.32	188.12
iii) Debentures	100.00	100.00	87.50
iv) Public Deposits	0.01	0.01	0.01
v) Working Capital Term Loan	—	—	—
vi) Bank Cash Credit	122.04	139.48	76.11
vii) Other loans	51.32	40.30	86.74
viii) Interest accrued and due	0.56	0.32	0.33
d) Current liabilities and Provisions	349.30	386.13	256.18
Total	1565.38	1684.58	1611.38
ASSETS			
e) Gross Block	697.79	692.60	694.75
f) Less : Cumulative Depreciation	456.00	462.76	478.45
g) Net Block	241.79	229.84	216.30
h) Capital work-in-progress	23.56	21.01	19.09
i) Mine Development Expenditure	303.42	293.49	281.26
j) Miscellaneous Expenditure (Not written off)	7.41	—	3.37
k) Investment	—	—	—
l) Current Assets, Loans and Advances	356.80	360.18	255.17
m) Accumulated losses	632.40	780.06	836.19
Total	1565.38	1684.58	1611.38
n) Working Capital {l+d-c(viii)}	6.94	(-)26.27	(-)1.34
o) Capital Employed (g+n)	248.73	203.57	214.95
p) Net worth {(a+b(i)-m-j)}	70.71	15.42	69.73
q) Net worth per rupee of paid up capital (in Rupees)	0.10	0.02	0.08

Review of Accounts of Hindustan Copper Limited

for the year ended 31st March, 2004 by the Comptroller & Auditor General of India

(Review of Accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and the qualifications contained in Statutory Auditors' Report)

(Rs. in crore)

	2001-02	2002-03	2003-04
2. WORKING RESULT			
i) Sales	604.98	506.11	499.80
ii) Less Excise Duty	77.92	71.27	66.80
iii) Net Sales	527.06	434.84	433.00
iv) Other Misc. Income	25.60	10.06	12.43
v) Profit/Loss before tax and prior period Adjustment	(-) 181.83	(-)146.38	(-)56.74
vi) Prior period Adjustment	2.21	1.32	0.58
vii) Profit/Loss before tax	(-)184.04	(-)147.70	(-)56.16
viii) Tax Provision	NIL	NIL	NIL
ix) Profit after tax	(-)184.04	(-)147.70	(-)56.16

3. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last three accounting periods :

(In percentage)

	2001-02	2002-03	2003-04
A. Liquidity Ratio			
Current Ratio	102	93	99
B. Debt Equity Ratio			
Long term Debt to Equity	460	2051	453

4. SOURCES AND UTILISATION OF FUNDS :

Funds amounting to Rs. 114.40 crore from internal and external sources were generated and utilized during the period as shown below :

(Rs. in crore)

Sources of funds :

a) Increase in Share Capital	113.84
b) Increase in Capital Reserve	0.56
Total funds inflow during the year	114.40

Application of fund :

a) Loss after Tax	56.16	
Less : Depreciation	15.69	
Less : Mine development expenditure written off	12.23	28.24
b) Increase in working capital		24.93
c) Increase in gross block and capital work in progress		0.23
d) Decrease in borrowing		57.63
e) Increase in Miscellaneous expenditure		3.37
Total funds outflow during the year		114.40

Review of Accounts of Hindustan Copper Limited

for the year ended 31st March, 2004 by the Comptroller & Auditor General of India

5. Unit wise Working Results

The working results of the Company and its various units for the last three accounting periods are indicated below :

Unit	(Rs. in crore)					
	Profit (+)/ Loss (-) for the year	Write back of provision made in the earlier years no longer required	Prior period adjustments and extra ordinary items	Write back of development rebate reserve/provision for income tax	Profit (+)/ Loss (-) as per Accounts	
(1)	(2)	(3)	(4)	(5)	(6)	
Consolidated Position						
2001-02	(-) 203.96	(+) 17.71	(+) 2.21	-	(-) 184.04	
2002-03	(-) 149.60	(+) 0.58	(+) 1.32	-	(-) 147.70	
2003-04	(-) 56.16	(+) 0.47	(+) 0.58	-	(-) 55.10	
Indian Copper Complex						
2001-02	(-) 65.10	(+) 1.37	(+) 0.41	-	(-) 63.33	
2002-03	(-) 72.32	(+) 0.04	(+) 0.59	-	(-) 71.69	
2003-04	(-) 56.57	(+) 0.04	(+) 0.22	-	(-) 56.32	
Khetri Copper Complex						
2001-02	(-) 97.87	(+) 0.22	(+) 0.08	-	(-) 97.57	
2002-03	(-) 86.74	(+) 0.38	(+) 0.08	-	(-) 86.28	
2003-04	(-) 32.59	(+) 0.17	(+) 0.05	-	(-) 32.36	
Malanjkhand Copper Project						
2001-02	(-) 1.22	(+) 1.71	(+) 0.04	-	(+) 0.53	
2002-03	(+) 17.50	(+) 0.01	(+) 0.07	-	(+) 17.58	
2003-04	(+) 42.09	(+) 0.02	(+) 0.23	-	(+) 42.35	
Taloja Copper Project						
2001-02	(-) 13.93	(+) 0.01	(+) 1.67	-	(-) 12.25	
2002-03	(-) 4.22	-	(+) 0.06	-	(-) 4.16	
2003-04	(-) 1.63	(+) -	(+) 0.03	-	(-) 1.59	
Rakha Copper Project						
2001-02	(-) 21.32	(+) 0.14	-	-	(-) 21.18	
2002-03	(-) 2.23	(+) 0.02	(+) 0.48	-	(-) 1.73	
2003-04	(-) 0.87	(+) 0.03	(+) 0.48	-	(-) 0.84	

6. Inventory Levels :

The inventory levels at the close of the last three accounting periods are given below :

	2001-02	2002-03	(In percentage) 2003-04
i) Raw materials	6.94	8.41	0.63
ii) Stores & spares parts and loose tools	47.47	42.37	35.25
iii) Work-in-process	121.82	101.61	90.91
iv) Finished Goods	24.59	29.83	43.17

7. Sundry Debtors :

The sundry debtors vis-a-vis sales during the last three-accounting periods are given below :

As on	Sundry Debtors		Total	Sales during the year	Percentage of total sundry debtors to sales	(Rs. in crore)
	Considered good	Considered doubtful				
31.03.2002	20.95	3.34	24.29	604.98	4%	
30.09.2003	6.18	4.14	10.32	506.11	2%	
30.03.2004	18.08	4.02	22.10	503.28	4%	

Place : Kolkata
Dated : September 27th, 2004

S. B. Pillay
Principal Director of Commercial Audit
& Ex-Officio Member Audit Board - I, Kolkata

TEN YEARS AT A GLANCE

(Rs. in lakhs)

FOR THE YEAR	2003-04	2002-03	2001-02	1999-01 (18 months)	1998-99 (18 months)	1997-98 (18 months)	1996-97	1995-96	1994-95	1993-94
Turnover	49,928	50,568	60,498	94,558	47,949	120,348	98,024	111,802	93,295	67,238
Gross Profit/(Loss)	289	(8,999)	(12,592)	(10,625)	(11,276)	(1,725)	(7,677)	13,099	12,450	(1,762)
Depreciation and Amortisation	5,905	5,771	5,812	9,019	5,925	8,848	5,384	5,515	5,224	5,193
Net Profit/(Loss)	(5,616)	(14,770)	(18,404)	(19,644)	(17,201)	(10,573)	(13,062)	7,584	7,226	(6,955)
Value Added	20,942	14,737	15,309	33,591	16,724	28,946	21,937	41,359	42,216	25,161
Value of production	51,484	50,153	58,666	100,166	51,347	118,022	100,529	118,627	90,504	59,609
AT THE YEAR END										
Share Capital	90,895	79,511	71,011	54,361	53,661	52,511	33,820	33,820	33,020	30,520
Internal Resources	(35,030)	(31,039)	16,945	(49)	19,097	33,896	42,018	53,305	43,880	34,399
Long-term loans	27,562	29,182	29,182	64,332	37,236	11,527	17,456	17,456	16,656	16,656
Cash credit from banks	7,611	13,949	12,204	12,270	8,416	11,960	12,322	10,709	320	9,011
Capital expenditure gross	99,431	100,559	102,477	106,076	106,621	105,082	101,630	97,772	90,479	85,113
Working Capital	(102)	(2,595)	751	1,798	649	8,635	14,440	24,529	11,344	7,329
Capital employed	21,528	20,389	24,929	28,306	29,871	40,368	45,978	57,081	38,829	35,252
Manpower (No.)	5,995	7,865	9,502	12,043	15,271	18,234	19,884	20,108	20,513	21,520

AUDITORS' REPORT to the Members of Hindustan Copper Limited

1. We have audited the attached Balance Sheet of M/s. Hindustan Copper Limited as at 31st March, 2004 and the Profit & Loss Account of the company for the year ended that date annexed hereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. The audit has been conducted in accordance with generally accepted auditing standards applicable in India which requires the planning and performance of such audit which inter-alia includes examination, on a test basis of evidences supporting the amounts and disclosures in the financial statements including assessing the accounting principles used and significant estimates adopted by the management as well as evaluation of the overall financial statement presentation to obtain reasonable assurance as to whether the financial statements are free of any material misstatements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 of the said order.
4. Further to our comments in the Annexure referred to in Paragraph 3 here- in -above and subject to what is stated herein below vide paragraph 5, we report that :
 - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of such books.
 - (c) The Balance Sheet and the Profit & Loss Account are in agreement with the books of accounts.
 - (d) In our opinion, the Profit & Loss Account and the Balance Sheet subject to what is stated hereinbelow comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (i) *Accounting Policy No.4.1 has been followed in preference to Accounting Standard 6 (AS 6) Depreciation Accounting, issued by the Institute of Chartered Accountants of India, regarding depreciation on fixed assets for efflux of time. Further, depreciation charges on Pollution Control Project (Refer Note No.7 of Schedule 25) is also not in accordance with aforesaid Accounting Standard in as much as that life of the project has not been determined. Thus, quantum of depreciation on such assets is not ascertained, however provision of Rs. 33273 thousand has been made till 31st March 2004.*
 - (ii) *The machinery spares of the nature of capital spares/insurance spares have not been identified except in respect of TCP and KCC. In respect of these units also, where such identification has been made based on technical assessment, depreciation has been provided on the basis of remaining life of the fixed assets. The non-identification and accounting of such spares in remaining units and charging of depreciation on such spares in aforesaid units are not in accordance with the Accounting Standard issued by the ICAI. The quantum of such spares and depreciation required to be provided there against in such remaining units not ascertained.*

(e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors are disqualified from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956.

5. Further to our comments/qualifications in paragraphs 3 and 4 supra we report that

- (i) *The financial statements have been drawn up on the basis of in-house estimates referred to in paragraph 3 of Accounting Policies, being a technical matter, we have relied upon the same.*
- (ii) *Based on legal opinion and stay granted by the Hon'ble Supreme Court of India the Company has not charged Rs.61420 thousand being the difference of rates of Electricity Duty applicable to mines and plant. Since the issue remaining unresolved with the Hon'ble Supreme Court having remitted the matter to Jabalpur High Court for disposal afresh, we are unable to form an opinion on the veracity of the stand taken by the management. (Refer Note No. 9 of Schedule No.25 Notes on Accounts).*
- (iii) *Non provision of interest on overdue payments to SSI Units, amount of which is not ascertained (Refer Note No. 6 of Schedule No.25 Notes on Accounts).*
- (iv) *Non provision of interest liability on arrear fuel surcharge amount of which is unascertained. (Refer Note No. 10 of Schedule No. 25 Notes on Accounts).*
- (v) *There are large sums included under Current Liabilities, Advances, Deposits, Sundry Debtors, Claims Recoverable, Materials in Transit and Stocks lying with third parties which are subject to reconciliation and balance confirmation. Further, certain other liabilities pertaining to statutory dues have been included under contingent liabilities and not admitted in the accounts. The effect of adjustments/admittance of such liabilities and assets on the loss of the company for the year is not ascertained (Ref. Note No. 5 of Schedule No. 25 on Notes to Accounts).*
- (vi) *The company has incurred a net loss of Rs. 561598 thousand during the year ended 31st March, 2004 and as of that date its total current liabilities (Rs. 3322978 thousand) exceeds its total current assets (Rs. 2559519 thousand) by Rs. 763459 thousand and presence of other matters like adverse key financial ratios, inability to liquidate short and long term liabilities on due dates are some of the factors affecting the going concern concept adopted by the company. However, with the company having closed /being in the process of closing economically unviable units, and due to improved remunerative prices of their products during the year and also because of continuance of financial & administrative support by the Government of India the company is showing improvement in financial results, hence in our opinion, the company may continue to be a going concern in the foreseeable future.*
- (vii) *Adequacy or otherwise of the provision made against the condemned fixed assets could not be ascertained as the net realisable value of these assets are yet to be ascertained (Refer Note No.12 of Schedule 25 on Notes to Accounts).*
- (viii) *Discounts/Rebates allowed to the dealers/customers have not been shown as matching expenditure but reduced from the aggregate turnover. Thus both the figures of turnover as well as expenditure have been understated to that extent. The figures may not have impact on loss of the company but not ascertained.*
- (ix) *Physical verification of stores and spares at ICC, Ghatsila has not been conducted by the management during the*

year under review. Pending final adjustment of discrepancies like shortage, excess, difference in bin card and PSL balance, and negative balances against many items of inventory, the impact of the same on 'consumption' of stores and spares as well as 'closing stock' remains unascertained.

- (x) *Excise duty amounting to Rs. 40598 thousands on difference in weight of concentrate at Gondia stockyard of MCP has been provided during the year of which Rs. 32408 thousand pertains to previous year (Ref. Note No.23 of Schedule No. 25 of Notes to Accounts).*

Subject to what is stated in paragraph 4(d) (i) and 4(d)(ii) and paragraph 5(i) to 5(ix) supra, in our opinion and to the best of our information and according to the information and explanations given to us, the said accounts, read with notes thereon, give a true and fair view.

- (i) In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2004 and
(ii) In the case of the Profit & Loss Account of the loss of the company for the year ended on that date.

For DINESH MEHTA & CO.

Chartered Accountants

Hiren Mehta

Partner

For M. C. BHANDARI & CO.

Chartered Accountants

M. R. Jain

Partner

Dated : 26th August, 2004

Place : Kolkata

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. (a) The company has in general maintained proper records showing full particulars including quantitative details and location of fixed assets.

(b) *The fixed assets have not been physically verified during the current year pursuant to Accounting Policy No.4.3, which needs modification in view of closure of various mines and production facilities. Material discrepancies, if any, between the book records and physical availability of such assets cannot be ascertained in the absence of physical verification.*

(c) During the year, the company has not disposed off a major part of the plant and machinery though mining activities in certain mines including RCP and MSB concentrators have been abandoned but according to the information and explanations given to us, we are of the opinion that the same has not affected the going concern status of the company.
2. (a) Physical verification of the inventory *excepting stores & spares at ICC and RCP units* has been conducted by the management during the period on the basis of actual/survey measurements and in some cases on the basis of estimation after reasonable intervals. Further, the verification system so implemented by the management needs to be strengthened and frequency and scope widened.

(b) In our opinion and according to the information and explanations made available to us the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business, *except at Indian Copper Complex, Ghatsila.*

(c) The company is maintaining proper records of inventory. Discrepancies noticed on physical verification of stocks as compared to book records have been properly dealt with in the books of account excepting in certain cases where discrepancies detected in earlier years have not been adjusted and continues to be shown in stock though necessary provision for the same has been incorporated in the accounts.
3. The company has neither granted nor taken any loans to/from companies, firms or other parties listed in the register maintained under Sec. 301 of the Companies Act, 1956. In view of the same the question of the terms and conditions including rates of interest being prima facie prejudicial to the interest of the company does not arise.
4. In our opinion and according to the explanations made available to us by the management the internal control procedures with regard to purchases of inventory, fixed assets including high value contracts, transportation contracts and sale of goods needs to be improved further.
5. a) According to the information and explanations given to us, there is no transaction, which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

b) In our opinion and according to the information and explanations given to us, the company has not entered into any contracts or arrangements exceeding Rs 5.00 lakh in value in respect of any party in pursuance of contracts or arrangements entered in the register to be maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations made available to us by the management the

company had maintained deposits within the prescribed limits specified under Rule 3(2)(ii) of the Companies (Acceptance of Deposit) Rules, 1975 framed under the provisions of Section 58A of the Companies Act, 1956 and the directions issued by the Reserve Bank of India. However, the company has defaulted in making the repayments (Ref. Note No. 22 of Schedule No. 25 Notes on Accounts).

7. The company has a system of Internal Audit by external agencies, coverage of the same may be extended to make the same more meaningful.
8. We have broadly reviewed the cost records maintained by the company for the items prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records and accounts have been maintained. *However, we have not made a detailed examination of such accounts and records.*
9. (a) *The company was not regular in depositing Provident Fund dues and interest thereon during the year with appropriate authorities. The undisputed interest on Provident Fund amounting to Rs 68459 thousand left outstanding for more than six months from the date they became payable. (As per details given below)*

PARTICULAR	PERIOD	AMOUNT (in Thousands)
PROVIDENT FUND INTEREST	August 1998 to September 2003	68459

According to the information and explanations given to us, undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in aggregate to Rs. 51120 thousand as at 31st March 2004 for a period of more than six months from the date they became payable. (As given in annexure).

(b) *According to the information and explanations given to us, dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess amounting to Rs. 1085874 thousand net of deposits made have not been deposited on account of disputes pending at various forum. (As given in annexure).*

10. In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit, however there was cash loss of Rs. 825781 thousand in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to Bank but there was default in repayment of debenture, which has been however regularised at the year-end. *In respect of Public Bonds, amount of defaults including interest thereon at the year-end stands at unsecured – Rs. 238245 thousand and Secured Rs. 295300 thousand.*
12. According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a 'nidhi' mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.

ANNEXURE TO THE AUDITORS' REPORT *(Contd.)*

15. According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
16. As per the information given to us the term loan outstanding as at the end of the year were raised and utilised in the period prior to our audit. Hence, we are unable to comment whether the same have been applied for the purpose for which they have been raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company we report that no funds raised on short-term basis has been used for long-term instalment and vice versa.
18. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debenture but continued with the balance of unredeemed non-convertible debentures of Rs. 875000 thousand against security created in the form of mortgage of flat at Mumbai, first charge on moveable and immovable assets at KCC, MCP & TCP both present and future and counter guarantee by the Government of India (GOI) in respect of debentures issued.
20. According to the information made available to us, the company has not raised any fund by way of public issue, the end use of which is required to be discussed in the notes to the financial statement and to be verified by us.
21. During the course of our audit and on the basis of our test check, we did not come across any case of fraud on or by the company noticed or reported during the year under audit.

For DINESH MEHTA & CO.
Chartered Accountants

Hiren Mehta
Partner

For M. C. BHANDARI & CO.
Chartered Accountants

M. R. Jain
Partner

Dated : 26th August, 2004
Place : Kolkata

UNDISPUTED LIABILITIES FOR MORE THAN SIX MONTHS

(Rs. in thousands)

PARTICULARS	TOTAL
CUSTOMS DUTY	15673
SALES TAX (STATE & CENTRAL)	1286
ROYALTY & CESS	3587
FOREST LAND	2124
ELECTRICITY DUTY	18251
EXCISE DUTY	616
WEALTH TAX 1997-98	7282
OCTROI	541
DIVERSION RENT	1744
IT-TDS	16
TOTAL	51120

STATEMENT OF DISPUTED STATUTORY LIABILITIES

(Rs. in thousands)

SL. NO.	PARTICULARS	YEAR	FORUM AT WHICH MATTER IS PENDING	AMOUNT
1.	EXCISE DUTY	1992-93,1993-94,1995-96, 1996-97,1998-99,1999-2000, 2000-01,2001-02,2002-03	CEGAT	86947
		1994-95,1995-96,1998-99, 1999-2000,2001-02,2002-03 2003-04	COMMISSIONER OF EXCISE (APPEALS)	671374
2.	SALES TAX	1974-75,1979-80,1986-87, 1987-88,1988-989,1990-91, 1991-92,1992-93,1994-95, 1995-96,1996-97,1997-98, 1998-99,1999-2000,2000-01	DY. COMMISSIONER (APPEALS)	309919
		1991-92,1992-93,1993-94, 1985-86	TRUBUNAL	7073
3.	ELECTRICITY DUTY	1981-82,1982-83	DY. COMMISSIONER OF COMMERCIAL TAX	6222
4.	ROYALTY	1997-98,1999-2000,2000-01 2001-02,2003-04	DISTRICT MINING OFFICER	4339
	TOTAL			1085874

ACCOUNTING POLICIES

1. The Financial Accounts are prepared in all material aspects as per accounting conventions, practices and standards prescribed in India except otherwise stated.
2. The accounts of all units of the Company are drawn up separately and compiled at corporate level.
3. Financial statements have been prepared based on in-house technical estimates in respect of the following :
 - Allocation of service Shaft expenses, underground mining expenditure between revenue and capital.
 - Metal content in raw materials, WIP and finished goods.
 - Credit of anode scrap generation in refinery plant.
 - Mineable ore reserves in underground mines.
 - Stripping ratio in open cast mines.

BALANCE SHEET :

4. Fixed Assets :

- 4.1. Fixed assets are recorded at cost. Depreciation on fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on assets acquired prior to 1.04.93 is charged on derived rates by allocating the unamortised value over the remaining life arrived at on the basis of rates prescribed under the Schedule XIV to the Companies Act, 1956.
- 4.2. Depreciation in respect of plant & machinery and building of new project, is charged from the date of commercial production.
- 4.3. Physical verification of fixed assets is carried out once in every five years.
- 4.4. Fixed assets acquired out of funds provided by Government by way of grants-in-aid are recorded in the books at cost and kept in special reserve which is apportioned over the life of the assets by transfer to profit and loss account.
- 4.5. Pending reconciliation/receipt of the final bills against capital items, capitalisation is done on the basis of cost booked and depreciation is charged accordingly. Price differences, if any, are adjusted in the year of finalisation of bills.
- 4.6. In respect of expenditure during construction of a new unit in a new location, all direct capital expenditure as well as all indirect expenditure incidental to construction are capitalised allocating to various items of fixed assets on an appropriate basis. Expansion programme concurrently run with normal production activities in an existing unit, all direct capital expenditure in relation to such expansion are capitalised but indirect expenditure are charged to revenue.
- 4.7. Interest/finance cost on loans specifically borrowed for new and expansion projects up to the start of commercial production is charged to the capital cost of the projects concerned.
- 4.8. Project expenses incurred for implementation of new projects are carried forward against respective project till execution. Project expenses rendered infructuous or abandoned are charged to the Profit & Loss Account.

5. Mine Development Expenditure :

- 5.1. In case of underground mines the expenditure on development of a new mine in all cases and on subsequent development of a working mine in specified cases is capitalised and amortised on the basis of ore raised during the year and the mineable ore reserves estimated from time to time. The ore obtained during development activity is adjusted against such expenditure at its derived realisable value.
- 5.2. Expenses are apportioned to various mines/levels and treated as capital or revenue mine development expenditure on the basis of in-house technical estimates.
- 5.3. In respect of open cast mines, the expenditure on removal of waste and overburden, is capitalised and the same is amortised in relation to actual ore production during the year and the stripping ratio of the mine as determined by the company at the weighted average rate.
- 5.4. Expenditure incurred on exploration of new deposits is included in mine development expenditure. If the exploration activities are found to be not fruitful, the expenditure on such exploratory work included in mine development expenditure is written off in the year in which it is decided to abandon the project.

6. Major Overhauling Expenses :

The expenditure attributable to major overhaul of smelter/refinery is treated as deferred revenue expenditure and is written off equally over a period of three years.

7. Inventories :

- 7.1. Inventories are valued on the basis of materials physically available at the end of the year. Discrepancies on account of excess or shortage if any on physical verification are netted off and accounted for accordingly.
- 7.2. Stocks of raw materials, stores and spare parts are valued at weighted average cost while loose tools, materials-in-transit are valued at cost. Loose tools when issued are charged off to revenue.
- 7.3. Finished goods and work-in-process are valued at the lower of the year end net realisable value and weighted average cost to the unit. The cost is exclusive of financing cost items such as interest, bank charges etc. The value of slag under work in process is taken at equivalent value to the extent credited to the process, where the said products have generated. The reverts under work- in-process are valued at lower of cost (equivalent value of concentrates) and net realisable value. Subsidy on fertilizers is not considered for the purpose of fertilizer stock valuation.
- 7.4. Liability for excise duty on finished goods in stock or held in bonded warehouse is provided for in the accounts and also considered in stock valuation. The other stocks are valued net of excise duty where CENVAT is applicable.
- 7.5. The stock of anode slime, rich copper and copper dust arising from treatment and refining processes and intended for sale are valued at realisable value based on the indigenous market price after making due adjustments of their physical recovery and the treatment and refining charges.
- 7.6. The inventories out of inter-unit transfers at the close of the year are valued on the basis of cost or net realisable value whichever is lower to the transferor unit. No adjustment is made in respect of difference between the cost

ACCOUNTING POLICIES

and transfer price for such transferred products in case of partly processed materials lying at various stages of production and finished stocks at the end of the year, since this is not practically ascertainable excepting at TCP Unit.

7.7. Scrap stocks are accounted for on realisation/recycling.

7.8. Imported materials are valued at weighted average cost at a provisional price pending finalisation of invoice price and customs duty. Variations are accounted for in the year of finalisation.

7.9. Once in every three years provision is made in the accounts for non-moving stores and spares (other than insurance spares) which have not moved for more than five years.

PROFIT AND LOSS ACCOUNT :

8. Sales :

Sales are net of discounts/rebates being allowed from time to time.

9. Claims :

Claims on account of liquidated damages and insurance are accounted for as and when these are deducted and/or considered recoverable by the Company.

10. Conversion charges :

Income from conversion of job work is accounted for on the basis of despatches made .

11. Interest on L/C bills :

Interest upto the date of Balance Sheet on all outstanding bills is accounted for on accrual basis.

12. Gratuity and Leave Encashment on Retirement :

Gratuity and leave encashment liability on retirement are provided based on actuarial valuation.

13. Bonus/Ex-gratia :

Bonus/Ex-gratia is provided for in the accounts of the respective units on estimated basis.

14. Deficit in Provident Fund :

Deficit, if any, on account of Provident Fund Trust is accounted for on the basis of accrued liability, as ascertainable on the basis of last accounts closed by the Provident Fund Trust.

15. General :

15.1. Foreign exchange transactions :

15.1.1. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

15.1.2. Monetary items denominated in foreign currencies at the year-end and not covered by forward exchange contracts are translated at year-end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate

difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.

15.1.3. Non-monetary foreign currency items are carried at cost.

15.1.4. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit or loss account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

15.2. Prior year's debits and credits :

Prior year's debits and credits are accounted for as per Accounting Standard - 5 (AS-5) issued by The Institute of Chartered Accountants of India.

15.3 Research and Development expenditure :

Expenditure on research and development is charged off to Profit & Loss Account in the year it is incurred. Expenditure on fixed assets in this regard is capitalised.

15.4. Voluntary Retirement Expenses :

15.4.1. Paid out of own fund :

In respect of Voluntary Retirement expenditure incurred by the company out of own funds is charged off to revenue over a period of 60 months.

15.4.2. Paid out of Government Grant :

Voluntary Retirement Expenditure is charged to the Profit & Loss Account on receipt of Grants from the Government of India with corresponding credits to the Profit & Loss Account.

15.4.3. Paid out of Government Loan Fund :

Voluntary Retirement Expenditure incurred out of Government loan specifically provided for the same is treated as Deferred Revenue expenditure and is charged to revenue in consonance with the terms of sanction of such loan.

BALANCE SHEET

as on March 31, 2004

	Schedule No.		As at 31.03.2004	(Rs. '000) As at 31.03.2003
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	5,436,104		5,436,104
Share Money Awaiting Allotment		3,653,400		2,515,000
Reserves & Surplus	2	74,390		69,169
			9,163,894	8,020,273
Loan Funds				
Secured Loans	3	4,149,754		4,716,047
Unsecured Loans	4	238,245		248,245
			4,387,999	4,964,292
TOTAL			13,551,893	12,984,565
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	6,947,507		6,926,023
Less : Depreciation	5	4,784,508		4,627,584
Net Block	5	2,162,999		2,298,439
Discarded Fixed Assets net of provision	5	7,893		15,152
Capital Work-in-Progress	6	183,006		194,711
Mine Development Expenditure	7	2,812,598		2,934,852
Advance for Capital Expenditure	8	—		270
			5,166,496	5,443,424
Investments				
	9		21	22
Current Assets, Loans and Advances				
Inventories	10	1,699,589		1,739,051
Sundry Debtors	11	180,765		61,824
Cash and Bank Balances	12	170,294		1,288,219
Other Current Assets	13	13,192		20,361
Loans and Advances	14	487,786		492,343
			2,551,626	3,601,798
Less : Current Liabilities and Provisions	15	2,561,842		3,861,311
Net Current Assets			(10,216)	(259,513)
Miscellaneous Expenditure	16		33,711	—
Profit and Loss Account			8,361,881	7,800,632
TOTAL			13,551,893	12,984,565
Notes to Accounts	25			

Accounting Policies and Schedules 1 to 25 attached form part of the accounts.

In Terms of our Report of Even Date

For **DINESH MEHTA & CO.** Chartered Accountants

For **M. C. BHANDARI & CO.** Chartered Accountants

HIREN MEHTA
Partner

M. R. JAIN
Partner

For and on behalf of the Board of Directors
Rana Som Acting Chairman-cum-
Managing Director
R.K. Bhargava Director
C. S. Singhi Company Secretary

Dated : August 26, 2004

Dated : August 26, 2004
Place : Kolkata

PROFIT & LOSS ACCOUNT

for the year ended March 31, 2004

	Schedule No.	2003-04	(Rs. '000) 2002-03
INCOME			
Gross Sales		4,992,848	5,056,761
Less : Excise Duty		667,984	563,359
Net Sales		4,324,864	4,493,402
Internal Issues		5,211	4,349
Other Income	17	124,339	113,830
Grant-in-Aid		1,267,494	1,283,336
Increase/(Decrease) in Stock of Finished Goods, Semi-Finished and in Process	18	25,995	(146,407)
		<u>5,747,903</u>	<u>5,748,510</u>
EXPENDITURE			
Materials, Spares & Components	19	913,314	1,221,168
Employees' Remuneration & Benefits	20	918,362	1,147,525
Other Expenses of Manufacturing Administration, Selling & Distribution	21	1,863,323	2,097,930
Excise duty		28,827	144,136
Prior years' Net Debits/(Credits)	22	5,839	13,189
Interest	23	596,242	595,698
Provisions, Losses & Write off	24	125,571	96,807
VRS Expenses - Own Fund		—	48,656
- Grant-in-Aid		1,267,494	1,283,336
Depreciation		177,034	179,988
Amortisation of Mine Development Expenditure		413,495	397,067
		<u>6,309,501</u>	<u>7,225,500</u>
PROFIT/(LOSS) FOR THE YEAR		(561,598)	(1,476,990)
Profit/(Loss) Brought Forward from last year's Accounts		(7,800,632)	(6,324,002)
Transfer from Special Reserve		349	360
Amount Available for Appropriations		<u>(8,361,881)</u>	<u>(7,800,632)</u>
Balance of profit/(loss) carried to Balance Sheet		<u>(8,361,881)</u>	<u>(7,800,632)</u>
Earning per Share (Rs.)		(-) 1.55	(-) 4.07
Notes to Accounts	25		

Accounting Policies and Schedules 1 to 25
attached form part of the accounts.

In Terms of our Report of Even Date

For DINESH MEHTA & CO.
Chartered Accountants

For M. C. BHANDARI & CO.
Chartered Accountants

HIREN MEHTA
Partner

M. R. JAIN
Partner

For and on behalf of the Board of Directors

Rana Som

Acting Chairman-cum-
Managing Director

R.K. Bhargava

Director

C. S. Singhi

Company Secretary

Dated : August 26, 2004

Dated : August 26, 2004

Place : Kolkata

SCHEDULE TO ACCOUNTS

as on March 31, 2004

		(Rs. '000)
		As at
		As at
		31.03.2004
		31.03.2003
1. SHARE CAPITAL		
Authorised		
70,00,00,000	Equity Shares of Rs. 10/- each	7,000,000
20,00,000	7.5% Non-Cumulative Preference Shares of Rs. 1000/- each	2,000,000
Issued, Subscribed & paid up		
345133700	Equity Shares of Rs. 10/- each fully paid up in cash	3,451,337
10244300	Equity Shares of Rs. 10/- each issued pursuant to a contract without payment being received in cash	102,443
7500000	Equity Shares of Rs. 10/- each pursuant to Indian Copper Corporation (Acquisition of Undertaking) Act, 1972 without payment being received in cash	75,000
		3,628,780
1807324	7.5% Non-Cumulative Preference Shares of Rs. 1000/- each	1,807,324
		5,436,104
Equity Share Money Awaiting Allotment —		
As per last Balance Sheet		2,515,000
Received during the year		1,138,400
		3,653,400
2. RESERVES AND SURPLUS		
Capital Reserve :		
As per last Balance Sheet		65,417
Addition during the year		5,570
		70,987
Special Reserve :		
As per last Balance Sheet		3,752
Less : Transferred to Profit & Loss Account		349
		3,403
		74,390
		69,169

SCHEDULE TO ACCOUNTS

as on March 31, 2004

	(Rs. '000)
	As at
	31.03.2004
	31.03.2003
3. SECURED LOANS	
i) Debentures	
10,000 14% Secured Redeemable Non-convertible Debenture of Rs. 87,500 each (Previous year Rs. 1,00,000 each), (Note 1)	875,000
1,000,000	
Secured by mortgage of flats at Mumbai and by first charge on whole of the assets (movable and immovable at Khetri Copper Complex, Khetri, Malanjkhanda Copper Project, Malanjkhanda and Talaja Copper Project, Talaja both present and future (save and except Book Debts and Other Current Assets) and counter guaranteed by GOI.	
ii) Cash Credit from Banks	761,136
1,394,870	
Secured by Hypothecation of Stock-in-Trade, Stores and Spare parts, and Book Debts etc. of both present and future of the Company. Further secured by second charge on the immovable assets of the Khetri, Malanjkhanda and Talaja Projects.	
iii) Loans & Advances from Banks–Short Term	632,428
402,977	
iv) Other Loans & Advances	
a) 10.65% Sec. Red. Non-Conv. Bonds of Rs.10,000,000/- each. (Note 2) Secured by mortgage of a flat at Mumbai. Further secured by Govt. of India guarantee <i>pari passu</i> charge on the assets of Khetri, Malanjkhanda and Talaja pending execution thereof.	1,500,000
1,500,000	
b) 14.75% 7 year Redeemable Bonds of Rs. 70,000/- each (Previous year Rs. 1,00,000) (Note 3)	85,890
122,700	
c) 15% 5 year Redeemable Bonds of Rs. 100000/- each (Note 4) Secured by first Charge on Specific Assets at Indian Copper Complex, Ghatsila and Head Office Building, Kolkata, through Deposit of Title Deed with the Trustees of the Bondholders.	295,300
295,500	
	381,190
	418,200
	<u>4,149,754</u>
	<u>4,716,047</u>

Amount falling due within next twelve months Rs. 1,214,538 thousand (Previous year Rs. 860,287 thousand)

Note 1 : 14% Secured Redeemable, Non-Convertible Debenture are redeemable in 16 quarterly instalments @ Rs. 62,500 thousand commencing from Decemeber 15, 2003 and ending on September 15, 2007, out of which, Company has redeemed two instalment during the year and consequently the face value of each debenture is reduced from Rs. 1,00,000 to Rs. 87,500.

Note 2 : 10.65% Secured Redeemable, Non-Convertible Bonds of Rs. 10,000,000/- each aggregating to 1,500,000 thousand are redeemable at par in two tranches of Rs. 750,000 thousand each on April 1, 2006 and July 1, 2006 respectively.

Note 3 : 14.75% 7 year Redeemable Bonds of Rs. 1,00,000/- each aggregating to Rs. 122,700 thousand are redeemable at par in three annual instalments of 30%, 30% and 40% commencing from 31st May, 2003. The first instalment of 30% which was due on May 31st, 2003 has been redeemed during the year and consequently the face value of the bond is reduced from Rs. 1,00,000 to Rs. 70,000 each.

Note 4 : 15% 5 year Redeemable Bonds of Rs. 100000/- each aggregating to Rs. 295,500 thousand are redeemable at par on 30th June, 2003. However, the same could not be redeemed on due date. During the year the Company has redeemed only Rs. 200 thousand.

SCHEDULE TO ACCOUNTS

as on March 31, 2004

	As at 31.03.2004	(Rs. '000) As at 31.03.2003
4. UNSECURED LOANS		
i. Fixed Deposits		
Unclaimed Public Deposits	41	41
Add : Interest Accrued & Due	<u>13</u>	<u>13</u>
	54	54
ii. Short Term Loans & Advances		
14% Privately Placed Bonds (Note 1)	235,000	245,000
Add : Interest Accrued & Due	<u>3,191</u>	<u>3,191</u>
	238,191	248,191
	<u>238,245</u>	<u>248,245</u>

Amount falling due within next twelve months Rs. 235,041 thousand (Previous year Rs. 245,041 thousand).

Note 1 : Out of the total 14% Unsecured Privately Placed Bonds of Rs. 633,300 thousand, the Company has redeemed Rs. 398,300 (thousand including Rs. 10,000 thousand during the year) leaving a balance of s. 235,000 thousand even though the Bonds are overdue for payment.

SCHEDULE TO ACCOUNTS

as on March 31, 2004

5. Fixed Assets

(Rs.'000)

DESCRIPTION	GROSS BLOCK					DEPRECIATION						NET BLOCK		
	As at	During the year				As at	Up to	For the	During the year			Up to	As at	As at
	01.04.03 Rs.	Additions Rs.	Deduction Rs.	Obsolete Rs.	Adjustment Rs.	31.03.04 Rs.	01.04.03 Rs.	year Rs.	Deduction Rs.	Obsolete Rs.	Adjustment Rs.	31.03.04 Rs.	31.03.04 Rs.	31.03.03 Rs.
Land:														
Free hold	12765	—	—	—	—	12765	—	—	—	—	—	—	12765	12765
Lease hold	14590	—	—	—	—	14590	4650	133	—	—	—	4783	9807	9940
Roads, Bridges and Culverts	60539	—	—	(-1488)	—	59051	18432	1062	—	(-312)	—	19182	39869	42107
Railway Siding	10075	709	—	—	—	10784	8628	204	—	—	—	8832	1952	1447
Buildings including Sanitary and Water Supply System**	1177522	—	—	2057	—	1179579	494181	21499	—	1084	—	516764	662815	683341
Plant, Machinery and Mining Equipment	4777992	68108	6511	(-33152)	(-1886)	4804551	3511110	150079	6127	(-30726)	(-1727)	3622609	1181942	1266882
Electrical Equipment and Installation	315711	133	9	4	1886	317725	198057	11011	6	4	1875	210941	106784	117654
Shafts and Inclines	371265	—	—	(-5510)	—	365755	249603	10006	—	(-5263)	—	254346	111409	121662
Vehicles	88626	—	4626	1838	—	85838	76478	3706	4366	1746	(-51)	77513	8325	12148
Furniture, Fixtures, Office, Hospital, Survey and Drawing Equipment	96938	234	83	(-220)	—	96869	66445	3177	77	(-192)	185	69538	27331	30493
Total	6926023	69184	11229	(-36471)*	—	6947507	4627584	200877#	10576	(-33659)*	282##	4784508	2162999	2298439
Previous Year	6977883	106318	1944	(-156234)	—	6926023	4560033	206070	1820	(-136582)	(-117)	4627584	2298439	2417850
Details of Discarded Assets														
Discarded Assets	374695	58969	22498	—	—	411166	304696	54930	21271	—	—	338355	72811	69999
Less Provision###													—	54847
Discarded Assets net of provision													7893	15152

Refer main P&L Account, Schedule No. 7.

Refer Schedule No. 22.

Provision written back during the year Rs. 267 thousand has been included in Schedule No. 17.

* Figures of obsolete assets and corresponding depreciation are net of additions/deletions during the year.

** Includes Rs. 88,495 thousand (previous year Rs. 88,495 thousand) on lease hold land.

Fixed Assets include items of Rs.6,765 thousand (previous year Rs. 6,934 thousand) held in stores and on these items no depreciation has been charged as per past practice which comes to Rs. 3765 thousand.

SCHEDULE TO ACCOUNTS

as on March 31, 2004

		(Rs. '000)
	As at 31.03.2004	As at 31.03.2003
6. CAPITAL WORK-IN-PROGRESS		
Plant and Machinery (Including in transit Rs.NIL thousand – previous year Rs. NIL thousand)	367,284	367,284
Others	309,881	310,405
	<u>677,165</u>	<u>677,689</u>
Less : Provisions	494,159	482,978
	<u>183,006</u>	<u>194,711</u>
7. MINE DEVELOPMENT EXPENDITURE		
As per last Balance Sheet	3,382,865	3,434,586
Add : Expenditure during the year as per Schedule 7.01	299,430	349,153
	<u>3,682,295</u>	<u>3,783,739</u>
Less :		
Value of ore recovered during mine development	8,189	3,807
Amortisation	413,495	397,067
	<u>421,684</u>	<u>400,874</u>
	<u>3,260,611</u>	<u>3,382,865</u>
Less : Provisions	448,013	448,013
	<u>2,812,598</u>	<u>2,934,852</u>
7.01.MINE DEVELOPMENT EXPENDITURE		
Salaries, Wages & Allowances	64,309	90,386
Contribution to Provident & Other Funds	6,489	8,671
Workmen & Staff Welfare	3,542	3,286
Gratuity	339	249
Stores, Spares & Tools Consumed	139,868	156,459
Power, Fuel & Water	39,233	42,064
Repairs :		
– Building	314	601
– Plant & Machinery	4,017	3,773
– Others	3,312	2,461
Insurance	399	376
Royalty	—	245
Prospecting, Survey, Drilling, Sampling & Analysis	6,702	7,647
Depreciation	23,843	26,034
Miscellaneous	7,063	6,901
	<u>299,430</u>	<u>349,153</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2004

	As at 31.03.2004	(Rs. '000) As at 31.03.2003
8. ADVANCE FOR CAPITAL EXPENDITURE		
Unsecured – Considered Good	—	270
Considered Doubtful	2	2
	<u>2</u>	<u>272</u>
Less : Provision	2	2
	<u>—</u>	<u>270</u>
9. INVESTMENTS (at cost)		
Non-trade Investments in Debentures :		
– Unquoted		
17 Nos. 5% Debentures of Rs. 1000/- each fully paid up in Woodlands Hospital & Medical Research Centre Ltd.	17	17
12 Nos. 8% Debentures of Rs. 100/- each fully paid up and 2 Nos. Fractional Certificate of Rs. 25/- each in 8% Debentures fully paid up in Indian Chamber of Commerce and Industry.	—	1
4 Nos. 6% Non-Redeemable Registered Debentures (1962) of Rs. 1000/- each fully paid up in Bengal Chamber of Commerce and Industry.	4	4
	<u>21</u>	<u>22</u>
Aggregate Book Value – Unquoted	21	22
10. INVENTORIES		
(As Taken, Valued and Certified by the Management)		
Raw Materials [at cost] (in transit Rs. 1,444 thousand, – Previous year Rs. Nil thousand)	6,312	841
Semi-Finished and In-Process [at lower of cost or net realisable value]	953,420	1,061,270
Less : Provision	44,359	45,131
	<u>909,061</u>	<u>1,016,139</u>
Finished Goods [at lower of cost or net realisable value] (In-transit Rs. Nil thousand Prev. Yr. Rs. 29,789 thousand)	452,146	318,302
Less : Provision	20,452	19,974
	<u>431,694</u>	<u>298,328</u>
Stores & Spares [at cost] (in transit Rs. 21,006 thousand, – Previous year Rs. 18,745 thousand)	787,164	800,977
Less : Provision for obsolescence/Non-moving & Verification Discrepancies (Net)	433,867	378,121
Less : Provision for Stores & Spares of irregular use	3,449	1,759
	<u>349,848</u>	<u>421,097</u>
Loose Tools [at cost]	2,674	2,646
	<u>1,699,589</u>	<u>1,739,051</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2004

	As at 31.03.2004	(Rs. '000) As at 31.03.2003
11. SUNDRY DEBTORS		
Exceeding six months	49,936	46,442
Other Debts	<u>171,007</u>	<u>56,793</u>
	220,943	103,235
Less : Provision for doubtful debts	<u>40,178</u>	<u>41,411</u>
	<u>180,765</u>	<u>61,824</u>
Particulars of Debt :		
Unsecured – Considered Good	180,765	61,824
Considered Doubtful	<u>40,178</u>	<u>41,411</u>
	<u>220,943</u>	<u>103,235</u>
12. CASH & BANK BALANCES		
Cash & Stamps in Hand	1,246	16,895
Cheques/Draft in Hand	17,927	1,137,902
Balance with Scheduled Banks on :		
i) Fixed Deposit Accounts	55,894 *	52,323
ii) Current Accounts	95,201	80,407
iii) Margin Money	<u>26</u>	<u>692</u>
	151,121	133,422
	<u>170,294</u>	<u>1,288,219</u>
* The Fixed Deposits are earmarked for repayment of principal and interest on Bonds.		
13. OTHER CURRENT ASSETS		
Interest Accrued on :		
– Loans/Advances/Deposits and Others	13,192	20,361
	<u>13,192</u>	<u>20,361</u>
14. LOANS AND ADVANCES		
Loans	10,318	15,112
Advances Recoverable in Cash or in Kind or for Value to be Received	156,895	115,986
Claims Recoverable	33,162	41,137
Deposits	394,800	370,856
Balance with Customs, Port Trust, etc.	<u>4,683</u>	<u>9,201</u>
	599,858	552,292
Less : Provision for Doubtful Advances and Claims	<u>112,072</u>	<u>59,949</u>
	<u>487,786</u>	<u>492,343</u>
Particulars of Loans & Advances :		
Considered Good – Secured	7,137	10,394
– Unsecured	480,649	481,949
Considered Doubtful	<u>112,072</u>	<u>59,949</u>
	<u>599,858</u>	<u>552,292</u>
Note : Amount due from Director	—	—
Amount due from an Officer	—	—
Maximum amount Due at any Time During the year from : – Director	—	—
– Officer	—	—

SCHEDULE TO ACCOUNTS

as on March 31, 2004

	As at 31.03.2004	(Rs. '000) As at 31.03.2003
15. CURRENT LIABILITIES & PROVISIONS		
Current Liabilities :		
Sundry Creditors – Goods	323,084	510,105
Sundry Creditors – Others	785,599	826,808
Sundry Creditors – SSI Units	87,753	52,324
Security & Earnest Money Deposits	194,391	195,446
Grants-in-Aid		
As per last Balance Sheet	1,177,817	261,153
Add : Received during the year	250,000	2,200,000
	<u>1,427,817</u>	<u>2,461,153</u>
Less : Transfer to P/L A/C	1,267,494	1,283,336
	160,323	1,177,817
Other Liabilities	547,899	638,036
Interest accrued but not due on Loans	68,048	70,972
	<u>2,167,097</u>	<u>3,471,508</u>
Provisions :		
Wealth Tax	7,282	6,282
Others	387,463	383,521
	<u>394,745</u>	<u>389,803</u>
	<u>2,561,842</u>	<u>3,861,311</u>
16. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Major overhaul of Smelter/Refinery		
Balance as per last Balance Sheet	—	25,498
Expenditure During the year :		
Stores	22,033	—
Spares	—	—
Maintenance Plant (contractual)	11,678	—
	<u>33,711</u>	<u>—</u>
Less : Charged off during the year :		
Stores	—	9,038
Spares	—	3,502
Maintenance Plant (contractual)	—	12,958
Maintenance Others (contractual)	—	—
	<u>—</u>	<u>25,498</u>
	33,711	—
Voluntary Retirement Compensation		
Balance as per last Balance Sheet	—	48,656
Add : Expenditure During the year	1,267,494	1,283,336
	<u>1,267,494</u>	<u>1,331,992</u>
Less : Charged to P/L Account	1,267,494	1,331,992
	<u>—</u>	<u>—</u>
	<u>33,711</u>	<u>—</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2004

		(Rs. '000)
	2003-04	2002-03
17. OTHER INCOME		
Sale of Scrap	34,801	29,469
Profit on sale of Fixed Assets (net)	3,101	442
Profit on sale of Stores (net)	310	518
Interest :		
– on Loans, Advances, Deposits etc.	15,324	10,430
– Received from Customers	13,924	15,056
Claims	579	7,480
Provisions written back	4,723	5,820
Loss/(Gain) on Exchange Fluctuation	26,726	13,238
Miscellaneous	24,851	31,377
	<u>124,339</u>	<u>113,830</u>
18. INCREASE/(DECREASE) IN STOCK OF FINISHED GOODS, SEMI-FINISHED & IN-PROCESS		
Opening Stock :		
Finished Goods	318,302	265,891
Adjustment	—	(1,360)
	<u>318,302</u>	<u>264,531</u>
Semi-Finished and In-Process	1,061,270	1,261,448
Total Opening Stock	<u>1,379,572</u>	<u>1,525,979</u>
Closing Stock :		
Finished Goods	452,146	318,302
Semi-Finished & In-Process	953,421	1,061,270
Total Closing Stock	<u>1,405,567</u>	<u>1,379,572</u>
Increase/(Decrease)	<u>25,995</u>	<u>(146,407)</u>
19. MATERIALS, SPARES & COMPONENTS		
Raw Materials Consumed	482,297	777,730
Stores, Spars & Tools Consumed	422,828	439,631
Value of Ore Raised During Mine Development	8,189	3,807
	<u>913,314</u>	<u>1,221,168</u>
20. EMPLOYEES' REMUNERATION & BENEFITS		
Salaries, Wages & Allowances	767,101	952,073
Bonus/Ex-gratia	262	520
Contribution to Provident & Other funds	81,124	99,997
Workmen & Staff Welfare	62,205	73,115
Gratuity	7,670	21,820
	<u>918,362</u>	<u>1,147,525</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2004

		(Rs. '000)
	2003-04	2002-03
21. OTHER EXPENSES OF MANUFACTURING, ADMINISTRATION, SELLING & DISTRIBUTION		
Power, Fuel & Water	1,314,498	1,502,883
Repairs :		
Building	4,532	5,027
Plant & Machinery	37,211	38,589
Others	17,065	20,199
	58,808 *	63,815
Major Overhaul Expenditure	—	25,498
Royalty, Cess & Decretal amount	101,852	88,921
Insurance	10,347	12,864
Rent	7,790	5,756
Rates & Taxes	14,167	11,470
Remuneration to Auditors :		
Audit Fees :		
– Statutory Audit Fees	281	303
– Tax Audit Fees	105	114
– Other Capacity	297	296
– For Expenses	96	73
	779	786
– Cost Audit Fees	40	40
– For Expenses	5	2
	45	42
Internal Audit Fees & Expenses	361	574
– For Expenses	193	219
	554	793
Director's Fees	10	14
Audit Committee Fees	2	3
Handling & Transportation	203,586	240,236
Donation	—	20
Commission	746	827
Miscellaneous	150,139	144,002
	<u>1,863,323</u>	<u>2,097,930</u>

* Repairs carried out departmentally does not include expenditure of Salary & Wages Rs. 273,346 thousand, stores and spares consumed Rs. 210,706 thousand (Prev. Yr. Rs. 320,136 thousand & Rs. 236,662 thousand respectively) which have been shown under respective Heads of accounts.

SCHEDULE TO ACCOUNTS

as on March 31, 2004

		(Rs. '000)
	2003-04	2002-03
22. PRIOR YEARS' NET DEBITS/(CREDITS)		
Debits :		
Salaries, Wages and Allowances	770	522
Contribution to PF and other Funds	171	—
Gratuity	26	—
Interest	97	—
Repairs and Maint. Plant and Machinery and Others	12	30
Raw Materials, Stores, Spares and Tools Consumed	1,808	6,417
Handling and Transportation Charges	216	—
Depreciation	282	48
Power & Fuel	34	2,288
Sales	—	2,608
Workmen and Staff Welfare	5	1
Miscellaneous Expenses	2,693	1,543
	<u>6,114</u>	<u>13,457</u>
Credit :		
Miscellaneous Income	275	268
Net Debit/(Credit)	<u>5,839</u>	<u>13,189</u>
23. INTEREST		
Cash Credit	164,714	168,443
Redeemable Bonds	96,270	97,699
Redeemable Bonds-GOI Guaranteed	159,750	159,750
Debentures	139,169	140,000
Others	36,339	29,806
	<u>596,242</u>	<u>595,698</u>
24. PROVISIONS, LOSSES & WRITE OFF		
Provisions for :		
– Stores Discrepancies	2,047	2
– Doubtful Debts, Advances & Claims etc.	42,609	14,212
– Stores and Spares of irregular use	1,690	1,759
– Loss of Fixed Assets and Inventory	253	1,854
– Capital Work-in-Progress	11,181	11,109
– Wealth tax	1,000	1,000
– Non-moving/Obsolete stock/Spares	55,231	3,416
– Mining lease	1,209	11,285
– Closure of Mines – Fixed Assets	10,338	4,561
– Mine Development Expenditure	—	47,609
	<u>125,558</u>	<u>96,807</u>
Write-off :		
– Advances/Claims	13	—
	<u>125,571</u>	<u>96,807</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2004

25. NOTES TO ACCOUNTS

		(Rs.'000)
	<u>2003-04</u>	<u>2002-03</u>
1. Estimated amount of capital commitments	207,917	208,559
2. Contingent liability being claims not acknowledged as debts		
a. Sales Tax	334,877	336,753
b. Excise Duty	852,335	329,280
c. Others	2,563,955	2,020,041
3. Pending finalisation of lease agreement by State Governments in respect of leasehold lands the amortisation has been made for the ad-hoc payment made so far. However, freehold land has been transferred in the name of the Company in the records of the state Governments without execution of formal deeds for the same.		
4. Title Deeds of immovable assets acquired on nationalisation at Indian Copper Complex are not available with the Company.		
5. Balance shown under Sundry Creditors, Sundry Debtors, Loans, Advances, Claims Recoverable, Materials in Transit and Stock Lying with Third Parties are subject to confirmation by the parties.		
6. Amount of outstanding liability of Rs.87,753 thousand (previous year Rs.52,324 thousand) remained unpaid to Small Scale and Ancillary Industrial Undertaking. In the absence of specific claims for interest on overdue amounts, no provision has been made.		
7. At ICC Unit the plants under Packages I and III of Pollution Control Projects amounting to Rs.210,050 thousand have not been capitalised pending non-completion of trial/guarantee runs as per contract. As a matter of prudence, a provision amounting to Rs.33,273 thousand has been made in the accounts to take care of efflux of time.		
8. In the opinion of the management, the current assets, loans and advances and deposits have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.		
9. In respect of electricity duty dispute with MP State Electricity Board, in case of MCP Unit, The Hon'ble Supreme Court has remitted the case back to Hon'ble High Court, Jabalpur for disposal of the case afresh. Pending final decision by the Court, amount paid over and above the admitted liability has been shown in "deposits". Contingent liability and deposits in this respect at the close of the year stood at Rs.526,647 thousand (previous year Rs.465,227 thousand) and Rs.259,447 thousand (previous year Rs.217,227 thousand) respectively.		
10. Interest on arrear fuel surcharge payable to Bihar State Electricity Board/Jharkhand State Electricity Board from July 1993 to March 2004 has not been considered pending finalisation/reconciliation of the same with the Board. Claims, if any, have not been acknowledged by the Company.		
11. The Company has suspended operation of the Fertilizer Plant at Khetri Copper Complex in view of its uneconomical operation. Management is actively considering closure of the plant. However, required depreciation has been provided to take care of efflux of time.		
12. The Company has closed Mosaboni Group of Mines including Badia, Pathargora, Kendadih and also Rakha Mines. Out of total book value of fixed assets of Rs.172,531 thousand relating to these mines, assets worth of Rs.56,713 thousand have been identified as condemned. However, pending segregation between all these condemned items which have either realisable value or any benefit are likely to be accrued from such assets including other assets, a provision of Rs.48,820 thousand has been made as abundant prudence to cover any likely loss on this account.		

SCHEDULE TO ACCOUNTS

as on March 31, 2004

13. In view of the ongoing proposal for resumption of operation of Surda Mines along with Mosaboni Concentrator and other associated facilities, no provision has been made in the accounts in respect of the related fixed assets and unconsumed stores & spares.
14. The proposal relating to provisional allotment of land at Dahigora to the Employees has since been dropped and decision has been taken to approach the State Government for sale of land to them.
15. Khetri Mine which was not in operation from January 2003 to December 2003 has again started mining activities from January 2004. Accordingly amortisation of mine development expenditure has been calculated and charged on the basis of actual production during January 2004 to March 2004.
16. The Company has carried forward losses and unabsorbed depreciation amounting to Rs.8,087,016 thousand as on 31.03.2003 but Company has not recognised deferred tax assets in its books of accounts as a matter of prudence inter-alia paucity of sufficient taxable income in foreseeable future against which the deferred tax asset may be realised. This is pursuant to the provision as envisaged in Accounting Standard 22.
17. The Company is primarily engaged in the business of manufacture and sale of copper products. Hence, the income and expenditure has been reported in a single segment. The said treatment is in accordance with Accounting Standard "Segment Reporting (AS-17)".
18. VR expenses include Rs.29,598 thousand which could not be disbursed within 31st March 2004.
19. There has not been any transaction with parties/companies where any of the Directors of HCL is interested.
20. The numerators and denominators used to calculate basic and diluted EPS:

– Profit/(Loss) attributable to equity shareholders	(A)	(-) 561,598 thousand
– Basic/weighted average number of equity shares outstanding during the year	(B)	362,878,000
– Nominal value of equity shares (Rs.)		10
– Basic/diluted earning per share (Rs.) (A)/(B)		(-) 1.55
21. The Company has identified various spares related to specific plant and machinery but irregular in use in KCC and TCP units against which depreciation/provision for the year has been made in the accounts. Similar identification process is on in other units.
22. An amount of Rs. 235,000 thousand in respect of 14% Unsecured Privately Placed Bonds is outstanding at the year-end even though the bonds are overdue for payment.
23. Concentrate from MCP is sent to KCC & ICC through rail as well as by road. For passing on the CENVAT benefit for dispatches through rail Excise Registration has been taken at Gondia railway siding. The concentrate is despatched from MCP to Gondia by road and the details are recorded in the Stock Register indicating wet weight, metal contents and Excise Duty. When the concentrate is dispatched to KCC/ICC through rail the metal and the corresponding Excise Duty equivalent to the weight recorded in the RR is worked out from the stock register and necessary invoice is raised at Gondia. However, there will be some evaporation of moisture by the time the concentrate is loaded in rail resulting in reduction of weight which cannot be recorded in the stock register. Due to this the stock as per the stock register and the physical stock does not match and also unabsorbed excise duty exists in the register. To keep the excise duty equivalent to the physical stock an amount of Rs. 40,598 thousand has been provided in the Accounts during the year which is the excess balance appearing in the Stock Register due to the weight loss of the concentrate.
24. Previous year's figures have been regrouped/rearranged wherever necessary.

ANNEXURE (Refer Note No. 6 in Schedule No. 25)

The following are the names of SSI units to whom the Company owes any sum which is outstanding for more than 30 days as on 31.03.2004.

Sl. No.	Name of Party	Sl. No.	Name of Party
1.	Alpha Carbon Brush Mfg.Co.	41.	Vikrant Ropes Pvt. Ltd.
2.	Bengal Rubber Mfg.Co.	42.	Foundry of India
3.	Suman Industrial Corporation.	43.	Vulcan Industrial Engg. Co., Mumbai
4.	K N Welding & Engineering Works	44.	Bharat Wood Works
5.	R K Industries, Jamshedpur	45.	Castwell Industries
6.	Goel Industries, Jamshedpur	46.	Jay Wood Industry
7.	Atlas Ind. Corporation	47.	Laxmi Polyplast Industries
8.	Ashoka Machine Tools	48.	Microtek International
9.	Ankit Inds.Gases(P) Ltd., Raipur	49.	Associated Pneumatic Industries
10.	Dinesh Engg. Works	50.	American Rubber Mfg. Company, Kolkata
11.	Dujodwala Resins	51.	Arudra Engineers Pvt. Ltd., Madras
12.	Laxmi Chemical	52.	Aman Conveyor Roller Industry
13.	Gaja Laxmi Iron Works	53.	Bharat Engg. & Mfg. Co.
14.	Iemco Industries (P) Ltd.	54.	Bihar Steel Production
15.	Steel Krafts	55.	Dyes Line & Chemical (P) Ltd.
16.	Nagpur Engg. Co. Ltd.	56.	Hindustan Facing Industries
17.	Refractory Specialiter	57.	Indo Industrial Services
18.	Sharma Engg. Works	58.	Iqbal Brothers (P) Ltd.
19.	Tirupati Engg. Works	59.	Jaiyram Engg. Works
20.	Unicast Engg. Pvt. Ltd.	60.	K. M. Udyog
21.	Appolo Batteries, Raipur	61.	G. E. Thermit
22.	Bharat Minerals, Katni	62.	Modern Rubber Products.
23.	Chhota Nagpur Foundry Ltd., Ranchi	63.	Maheswari Lime Works
24.	Engineering Enterprises	64.	Navbharat Explosive Company
25.	Giraj Hydraulics Pvt. Ltd., Raipur	65.	Nabin Engg. Works
26.	G.V.N. Metal Handling (P) Ltd., Delhi	66.	Rishi Industries
27.	Howrah Machinery Works, Ranchi	67.	Subernarekha Enterprises
28.	Jaiswal Steel Enterprises, Bhilai	68.	Chotanagpur Leather
29.	Metreat Products, Bangalore	69.	Courtesy Printers
30.	M.A.S. Industries, Ranchi	70.	Diamet Enterprises
31.	Orlience Engg. Enterprises, Kolkata	71.	Deepak Engg. Company
32.	Premier Rubber Mills, Gurgaon	72.	Deepak Engg. Works
33.	Precision Engg. Works, Ranchi	73.	U T S (India) Pvt. Ltd
34.	Rollick Industries, Delhi	74.	Printwell
35.	Siva Metal Industries, Kolkata	75.	Kwality Engg. Works
36.	Suyog Chemicals (P), Nagpur	76.	Prakash Printers
37.	Spair Enterprises, Bangalore	77.	Kamal Industrial Concern
38.	Shree Jagannath Ferro Castings, Kolkata	78.	Diamond Chem. Industries
39.	Thejo Engg. Services, Jamshedpur	79.	Square Traders
40.	Utkal Moulders, Kolkata		

SCHEDULE TO ACCOUNTS

as on March 31, 2004

25. NOTES TO ACCOUNTS (Contd.)

25. Additional information

25.1 Capacities, production, stocks and sales

Class of goods	Unit	Licenced capacity	Installed capacity (As certified by management)	Actual Production
A. Manufacturing Activities				
a. Main products				
1. Wire bar	MT	39400	39400	455
	"	(39400)	(39400)	(1945)
2. Wire rod	MT	60000	60000	28003
	"	(60000)	(60000)	(30346)
3. Cathode	MT	47500	47500	30598
	"	(47500)	(47500)	(36575)
b. By-products				
1. Gold	KG	264	698	195
	"	(264)	(698)	(354)
2. Silver	KG	4763	9868	3207
	"	(4763)	(9868)	(6178)
3. Nickel sulphate	MT	250	390	10
	"	(250)	(390)	(75)
4. Selenium	KG	10000	14600	2357
	"	(10000)	(14600)	(6648)
5. Sulphuric acid	MT	236000	236000	20439
	"	(236000)	(236000)	(29004)
6. Tellurium	KG	NA	—	31
	"	(NA)	(—)	(65)

SCHEDULE TO ACCOUNTS

as on March 31, 2004

Year 2003-2004

(Figures in brackets pertains to previous year)

Opening Stock Quantity	Opening Stock Value (Rs '000)	Closing Stock Quantity	Closing Stock Value (Rs '000)	Sales Quantity	Sales Value (Rs '000)	Issued for internal consumption/ intermediate products and others Quantity
7	804	1	206	461	62652	—
(470)	(60773)	(7)	(804)	(2366)	(307980)	(42)
1111	139555	1513	234992	27603	4088899	(3)
(493)	(63609)	(1111)	(139555)	(29707)	(3743573)	(20)
797	92723	770	90181	2080	308877	28544
(749)	(86325)	(797)	(92723)	(5114)	(604907)	(31413)
—	15	—	15	195	106217	—
(11)	(4448)	(—)	(15)	(364)	(190479)	(1)
1287	8748	—	1	4494	34944	—
(616)	(4329)	(1287)	(8748)	(5507)	(43001)	(—)
16	1810	6	543	20	2585	—
(30)	(2849)	(16)	(1810)	(89)	(9750)	(—)
730	296	—	—	3087	1374	—
(4607)	(3231)	(730)	(296)	(10525)	(4283)	(—)
3399	7228	4998	14074	17265	38029	1575
(7591)	(10843)	(3399)	(7228)	(30789)	(49092)	(2407)
34	79	—	—	65	151	—
(18)	(27)	(34)	(79)	(49)	(114)	(—)

SCHEDULE TO ACCOUNTS

as on March 31, 2004

25. NOTES TO ACCOUNTS (Contd.)

25. Additional information

25.1 Capacities, production, stocks and sales

Class of goods	Unit	Licensed capacity	Installed capacity (As certified by management)	Actual Production
c. Allied and semi-finished products				
1. Anode slime	MT	NA	—	47
	"	(NA)	—	(45)
2. Copper turnings	MT	NA	—	—
	"	(NA)	—	(—)
3. Copper mould	MT	NA	—	38
	"	(NA)	—	(59)
4. Kyanite	MT	NA	—	—
	"	(NA)	—	(—)
5. Others	MT	NA	—	—
	"	(NA)	—	(—)
<hr/>				
Grand Total				

Notes :

- * Opening stock includes value of Sulphuric Acid Rs. 5,397 thousand and Anode Mould Rs. 2,695 thousand which are shown in Work-in-Progress.
- ** Closing stock includes value of Sulphuric Acid Rs. 12,939 thousand (Previous year Rs. 5,397 thousand) and Anode Mould Rs. 2,695 thousand (Previous year Rs. 2,695 thousand) and wire Bar Mould Rs. 1,834 thousand & Liberator Cathode Rs. 8,429 thousand which are shown in Work-in-Progress.
- *** Excludes Sales of Reverts Rs. 330,910 thousand (Previous year Rs. 99,732 thousand) and Ore Rs. Nil (Previous year Rs. 3 thousand).

SCHEDULE TO ACCOUNTS

as on March 31, 2004

Year 2003-2004

(Figures in brackets pertains to previous year)

Opening Stock		Closing Stock		Sales		Issued for internal
Quantity	Value	Quantity	Value	Quantity	Value	consumption/ intermediate products others
	(Rs '000)		(Rs '000)		(Rs '000)	Quantity
9	25413	43	124184	—	—	13
(6)	(10222)	(9)	(25413)	(—)	(—)	(42)
—	—	—	—	—	—	—
(1)	(88)	(—)	(—)	(—)	(—)	(1)
51	4529	51	4528	—	—	38
(51)	(4547)	(51)	(4528)	(—)	(—)	(59)
13	8	13	8	—	—	—
(13)	(8)	(13)	(8)	(—)	(—)	(—)
—	45186	—	9311	—	18210	—
(—)	(22994)	(—)	(45187)	(—)	(3848)	(—)
	326394*		478043**		4661938***	
	(274293)		(326394)		(4957026)	

SCHEDULE TO ACCOUNTS

as on March 31, 2004

25. Additional information

25.2 Raw Materials consumed

	Quantity		Value	
	2003-2004 MT	2002-2003 MT	2003-2004 Rs. '000	2002-2003 Rs. '000
Concentrate own production	118000	135481	2277971	2353674
Concentrate excluding own production	19249	23815	482297	613674
Cathode	—	1508	—	164056

25.3 Imported and indigenous raw materials, stores, spare parts and components consumed (as certified by the management)

Raw Materials :	%	%		
Imported	100.00	78.26	482297	608628
Indigenous	—	21.74	—	169101
	<u>100.00</u>	<u>100.00</u>	<u>482297</u>	<u>777729</u>

Stores & Spares :

(Direct and Stores & Spares booked in Mine Development, Shut-down and Power & Fuel)

Imported	3.05	2.19	27168	22010
Indigenous	96.95	97.81	863919	984427
	<u>100.00</u>	<u>100.00</u>	<u>891087</u>	<u>1006437</u>

25.4 C.I.F. Value of Imports

Raw Material	456831	447532
Components, spare parts and store	21381	51364
	<u>478212</u>	<u>498896</u>

25.5 Expenditure in foreign currency

Travelling	723	—
Advertisement	48	—
Others	58	—
	<u>829</u>	<u>—</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2004

	2003-2004	2002-2003
	<u>Rs. '000</u>	<u>Rs. '000</u>
25.6 Earning in foreign exchange		
Export of goods (FOB)	<u>200,931</u>	<u>99,732</u>
	<u>200,931</u>	<u>99,732</u>
25.7 Payment to Whole-time Directors		
Salaries and allowances	521	759
Company's contribution to provident and other funds	62	91
Re-imburement of medical expenses	28	14
Leave encashment	163	—
Gratuity	104	—

Note :

In addition the Whole-time Directors are allowed the use of Company car for private purpose and have been provided with residential accommodation as per terms of their appointment and the charges are recovered at the rates prescribed by the Government.

CAPITAL EXPENDITURE ON TOWNSHIP AND SOCIAL AMENITIES

as on March 31, 2004

(Rs. '000)

Assets	Total expenditure upto 31.03.03	Additions/ adjustments during the year	Total expenditure upto 31.03.04	Depreciation upto 31.03.2004	Depreciated value as at 31.03.2004
Land	14163	—	14163	742	13421
Roads & Bridges	22965	(-)1488	21477	7734	13743
Drainage, sewerage & water supply	80486	(-)3512	76974	25417	51557
Township building including Hospital quarters & others	433091	23705	456796	154857	301939
School & hospital buildings	42091	(-)12	42079	14703	27376
Electrical installations & electrification	31784	80	31864	15927	15937
Hospital Equipments	18606	(-)1133	17473	11888	5585
Hospitals, Schools & Guest House furniture	5426	—	5426	4903	523
	<u>648612</u>	<u>17640</u>	<u>666252</u>	<u>236171</u>	<u>430081</u>

SOCIAL OVERHEADS INCLUDING EXPENDITURE ON TOWNSHIP
for the period ended March 31, 2004

	<u>2003-04</u>	<u>2002-03</u>
		(Rs. '000)
TOWNSHIP		
Administration & Maintenance Expenses :		
Employees remuneration & benefits	24144	24321
Power, fuel & water	175518	195669
Consumption of stores/Repairs & maintenance	4374	5710
Depreciation	19202	8024
Others	<u>5980</u>	<u>7504</u>
	229218	241228
Less :		
Township Income	45112	44906
Net expenditure on township	<u>184106</u>	<u>196322</u>
OTHER SOCIAL OVERHEADS :		
Maintenance of school & educational facilities	10288	13312
Less : Receipts	<u>—</u>	<u>—</u>
	10288	13312
Medical Facilities	67027	78991
Less : Receipts	<u>1537</u>	<u>1698</u>
	65490	77293
Staff Welfare	<u>10613</u>	<u>13246</u>
Net expenditure on other social overheads	86391	103851
Total expenditure	<u>270497</u>	<u>300173</u>

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Amount in Rs. '000

I. Registration Details

Registration No.	2	8	8	2	5	State Code	2	1
Balance Sheet Date	3	1	0	3	0	4		

II. Capital raised during the year

Public Issue	N	I	L	Rights Issue	N	I	L
Bonus Issue	N	I	L	Private Placement	N	I	L

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	1	3	5	5	1	8	9	3	Total Assets	1	3	5	5	1	8	9	3
Sources of Funds									Reserves & Surplus	7	4	3	9	0			
Paid up Capital	5	4	3	6	1	0	4										
	3	6	5	3	4	0	0										

* Share money received from Government of India awaiting allotment of Equity Shares

Secured Loans	4	1	4	9	7	5	4	Unsecured Loans	2	3	8	2	4	5
Application of Funds								Investments	2	1				
Net Fixed Assets	5	1	6	6	4	9	6	Misc. Expenditure	3	3	7	1	1	
Net Current Assets	(1	0	2	1	6)							
Accumulated Losses	8	3	6	1	8	8	1							

IV. Performance of Company

Turnover	5	1	2	2	3	9	8									
Profit/(Loss) Before Tax	(5	6	1	5	9	8)	Total Expenditure	5	6	8	3	9	9	6
Earning Per Share (in Rs.)	(-)	1.55	Profit/(Loss) After Tax	(5	6	1	5	9	8)	Dividend Rate (%)	N	I	L	

* includes Other income and Internal issues.

V. Generic Names of Three Principal Products/Services of Company

(i)	Item Code No. (ITC Code)	7403.12
	Product Description	Copper Wire Bar
(ii)	Item Code No. (ITC Code)	7407.10
	Product Description	Copper Wire Rod
(iii)	Item Code No. (ITC Code)	7403.11
	Product Description	Refined Copper Cathode

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2004

(Rs. '000)

Pursuant to Clause 32 of Listing Agreement with Stock Exchanges

A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT/(LOSS) BEFORE TAX AND EXTRA-ORDINARY ITEMS		(561,598)
Adjusted for :		
Depreciation	177,316	
Provisions charged	125,571	
Provisions written back	(4,723)	
Interest charged	596,242	
Amortisation	413,495	
Interest income	(29,248)	
Voluntary Retirement expenditure written off	1,267,494	
Grant in Aid from Govt. of India utilised	(1,267,494)	
Gain on disposal of Fixed Assets	(3,101)	1,275,552
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		713,954
Adjusted for :		
Increase in Trade & other Receivables	(117,708)	
Increase in Inventories	(17,680)	
Increase in Loans & Advances	(47,566)	
Decrease in Trade Payables & Provisions	(270,615)	(453,569)
CASH GENERATED FROM OPERATIONS		260,385
Interest paid		(599,166)
NET CASH FROM OPERATING ACTIVITIES BEFORE EXTRA-ORDINARY ITEMS		(338,781)
Expenditure on Voluntary Retirement		(1,267,494)
Grant in Aid received from Govt. of India		250,000
NET CASH FROM OPERATING ACTIVITIES AFTER EXTRA-ORDINARY ITEMS(A)		(1,356,275)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(68,390)	
Expenditure on Shut down	(33,711)	
Sale of Fixed Assets	9,324	
Sale of Investments	1	
Interest received	36,417	
Mine Development Expenditure	(267,398)	
NET CASH USED IN INVESTING ACTIVITIES (B)		(323,757)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Share money received from Govt. of India	1,138,400	
Increase in Secured Loans	229,451	
Redemption of 14.00% secured debentures	(125,000)	
Redemption of 15.00% secured bonds	(200)	
Redemption of 14.75% secured debentures	(36,810)	
Redemption of 14.00% unsecured debentures	(10,000)	
NET CASH USED IN FINANCING ACTIVITIES (C)		1,195,841
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(484,191)
CASH AND CASH EQUIVALENTS – opening balance		(106,651)
CASH AND CASH EQUIVALENTS – closing balance		(590,842)
(details in Annexure – A)		

For and on behalf of the Board of Directors

Rana Som
R.K. Bhargava
C. S. Singhi

Acting Chairman-cum-Mg. Director
Director
Company Secretary

Dated : August 26, 2004
Place : Kolkata

CASH FLOW STATEMENT (Contd.)

(Rs. '000)

ANNEXURE - A

CASH AND CASH EQUIVALENTS – opening balance as on 01.04.2003

i) Cash & Bank balance	1,288,219
ii) Cash Credit balance	(1,394,870)
	<u>(106,651)</u>

CASH AND CASH EQUIVALENTS – closing balance as on 31.03.2004

i) Cash & Bank balance	170,294
ii) Cash Credit balance	(761,136)
	<u>(590,842)</u>

Auditors' Certificate

To
Hindustan Copper Limited
"Tamra Bhavan"
1, Ashutosh Chowdhury Avenue
Kolkata - 700 019

We have examined the Cash Flow Statement of Hindustan Copper Limited for the year ended March 31st, 2004. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreements with stock exchanges based on and in agreement with the corresponding profit & loss account and balance sheet of the Company covered by our report of August 26, 2004 to the members of the Company.

For DINESH MEHTA & CO.
Chartered Accountants

HIREN MEHTA
Partner

Dated : August 26, 2004
Place : Kolkata

For M. C. BHANDARI & CO.
Chartered Accountants

M. R. JAIN
Partner