



HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

PRESENT BOARD OF DIRECTORS

Shri Satish C Gupta

Chairman-cum-Managing Director

M Samajpati

Director (Finance)

Shri P Swarup

Director (Operations)

Shri D Satapathy

Director (Personnel)

Smt Ajita Bajpai Pande

Shri Sujit Gulati

COMPANY SECRETARY

Shri C S Singhi

AUDITORS

M/s. M C Bhandari & Company, Kolkata

M/s. K B Chandna & Co., New Delhi

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REGISTERED OFFICE

Tamra Bhavan
1 Ashutosh Chowdhury Avenue
Kolkata-700 019



NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that 39th Annual General Meeting of the members of Hindustan Copper Limited will be held on Monday, the 25th September 2006 at 3.30 pm at the Registered Office of the Company at "Tamra Bhavan", 1 Ashutosh Chowdhury Avenue, Kolkata-700019 to transact the following business :-

Ordinary Business

- 1) To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2006 and the Profit and Loss Account for the year ended 31st March, 2006 together with the Directors' Report, Auditors' Report and C&AG's comments.
- 2) To fix the remuneration of the Auditors.

Special Business

- 3) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary resolution :-
"RESOLVED THAT appointment of Smt Ajita Bajpai Pande as Director on the Board of the Company with effect from 21.10.2005 in terms of Ministry of Mines' Order No.10(2)/2002-Met.III dated 21.10.2005 be and is hereby approved."
- 4) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary resolution :-
"RESOLVED THAT appointment of Shri Sujit Gulati as Director on the Board of the Company with effect from 6.6.2006 in terms of Ministry of Mines' Order No.10(2)/2002-Met.III dated 6.6.2006 be and is hereby approved."
- 5) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary resolution :-
"RESOLVED THAT appointment of Shri Satish C Gupta as Chairman-cum-Managing Director of the Company with effect from 1.10.2005 in terms of Ministry of Mines' Order No. 10(2)/2003-Met.III dated 19.9.2005 be and is hereby approved."
- 6) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary resolution :-
"RESOLVED THAT appointment of Shri D Satapathy as Director (Personnel) of the Company with effect from 7.11.2005 in terms of Ministry of Mines' Order No. 10(1)/2005-Met.III dated 2.11.2005 be and is hereby approved."
- 7) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution :
"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions of the Companies Act, 1956 and in accordance with the Memorandum and Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board" which term shall be deemed to include any Committee of Directors) to issue 4,00,00,000 Equity Shares of Rs.10/- each in the share capital of the Company for cash at par aggregating to Rs.40 crores (Rupees forty crores) only to the President of India on preferential allotment basis."
"RESOLVED FURTHER THAT equity shares to be issued and allotted by the Company to the President of India shall rank pari passu in all respects with the existing equity shares of the Company."
"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such things and acts as may be necessary and expedient and to settle any matter that may arise in connection therewith."

By order of the Board

Place : Kolkata
Date : 1st September, 2006

C S Singhi
Company Secretary



NOTES :

- 1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, to vote instead of himself/herself and the proxy need not be a member of the Company. Proxies, in order to be valid and effective, must be deposited with the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- 2) The Register of Members and Share Transfer Books of the Company will remain closed from 21st September 2006 to 25th September 2006 (both days inclusive).
- 3) Members are requested to kindly notify immediately change in their addresses, if any, to the Registered Office of the Company quoting their folio numbers.
- 4) Pursuant to Section 619(2) of the Companies Act, 1956, the Auditors of a Government Company are appointed or re-appointed by the Comptroller and Auditor General of India and in terms of Section 224(8)(aa) of the Act their remuneration has to be fixed by the Company in the General Meeting. The appointment of Statutory Auditors of the Company for the year 2006-2007 is awaited from C&AG of India. The Annual General Meeting may authorise the Board to fix up an appropriate remuneration of Auditors for the year 2006-2007.
- 5) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.3 to 7 as set out above, is annexed hereto.

ANNEXURE TO NOTICE

(Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956)

Item No.3

Smt Ajita Bajpai Pande, Joint Secretary, Ministry of Mines, Government of India has been appointed as part-time Official Director of the Company w.e.f. 21.10.2005 in terms of Ministry of Mines' Order No.10(2)/2002-Met.III dated 21.10.2005. It is now proposed to regularise her appointment at the ensuing 39th Annual General Meeting of the Company in order to comply with the relevant provisions of the Companies Act, 1956.

Smt Ajita Bajpai Pande is a Post graduate in Political Science and IAS, Madhya Pradesh cadre (1981). Before joining the Ministry, she was Addl. CEO in the Department of Law and Legal Affairs, Govt. of Madhya Pradesh. Prior to that, she held key positions in various Departments/Ministries of Govt. of Madhya Pradesh.

None of the Directors of the Company except Smt Ajita Bajpai Pande is in any way concerned or interested in the resolution.

Item No. 4

Shri Sujit Gulati, Joint Secretary & Financial Adviser, Ministry of Mines, Government of India has been appointed as part-time Official Director of the Company w.e.f. 6.6.2006 in terms of Ministry of Mines' Order No.10(2)/2002-Met.III dated 6.6.2006. It is now proposed to regularise his appointment at the ensuing 39th Annual General Meeting of the Company in order to comply with the relevant provisions of the Companies Act, 1956

Shri Sujit Gulati is a Mechanical Engineer and IAS, Gujarat cadre (1985). Before joining the Ministry, he held key positions in the various Departments/Ministries of Government of Gujarat.

None of the Directors of the Company except Shri Sujit Gulati is in any way concerned or interested in the resolution.



Item No.5

Shri Satish C Gupta is a Mechanical as well as an Electrical Engineer and prior to joining HCL, he was CMD, Bharat Yantra Nigam Ltd. He had served the Indian Railways for 24 years and had the distinction of having been deputed abroad as member of the Railway Expert Team for more than 3 years for turnaround of Nigerian Railway. Shri Gupta received the Railway Minister's award for operation and maintenance of India's first Satabdi Express in 1987. He was also Managing Director of Braithwate & Company Ltd., Kolkata. It is now proposed to regularise his appointment as CMD,HCL at the ensuing 39th Annual General Meeting of the company in order to comply with the relevant provisions of the Companies Act, 1956

None of the Directors of the Company except Shri Satish C Gupta is in any way concerned or interested in the resolution.

Item No.6

Shri D Satapathy is M.A.(Philosophy) from Utkal University and got Post Graduate diploma in Social Works from Calcutta University. He had undergone various specialised training in Personnel Management from reputed institutes in India and abroad. Before joining HCL, Shri Satapathy served National Aluminium Company Ltd. and Steel Authority of India Ltd. in key positions. It is now proposed to regularise his appointment at the ensuing 39th Annual General Meeting of the company in order to comply with the relevant provisions of the Companies Act, 1956

None of the Directors of the Company except Shri D Satapathy is in any way concerned or interested in the resolution.

Item No.7

Company has received from Government Rs.40 crore during the financial year 2004-05 as plan equity support under Replacement & Renewals for maintenance of the operations of the existing plant & machinery of the Company. This amount has been shown as share application money pending allotment against which equity shares are to be issued in the name of the President of India. At the request of the Company, SEBI vide letter No.CFD/DIL/EB/63595/2006 dated 28.3.2006 has permitted HCL to allot shares aggregating Rs.40 crores to the President of India, at par, in exemption of SEBI guidelines for preferential allotment of shares. Accordingly, the resolution u/s 81 for issuance of shares to the President of India for an amount of Rs.40 crores is placed for consideration and approval by the shareholders.

Section 81 of the Companies Act, 1956 provides that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in the general meeting decides otherwise. The resolution set at Item No.7 is an enabling resolution empowering the Board of Directors to issue equity shares, at par, to the President of India only on preferential basis for adjusting the pending share application money.

None of the directors of the Company is in any way concerned or interested in the resolution.



REPORT OF THE BOARD OF DIRECTORS

The Shareholders
Hindustan Copper Limited
Kolkata

1. Your Directors have pleasure in presenting the thirty-eight Annual Report of the Company together with the audited statement of accounts and Auditors' Report thereon for the year ended 31st March, 2006.

2. **FINANCIAL PERFORMANCE**

The comparative position of the working results for the year 2005-06 vis-à-vis 2004-05 is as under :

(Rs. in crore)		
Particulars	2005-06	2004-05
i. Sales (tonnes)	38631	26043
ii. Turnover	1053.76	559.11
iii. Profit before interest, depreciation, provision & write off and tax	161.87	127.79
iv. Interest	38.54	42.99
v. Depreciation, provision & write off	23.11	32.74
vi. Profit before tax	100.22	52.06
vii. Provision for taxation - Current	0.00	0.00
Fringe Benefit	0.25	0.00
Deferred Tax	(5.92)	(3.92)
viii. Net Profit/(Loss) after tax	105.89	55.98

2.1 Financial performance of the Company has shown significant improvement during 2005-06 over previous year. Company registered 88.47% growth in sales turnover and 89% growth in its net profit after tax over the previous year. Cash profit during the year was Rs. 123.33 crore as compared to Rs. 84.80 crore in 2004-05.

2.2 During the year Company sold 38631 tonnes of refined copper of which 1402 tonnes was in the form of exports. This was in fact the first time ever that Company exported refined copper.

3. **PRODUCTION PERFORMANCE**

Products	2005-2006 (April 2005 to March 2006)				2004-2005 (April 2004 to March 2005)			
	KCC	ICC	MCP	Total	KCC	ICC	MCP	Total
Ore Raised ('000T)	931	-	1706	2637	872	-	2051	2923
Ore Milled ('000T)	926	-	2049	2975	894	-	2342	3236
Metal in Conc.(T)	7747	-	15237	22984	7742	-	21184	28926
Cathodes(T) - Own	19843	15750	-	35593	6766	12511	-	19277
Tolled	336	158	-	494	4909	0	-	4909
Total	20179	15908	-	36087	11675	12511	-	24186
CC Wire Rod(T) - Own	-	-	-	34624	-	-	-	23203
Conversion	-	-	-	125	-	-	-	4220
Total	-	-	-	34749	-	-	-	27423

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



- 3.1 Refined copper(cathode) and CC Wire rods produced during 2005-06 were higher by 49% and 27% respectively over previous year. However, physical performance in the mining sector (ore and metal in concentrates) was affected due to low grade of ore and past backlog in mine development work.
- 3.2 In order to enhance generation of copper ore from captive mines to reduce dependence on imported concentrate, thrust has been given to augment development work in the 'underground mine' at Khetri (Rajasthan) and 'open cast mine' at Malanjkhand (MP), and to do so, the in-house resources have been supplemented by engaging contractual agencies. Besides, feasibility of reopening some of the closed mines is also being examined. All these related issues are being addressed through a comprehensive turnaround plan.

4. **POWER SUPPLY POSITION**

Power supply position in all the units of the Company was satisfactory.

5. **ENERGY CONSERVATION**

HCL continued to give priority to energy conservation at various stages right from mining of ore to extraction of copper metal and other by- products. Special efforts were made in making the operations energy efficient. For quantifying savings in energy and to improve energy efficiency in the four units, i.e. Khetri Copper Complex, Indian Copper Complex, Malanjkhand Copper Project and Taloja Copper Project, HCL has appointed M/s Petroleum Conservation Research Association (PCRA) as technical consultant to carry out energy audit work and to identify and recommend various energy saving options. Meanwhile, some of the reductions achieved in respect of specific energy consumption over the previous year in KCC, ICC, MCP & TCP are indicated below :

Sl. No	Specific Consumption	Unit	2005-06	2004-05	Reduction
1	Kolihan Mine Power	Kwh/T	18.42	18.46	0.2%
2	ICC Sulphuric Acid Power	Kwh/T	144.06	180.74	20%
3	TCP Power	Kwh/T	110.91	117.57	6%
4	KCC Ore Milling Power	Kwh/T	22.11	23.69	7%
5	TCP Natural Gas Consumption	NM ³ /T	58.02	59.25	2%

6. **SAFETY**

Safety continues to be a high priority area for HCL in all its activities. Kolihan Copper Mine in Rajasthan maintained zero-accident status during 2005-06 like the previous three consecutive years.

Malanjkhand Copper Project in Madhya Pradesh had five accidents during the year, the same as in previous year 2004-05. Khetri Copper Mine in Rajasthan had eight accidents against six in 2004-05. Though there was no major accident at Khetri, the increase in number of accidents was due to increase in activities and manpower deployed during the year. Special training programmes have been organized for the workers deployed in accident prone areas identified during accident analysis. Total number of accidents for the Company was 13 and there was no fatal accident during the year.

Regular safety campaigns like Fire Service day, All India Mine Rescue Competitions, Annual Safety Week celebration etc. have been conducted and employees of the Company have actively participated in the same.

7. **PROGRESS OF NEW PROJECTS/EXPANSION SCHEMES**

Expansion of Refinery plant of ICC from 16500 tonne capacity to 19200 tonne capacity is under progress. Purchase orders for the required material have been placed and 90% material has been received at site. Total cost of the project is Rs. 120 lakh out of which Rs. 79.43 lakh has been spent. The expansion will enable HCL to increase production and reduce the per unit cost at ICC. During the year, Company spent an amount of Rs. 11 crore for Renewal & Replacement (R & R) of plant and machinery for maintaining existing operations from internal generation of funds.



8. DEVELOPMENT OF SSI AND ANCILLARY UNITS

All production units of Hindustan Copper Limited continued to follow Government guidelines in encouraging procurement of materials from SSI & Ancillary units in or around their areas.

9. RESEARCH & DEVELOPMENT

- (i) HCL in collaboration with Regional Research Laboratory (RRL), Bhubaneswar has proposed to study the bio-leaching of lean grade copper ore of MCP. The scheme has principally been approved by Deptt. of Science & Technology (S&T), Govt. of India, and funds are awaited to start the work.
- (ii) Research work for conducting test for development of a suitable reagent for treatment of highly oxidized ore of ore was undertaken through M/s Tata Research Development Centre (TRDDC), Pune. Reagent developed by lab test by TRDDC has been tested in plant during December '05. Further trial in plant needs to be carried out. Consultancy fees of Rs. 3 lakhs has been paid to the party under the head R&D during the year.

10. SCIENCE & TECHNOLOGY / TECHNOLOGY ABSORPTION

During the year, Company directed its efforts towards improving operational process and practices with a view to reducing costs. No new technology, however, has been absorbed during the year.

11. PROGRESSIVE USE OF HINDI

During the year HCL has made constant endeavour to increase use of Hindi in its Units/offices located in different states and in its Head Office located at Kolkata. Hindi fortnight, Hindi Week and Hindi Day were celebrated in the offices and units from 14th to 28th September, 2005, under which various Hindi competitions were organised with a view to motivate employees towards use of Hindi in day-to-day work, and prizes were distributed to the winners. The messages of Hon'ble Home Minister, Hon'ble Mines Minister, Hon'ble Minister of State for Coal and Mines, Secretary(Mines) and CMD were read out in all offices/units on the occasion of 'Hindi Day'.

Regular review with regard to progress in use of Hindi and difficulties faced were discussed in the quarterly meetings of Official Language Implementation Committee under the chairmanship of Unit Heads in Units and CMD at Head Office. Head Office of the company was awarded "Rajbhasha Shield" for doing excellent work in Hindi under Official Language Award Scheme, 2004-05 of Town Official Language Implementation Committee (PSUs), Kolkata on 16th September, 2005.

Third Sub-Committee of the Parliamentary Committee on Official Language visited Delhi office and KCC unit on 17th September, 2005 and 4th February, 2006 respectively and inspected the progress made with respect to use of Hindi in official work and gave suggestions to expand use of Hindi on which action has been taken. Similarly, Inspection Committee of the Ministry of Mines visited Bangalore office, KCC unit and Head office on 16th November, 2005, 27th January, 2006 and 29th March, 2006 respectively to inspect the progressive use of Hindi. The committee after inspection expressed its satisfaction regarding the quantum of work being done in Hindi. Company has also started purchasing books in Hindi. On the coil tag of CC Rods, one of the main products, the details are mentioned in Hindi alongwith English.

12. MANAGEMENT DISCUSSION AND ANALYSIS

12.1 Industry Structure and Developments

Four major players dominate Indian Copper Industry. Hindustan Copper Ltd. is the only vertically integrated primary copper producer in the country having its own captive mines, and the concentrates produced from these mines meets about 60% of Company's requirement for concentrate and the rest is imported. Two private sector companies have set up shore based smelters based on imported concentrate. While these companies have the advantage of high scale of operation, it is balanced by ownership of mines in the case of HCL. The fourth player produces refined copper through the secondary route.

In the financial year 2005-06, Government of India's increasing thrust on infrastructure development pushed India's industrial activity on a strong growth path. Infrastructure development, which includes expansion of road and rail networks as well as replacement and repairs of existing ones, development of the power



sector and increased emphasis on rural infrastructure development, pushed the demand for various raw materials in general, and copper in particular, especially for power generation / transmission / distribution, consumer electronics, industrial machinery and equipments.

12.2 Business Scenario

During the year, the demand for copper in the global market has been growing steadily. Demand growth in Asian countries, particularly China & India is driving the LME copper prices in the global market and the trend is expected to continue in the near future. Growth of copper usage in the country is projected to be about 6% this year, exceeding the world average of about 3-4%. In 2005-06, the total refined copper usage in the country was around 420,000 MT; in the coming years, this is expected to rise to about 600,000 MT which argues well for the Company.

12.3 Opportunities and Threats

In India, there is under-capacity at the mining stage as compared to domestic copper demand. HCL is the only fully integrated copper producing company in the country having its own copper mines. Therefore, the Company has ample opportunity to augment its mining capacity by increasing production from the existing mines and by developing new mines and thereby improving the bottomline.

The present market scenario offers ample opportunity to being in value added niche products into HCL's portfolio, such as 'oxygen free copper', besides developing niche markets for existing products.

The export market in Asian region presents a strong opportunity for refined copper producer like HCL.

The threat perception for the company includes great volatility of world copper prices and increasing cost of inputs, particularly power and fuel due to global inflationary trends. Further, HCL may also witness threat to its existing market share on account of intense competition from imports and domestic manufacturers of refined copper. The gradual but inevitable lowering of import duty on cathode / wirerod will impact sales realization.

12.4 Productwise Performance

During 2005-06, Company sold 38,631 tonnes of refined copper as against 26,043 tonnes in 2004-05 achieving growth of 48%. The sales growth was achieved by adoption of aggressive marketing policies and organizing customers' meets. Of the total product portfolio, sales of CC Wire rod was 92%. The product wise breakup of copper sales during 2005-06 vis-à-vis 2004-05 was as follows :

Products	(In tones)	
	2005-06	2004-05
CC Wire Rod	35,488	23,607
Cathode	2,284	2,436
Wirebar	859	-

Besides the above main products, during the year Company produced 166 Kgs. of gold, 3384 Kgs. of silver and 40,299 tonnes of sulphuric acid as by-products. Due to present duty structure and other factors, it is now felt economically advantageous to export anode slime containing gold and silver, directly, and, therefore it is planned to suspend operation of Precious Metal Refinery (PMR) Plant.

HCL exported 1402 MT CC Rods for the first time in 2005-06. In order to boost exports in future, the process of LME registration of ICC and KCC cathodes has been initiated under the brand name of 'HINDCOP-CG' & 'HINDCOP-CK' respectively. Deemed Export of CC Rods and Cathodes have also been started from 2005-06.

12.5 Future Outlook

GDP growth in India during 2005-06 had been more than 7% and the same particularly in manufacturing sector is likely to touch double digit figure in the near future. This growth in the economy will further boost the demand of copper in 2006-07.



The world copper prices, though having wide fluctuations, are likely to remain at high levels and in any case significantly higher than breakeven levels thereby ensuring Company's profitability.

HCL's thrust for the year 2006-07 is to augment mines production, increase operational efficiency of process plants, streamline the procurement / disposal process, etc. Mine development work will be stepped up further at MCP and KCC to clear the accumulated backlog. HCL has appointed M/s.SRK, UK as mining Consultant who, while optimizing the operations of existing mines at KCC and MCP will prepare detailed long term plans for KCC (Banwas deposit) and MCP (new underground) mines.

Another area of future thrust would be to reduce interest burden through repayment and restructuring of loans and obtaining reduction in interest rates. On the IT front, HCL has limited IT intervention; accordingly Company has appointed I.I.T. Kharagpur as IT consultant for preparing an IT roadmap. For reducing the expenditure on power, HCL has appointed PCRA to undertake energy audit of various units of the Company. Special drive has already been initiated by Company for improving yield from smelting and refining process at KCC, improving plant availability, optimising logistics, ensuring 100% availability of raw material and reducing operating cost. In brief, Company's thrust for the year 2006-07 would be to augment its internal strength and sustain profitability.

12.6 Risks and Concerns

HCL is subject to the volatility of LME price of copper. To insulate itself from this risk, Company is considering hedging as a risk mitigation tool widely used by the global copper industry. Action in this regard has already been initiated.

12.7 Internal control systems and their adequacy

Company has well-established internal control systems commensurate with the size of the Company. 'Purchase Manual' and 'Contract Manual' have been updated to facilitate processing control as well as greater transparency. The internal Audit Cells are being strengthened. Internal audit reports are discussed by the Audit Committee of the Board and suitable corrective actions taken by management.

12.8 Vigilance Activities

For effective control, surprise checks/regular inspections were conducted. Returns and reports were submitted to the statutory agencies. CVC guidelines were followed and adhered to duly taking preventive and corrective measures. A campaign for creating awareness was initiated by organising Vigilance Awareness Week Celebrations from 07.11.2005 to 11.11.2005 at all the Units as well as at Head Office. Stress was given on preventive vigilance with a view to minimizing scope for corruption and improving systems and procedures.

12.9 Discussion on financial performance with respect to operational performance

12.9.1 The summarised financial performance of 2005-06 compared with 2004-05 is given below :

(Rs. in crore)

Head	2005-06	2004-05
a. Sales	1053.76	559.11
b. Extra Ordinary Income (Net)	11.44	0.00
c. Value of Production	1053.34	631.24
d. Cost of production excluding depreciation, provisions, write-off/write-back and interest	902.91	503.45
e. Profit/(Loss) before depreciation, provisions, write-off/write-back and interest	161.87	127.79
f. Depreciation, provisions, write-off/write-back	23.11	32.74
g. Interest	38.54	42.99
h. Profit/(Loss) before tax	100.22	52.06
i. Provision for taxation - Current	0.00	0.00
- Fringe Benefit	0.25	0.00
- Deferred Tax	(5.92)	(3.92)
j. Profit/(Loss) after tax	105.89	55.98



12.9.2 Loans (Secured and Unsecured)

During the year, Govt. had released Rs.25.00 crore as Non-Plan Loan (unsecured) carrying interest at the rate of 14.50% per annum.

During the year, Company had tied up and since drawn, a corporate term loan of Rs.150.00 crore from UBI, with a coupon rate of 7.50% p.a., for repayment of 10.65% interest bearing secured bonds due for redemption on 01.04.06 & 01.07.06 in two tranches of Rs.75 crore each.

In addition, the balance outstanding amount of unsecured privately placed bonds of Rs.15.55 crore outstanding as on 01.04.05 were also fully redeemed during the year.

The outstanding balance of Loan, Bonds and Debenture liability as on 31.3.2006 stood as under:

(Rs. in Crore)	
10.65% Secured Bonds	150.00
14% Secured Debenture	37.50
7.5% Corporate Term Loan	75.00
14.5% Unsecured Govt. Loan	25.00
Total	287.50

Bonds and Debentures have been further redeemed since then, and outstanding liabilities as on the date of this report were : 10.65% Secured Bonds - Nil, 7.5% Corporate Loan - Rs.150 crore, 14% Secured Debenture - Rs.31.25 crore, 14.5% Unsecured Govt. Loan - Rs.25 crore.

12.9.3 Contribution to Exchequer

During the year 2005-2006, Company contributed a total sum of Rs.215.82 crore to the exchequer which was more than double of the previous year 2004-05, as detailed below :

Particulars	Rs. in Crore	
	2005-06	2004-05
Excise Duty	136.73	76.36
Customs Duty	33.35	0.31
Sales Tax	24.90	9.40
Royalty and Cess	15.72	15.62
Others	5.12	2.81
Total :	215.82	104.50

12.9.4 Expenditure in foreign currency

During 2005-06, Company spent foreign currency towards import of copper concentrate components, stores & spares, travelling etc., to the tune of Rs.328.14 crore.

12.9.5 Earnings in Foreign Exchange

During 2005-06, Company earned foreign exchange of Rs.41.83 crore by exporting CC Rods and anode slime as against Rs.10.75 crore earned in 2004-05 (when only anode slime was exported).

12.10 Material Developments in Human Resources/Industrial Relations front including number of people employed :

12.10.1 Manpower

The Industrial Relations in the Company during the financial year 2005-06 were peaceful and harmonious. Revision of pay scales of employees of HCL which was due since 1997 has been implemented boosting their morale and improving work atmosphere. During 2005-06, 44 employees were released on VR. Manpower strength of the Company as on 31.3.2006 was 5583 as against 5665 on 1.4.2005.



12.10.2 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 fora at all three levels, namely at the Apex level, Unit level and Shop floor level has immensely contributed to improvements in areas of Production, Safety, Welfare etc. Steps have been initiated to start Quality Circle activities in the three major production units of the Company, and a few Quality Circles have recently also started functioning.

12.10.3 Reservation for appointment of SC/ST/OBC candidates

The representation of SC, ST and OBC employees out of the total manpower of 5583 was 16.33%, 12.66% and 12.23% respectively as on 31.3.2006.

12.10.4 Communal Harmony and National Integration

Company has large townships in remote areas located at Khetri, Malanjkhand and Ghatsila where the employees and their family members live in a spirit of togetherness and celebrate all religious and social festivals in full harmony irrespective of caste, creed, religion or language.

12.10.5 Employment of Women

The groupwise strength of female employees as on 31.3.2006 vis-à-vis the total manpower strength of HCL is given below :

Group	Total Strength	No. of Female employees	% of female employees to total strength
Group A	682	20	2.93%
Group B	143	7	4.90%
Group C	3903	135	3.46%
Group D	855	145	16.96%
Total	5583	307	5.50%

In pursuance of the judgement of the Hon'ble Supreme Court and Government guidelines, HCL has set up Committees in all the Units/Offices of the Company for prevention of sexual harassment of women 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 sexual harassment of women or discrimination amongst employees on the basis of gender has been reported.

12.10.6 Implementation of the Persons With Disability Act, 1985

Reservation of posts in case of direct recruitment to the physically challenged persons are being extended as per Government directives. However, mining operations being hazardous in nature, the scope for engaging physically challenged persons is limited. The number of physically challenged persons employed in the Company as on 31.3.2006 was as under :

Group	Number of physically challenged persons
A	1
B	1
C	38
D	14
Total	54

12.10.7 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 of fast changing technology/ switching over to latest technology for achieving higher results in production, productivity and profitability.

Non-Executives :

Apart from Statutory, Safety, Technical and Functional Programmes, non-executives were exposed to General Education and Development Programme. Special programmes were conducted for weaker sections, i.e. Scheduled Castes and Scheduled Tribes employees. 5976 mandays of training were conducted in Training Establishments of various production units.

Executives :

Based on systematic identification of training needs, Supervisory Development Programme on Productivity, Safety, Cost Control, Communications and Human Relations besides in-company Management Development Programme were planned with the help of outside faculty. 384 mandays of Executives were exposed to either in-company Programmes or were sponsored for prestigious programmes conducted by various establishments in the country. A team of executives were sent abroad for getting firsthand exposure of latest practices in the mining area.

13. STATUS OF MINING LEASE

- 13.1 Mining leases in respect of Khetri, Kolihan and Chandmari at KCC are valid upto 22.2.2013, 23.11.2016 and 16.12.2012 respectively.
- 13.2 Mining Lease No.1 and 2 of Malanjkhand (for operative mines) are valid upto 27.8.2013. HCL's application for grant of two more leases (Lease No.3 and 4) for development of underground mining at Malanjkhand is under process with State Government of Madhya Pradesh.
- 13.3 Following the closure of all the mines at ICC, the Mining leases have either been surrendered or allowed to lapse, except the Surda Mine. Application for part lease renewal for 388.68 hectare out of total 4493 hectare of Surda Mine is pending before Jharkhand Govt. Lease application for 581.36 hectare for Chapri-Sidheshwar and Rakha block is also pending before Govt. of Jharkhand for approval.

14. 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.

15. DIRECTORS' RESPONSIBILITY STATEMENT

- i. Your Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2006, 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, 2006 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 have prepared the annual accounts on a going concern basis.

16. PRESIDENTIAL DIRECTIVES

Ministry of Mines vide their letter No.10/3/2004-Met.III dated 17th April, 2006 issued a Presidential directive that revision of pay scales of the executives of the Company may be adopted as per revised scales of pay as indicated in DPE's O.M. No.2(49)/98-DPE(WC) dated 25th June, 1999. The same has since been implemented.

17. BOARD OF DIRECTORS

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



Shri R K Bhargava ceased to be Director of HCL from 29.8.2005 upon appointment of Shri M N Parsed as part time official director w.e.f. 29.8.2005.

Smt Ajita Bajpai Pande, Joint Secretary, Ministry of Mines was appointed as part-time official Director on the Board of HCL on 21.10.2005 vice Shri Vinod Kumar Thakral who ceased to be Director from 21.10.2005.

Shri Satish C Gupta took over as Chairman-cum-Managing Director of the Company w.e.f. 1.10.2005.

Shri D Satapathy joined the Board as Director(Personnel) of HCL from 7.11.2005.

Shri Sujit Gulati, Joint Secretary & Financial Adviser, Ministry of Mines was appointed as part-time official Director of HCL vice Shri M N Parsed w.e.f. 6.6.2006.

The Board places on record its appreciation for the valuable services rendered and contribution made by Shri R K Bhargava, Shri M N Parsed and Shri Vinod Kumar Thakral during their tenure on the Board of HCL.

18. **AUDITORS**

M/s. K B Chandna & 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 2005-2006.

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 2005-2006.

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 2006-2007 to be appointed by the Central Government on the recommendations of the Comptroller and Auditor General of India for consideration by the shareholders.

19. **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 31.3.2006 alongwith the Review of Accounts of your Company by C&AG and Statutory Auditors' observations alongwith Management replies thereto are annexed to this report.

20. **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.

21. **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 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 units/head office.

For and on behalf of the Board of Directors

Satish C Gupta
Chairman-cum-Managing Director

Place : New Delhi
Date : 8th August, 2006

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 four executive directors viz. CMD, Director(Finance), Director (Operations), Director (Personnel) and two Govt. directors (part-time official) representing the Ministry of Mines, Government of India. The Board has presently no Independent Director (part-time non-official) and Company has taken up the matter with the Ministry of Mines for their appointment on the Board for its due constitution as well as constitution of various committees as per corporate governance requirement.

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

Name of the Director	Category of Director	No. of other Directorship	No. of Committee position held in other companies	
			Chairman	Member
Executive				
Shri Satish C Gupta, CMD (from 1.10.05)	Chairman	-	-	-
Shri M Samajpati, D(F)	Functional	-	-	-
Shri P Swarup, D (OP)	Functional	-	-	-
Shri D Satapathy, D (P) (from 7.11.05)	Functional	-	-	-
Non-executive (Govt.Director)				
Smt. Ajita Bajpai Pande (from 21.10.05)	Part-time Official	3	1	-
Shri Sujit Gulati (from 6.6.06)	Part-time Official	3	2	-
Shri M N Parsad (from 29.8.05 to 6.6.06)	Part-time Official	1	1	-
Shri R K Bhargava (upto 29.8.05)	Part-time Official	1	1	-
Shri V K Thakral (upto 21.10.05)	Part-time Official	1	-	1

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

(b) **Directors' Attendance**

The attendance of directors at Board meetings during 2005-2006 and last Annual General Meeting is given below :

Name of Directors	No of Board meeting(s) attended out of 6 held	Attendance at the last Annual General Meeting
Shri Satish C Gupta	4	-
Shri M Samajpati	6	Present
Shri P Swarup	6	Present
Shri D Satapathy	3	-
Smt. Ajita Bajpai Pande	4	-
Shri M N Prasad	4	-
Shri R K Bhargava	2	-
Shri V K Thakral	2	-

During 2005-2006, 6(six) Board meetings were held on 10.6.2005, 20.7.2005, 11.11.2005, 12.12.2005, 24.1.2006, 16.2.2006 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 :**

Board meetings are held at least once in every quarter and more often, if considered necessary, focussing on strategy formulation, policy and control, delegation of powers, reviewing performance of the Company, approving contracts of high value items, quarterly results, annual accounts, annual operating plan and budgets 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. As and when required, senior executives of the company are also invited to attend Board meetings and provide clarifications. 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, public policy and operations.

(d) **Remuneration paid to Whole-time Directors:**

The details of remuneration paid to the Whole-time Directors during 2005-2006 was as follows :

Directors' Remuneration	(Rs. in lakhs)
Salaries and Allowance	7.90
Contribution to Provident Fund	0.85
Medical reimbursement	0.20
Leave Encashment	1.49
Gratuity	0.79
Total	11.23

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

(e) **Code of Conduct for Directors and Senior Executives :**

In terms of Clause 49 of the Listing Agreement, Company has formulated "Code of Conduct for Directors and Senior Executives" for better corporate governance, fair and transparent practices. A copy of the same has been circulated to all concerned and posted at Company's website www.hindustancopper.com.

2. **Audit Committee :**

Pending appointment of independent directors, Board in its meeting held on 12.12.05 constituted Audit Committee of the Board in accordance with Section 292A of the Companies Act, 1956 comprising two Government Nominees and one functional director. During 2005-06, only one meeting of the Audit Committee was held on 24.1.2006 and all the members were present. The terms of reference of the Audit Committee are as specified under Clause 49 of the Listing Agreement. The composition of Audit Committee at present is as follows :

Smt Ajita Bajpai Pande	Chairman
Shri Sujit Gulati	Member
Shri P Swarup	Member

The Audit Committee shall be reconstituted as per requirement of Clause 49 of the Listing Agreement upon nomination of independent directors by Ministry on the Board of HCL.

3. **Remuneration Committee :**

Being a Government Company, the remuneration, terms and conditions of 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 Investors' Grievance Committee will be constituted on appointment of independent Directors on the Board of HCL by Government. The outstanding complaints as on 31st March, 2006 was nil.

5. **Share Transfer Committee :**

A Sub-Committee of the Board comprising of Chairman and three functional directors of the Company known as Share/Bonds Transfer Committee is already in existence. During 2005-2006, the Committee met 12(twelve) times on 17.4.2005, 16.5.2005, 18.6.2005, 18.7.2005, 17.8.2005, 26.9.2005, 8.11.2005, 30.11.2005, 26.12.2005, 31.1.2006, 1.3.2006, 29.3.2006 and approved transfer/ transmission of shares. Company Secretary has been nominated as Compliance Officer as per Listing Agreement requirement.

6. **General Body Meeting :**

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

Year	Date	Location	Time
2003	30.09.2003	Kolkata	4.00 pm
2004	30.09.2004	Kolkata	4.00 pm
2005	30.09.2005	Kolkata	4.00 pm

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

No resolution was passed in the last AGM through postal ballot. In the ensuing 39th AGM also the Company has not proposed any resolution for approval of shareholders through postal ballot since none of the business items proposed requires approval through postal ballot as per provisions of the Companies Act, 1956 and rules framed thereunder.

7. Disclosures :

During 2005-2006, 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.

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.

8. Means of Communciation :

The company publishes its quarterly/annual results in prominent English and Vernacular newspapers for information of all concerned as per requirement. Annual Report/Quarterly results are also hosted in the website of the company at www.hindustancopper.com. During the year no presentation was made to any institutional investor or to any analyst.

9. General Shareholders' Information :

i) 39th Annual General meeting

Date : 25.9.2006

Time : 3.30 p.m.

Venue : Tamra Bhavan, 1, Ashutosh Chowdhury Avenue, Kolkata-700019

ii) Financial Year 2006-2007 (Tentative)

Results for quarter ending

30th June, 2006 : 3rd/4th week of July,2006

30th September, 2006 : 3rd/4th week of October,2006

31st December, 2006 : 3rd/4th week of January,2007

31st March, 2007 : 3rd/4th week of April,2007

iii) Book-closure date : 21.9.2006 to 25.9.2006 (both days inclusive)

iv) Dividend payment date : No dividend has been recommended for payment by the company.

v) Listing of Equity Shares on : Kolkata - 18067
Stock Exchanges along with : Mumbai - 513599
Stock Code : Delhi - 6917
: Chennai - HINDCOPPER
: Ahmedabad-24709/HINDUSTACO.

Annual Listing Fee for 2006-07 has been paid to all the above Stock Exchanges.

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

vi) **Stock Market Price Data :**

Monthly high and low quotations of shares traded on The Bombay Stock Exchange Limited (BSE) during the financial year 2005-06 was as follows :

Month	B S E	
	High(Rs.)	Low(Rs.)
April, 2005	73.00	57.00
May , 2005	61.50	49.50
June, 2005	69.50	50.00
July , 2005	65.90	54.00
August, 2005	77.40	50.90
September, 2005	75.25	57.00
October, 2005	67.25	43.00
November, 2005	62.40	45.30
December, 2005	65.65	55.90
January, 2006	62.95	55.80
February, 2006	61.50	50.95
March, 2006	58.30	44.00

vii) **Registrar & Share Transfer Agent :**

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.

viii) **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.

ix) **Shareholding pattern as on 31st March, 2006 :**

	Category	No. of shares held	%
1	President of India	72,44,19,500	99.48
2	Mutual Funds	300	00.00
3	Financial Institutions	8,72,380	00.12
4	Private Corporate Bodies	5,10,270	0.07
5	Indian Public including employees	23,92,067	0.33
6	NRI/OCBs	23,483	0.00
	TOTAL	72,82,18,000	100.00

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

x) **Distribution of shareholding as on 31st March 2006 :**

RANGE		SHARES	FOLIOS	% SHARES
1	500	854113	4076	0.1173
501	1000	379949	442	0.0522
1001	2000	347800	217	0.0478
2001	3000	182083	69	0.0250
3001	4000	103700	29	0.0142
4001	5000	123300	26	0.0169
5001	10000	208700	29	0.0287
10001	50000	576095	29	0.0791
50001	100000	152600	2	0.0210
100001 and above		725289660	4	99.5979
TOTAL :		728218000	4923	100.0000

xi) **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 31.3.06 was as follows:

Particulars	No. of Shares	% of Holding	No. of folio
DEMAT :			
a) N S D L	27,74,957	0.381	2746
b) C D S L	7,47,739	0.103	824
PHYSICAL :			
a) Govt. of India	72,44,19,500	99.478	1
b) Others	2,75,804	0.038	1352
TOTAL :	72,82,18,000	100.000	4923

xii) **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity :**

Company has neither issued any GDR/ADR nor any convertible instrument as on date.

xiii) **Plant Location :**

Indian Copper Complex

P.O.Ghatsila
Dist.Singhbhum
Jharkhand

Khetri Copper Complex

P.O. Khetrinagar
Dist.J hunjhunu
Rajasthan

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

Malanjkhanda Copper Project

P.O.Malanjkhand

Dist.Balaghat

Madhya Pradesh

Taloja Copper Project

P.O.Taloja

Dist.Raigad

Maharashtra

xiv) Address for correspondence :

Shareholders desiring any information may write to the Company Secretary, HCL Corporate Office at 1 Ashutosh Chowdhury Avenue, Kolkata-700019 or e-mail their query to hcl_ho@hindustancopper.com

NON-MANDATORY REQUIREMENTS

- (A) The Whole-time 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.
- (B) The Chairman of the Board is a whole-time 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.
- (C) The quarterly declaration of financial performance is made known to the shareholders through press advertisement.
- (D) Training of executives is done as per Company policy.
- (E) Mechanism of Whistle Blower Policy though of non-mandatory nature is under consideration for implementation.

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

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 31.03.2006, 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, except the following –

- i) The Board of Directors of the Company do not have optimum combination of executive and non-executive directors with not less than 50% of the Board of Directors comprising non-executive directors;
- ii) Though Audit Committee has been formed on 12.12.05 as per the provisions of Section 292A of the Companies Act, 1956, but two-thirds of the members of the Committee are not independent directors in terms of the requirement of Clause 49 of the Listing Agreement;
- iii) Audit Committee after its formation met only once during the year contrary to the requirement of four meetings in a year as per the provision of Clause 49 of the Listing Agreement; and
- iv) Investors' Grievance Committee has not been formed during the year as per the requirement of Clause 49 of the Listing Agreement.

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

K B Chandna & Co.
Chartered Accountants

V K Gureja
Partner

Place : New Delhi

Date : 8th August, 2006

M C Bhardari & Co.
Chartered Accountant

M R Jain
Partner

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS

Clarification of the Management in respect of important observations of Statutory Auditors, (Ref. Statutory Auditors' Report dated 08th August 2006)

Audit Observation No.	Observations	Clarification of the Management
5 (i)	Accounting Policy No. 4 has been followed in preference to Accounting Standard 6 Depreciation Accounting, issued by the Institute of Chartered Accountants of India, regarding depreciation on fixed assets for efflux of time. Further, depreciation charged on Pollution Control Plant is also not in accordance with aforesaid Accounting Standard in as much as that life of the project has not been determined.	This is as per Accounting Policy No.4 and has been duly explained vide Note No.6 of Notes to Accounts.
5 (iv)	Non-charging of Rs.43241 thousand being the difference in rates of electricity duty applicable to mines and plants of MCP which is subjudice.	The position has been duly clarified vide Note No.7 of Notes to Accounts.
5 (vi)	Under provision of Rs. 19267 thousand towards water cess.	This has been duly explained vide Note No. 10 of Notes to Accounts.
5 (vii)	Short provision of Rs. 21190 thousand against the fixed assets of closed mines as the net realizable value of these assets are yet to be ascertained.	The position has been duly explained in Note No. 12 of Notes to Accounts.
5 (viii)	Short provision of Rs. 25739 thousand against a supply contract.	This has been duly explained in Note No.14 of Notes to Accounts.

Place : Kolkata
Dated : 18.08.2006

M Samajpati
Director (Finance)

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS

Clarification of the Management in respect of important observations of Statutory Auditors, (Ref. Statutory Auditors' Report dated 08th August 2006)

Annexure to the Auditors' Report

Audit Observation No.	Observations	Clarification of the Management
2 (a)	Physical verification of Stores & Spares conducted by management are reasonable and adequate except at ICC & RCP	Job of physical verification of Stores & Spares which has been outsourced is in progress and necessary adjustment in this regard, if any, would be carried out on receipt of the final report.

Place : Kolkata
Dated : 18.08.2006

M Samajpati
Director (Finance)

Comments u/s 619(4) of the Companies Act 1956 on the Accounts of Hindustan Copper Limited, Kolkata for the year ended 31st March 2006.

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 2006.

Dated : Kolkata
The 18 August 2006

(A. Roychoudhury)
Principal Director of Commercial Audit
& Ex-Officio Member Audit Board - I
KOLKATA

TEN YEARS AT A GLANCE

FOR THE YEAR	2005-06	2004-05	2003-04	2002-03	2001-02	1999-01 (18 months)	1998-99 (18 months)	1997-98 (18 months)	1996-97	1995-96
Turnover	105,376	55,911	51,887	50,568	60,498	94,558	47,949	120,348	98,024	111,802
Gross Profit/(Loss)	16,425	11,173	287	(8,999)	(12,592)	(10,625)	(11,276)	(1,725)	(7,677)	13,099
Depreciation and Amortisation	5,837	5,575	5,905	5,771	5,812	9,019	5,925	8,848	5,384	5,515
Net Profit/(Loss)	10,588	5,598	(5,616)	(14,770)	(18,404)	(19,644)	(17,201)	(10,573)	(13,062)	7,584
Value Added	43,102	35,042	22,901	14,737	15,309	33,591	16,724	28,946	21,937	41,359
Value of production	104,837	63,124	53,443	50,153	58,666	100,166	51,347	118,022	100,529	118,627
AT THE YEAR END										
Share Capital	94,895	94,895	90,895	79,511	71,011	54,361	53,661	52,511	33,820	33,820
Internal Resources	(11,057)	(29,884)	(35,030)	(31,039)	(16,945)	(49)	19,097	33,896	42,018	53,305
Long-term loans	18,750	22,275	27,562	29,182	29,182	64,332	37,236	11,527	17,456	17,456
Cash credit from banks	481	11,823	7,611	13,949	12,204	12,270	8,416	11,960	12,322	10,709
Capital expenditure-gross	97,789	96,771	99,510	100,559	102,477	106,076	106,621	105,082	101,630	97,772
Working Capital	6,278	3,394	(102)	(2,595)	751	1,798	649	8,635	14,440	24,529
Capital employed	24,747	23,455	21,528	20,389	24,929	28,306	29,871	40,368	45,978	57,081
Manpower (No.)	5,583	5,665	5,995	7,865	9,502	12,043	15,271	18,234	19,884	20,108

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 '2006 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 (as amended), issued by the Central Government under 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 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 herein below in paragraph 5 comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) Since Sec 274(1)(g) of the Companies Act, 1956 is not applicable to the Government Companies, as per Notification No. GSR 829 (E) Dated 21/10/2003 issued by Department of Company Affairs, we have no comments regarding disqualification for appointment of Directors
5.
 - (i) Accounting Policy No.4 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 charged on Pollution Control Plant (Refer Note No.6 of Notes to Accounts of Schedule 26) 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, but a provision of Rs. 55454 thousand has been made till 31st March 2006. Since the company has neither used the assets in its present form nor there is any definite plans to use the same in near future and also not found any ready buyer for the same, in our opinion the balance value of the assets Rs.154596 thousand should also be provided for.
 - (ii) The machinery spares of the nature of capital spares, insurance spares have been identified and depreciated on the basis of the life of the relevant fixed assets already exhausted. However, instead of grouping these spares as part of the fixed assets in accordance with the Accounting Standard - 2 issued by ICAI, the same have been considered as inventory and disclosed in the accounts accordingly and any issues of the said Spares are charged to the Stores & Spares consumed. The impact of the same on the profit of the company remains unascertained.
 - (iii) The financial statements have been drawn up on the basis of in-house estimates referred to in paragraph 2 of Accounting Policies, being a technical matter; we have relied upon the same.
 - (iv) Based on legal opinion the Company has not charged for the year Rs 43241 thousand (upto the year Rs 610742 thousand) being the difference of rates of Electricity Duty applicable to mines and plant. Since the issue remains unresolved, with the Hon'ble Supreme Court, we are unable to form an opinion on the veracity of the stand taken by the management (Refer Note No. 7 of Schedule No. 26 Notes on Accounts). However, a sum of Rs 324342 thousand paid by the company as per Supreme Court directives and shown as 'deposits' in the accounts

AUDITORS' REPORT to the Members of Hindustan Copper Limited (Contd.)

is of the nature of 'contingent assets' as per provision of AS 29 issued by the Institute of Chartered Accountants of India, hence in our opinion the same should be fully charged off.

- (v) Since the company has neither received any formal request for maintenance of the transferred assets nor any claim has been raised on or acknowledged by the Govt. of Jharkhand there does not appear any reasonable certainty for realization of the amount of Rs.31000 thousand, in our opinion, the amount appearing as 'advances recoverable in cash or in kind' should have been fully provided for (Refer Note No.9 of Schedule 26 of Notes to Accounts).
 - (vi) In our opinion the differential amount of Rs.19267 thousand considered as contingent liability should be fully provided for (Ref. Note No. 10 of Schedule No. 26 of Notes to Accounts).
 - (vii) Against the Book value of fixed assets of Rs.69440 thousand as on 31.03.2006, related to closed mines at ICC including RCP, a provision of Rs.48250 thousand is being carried. Since there is neither any possibility of use of these assets in its present form in near future nor there is any assessment of realisable value of these assets, in our opinion, there should be equal provision for Rs 69440 thousand in the accounts as a prudent measure (Refer Note No.12 of Notes to Accounts – Schedule 26).
 - (viii) Since the claim lodged against the company is as per terms of a supply contract, in our opinion, full provision for Rs 44670 thousand should have been made in the accounts (Refer Note No.14 of Notes to Accounts – Schedule 26).
 - (ix) Adequacy of provision of Rs.1000 thousand for Wealth Tax cannot be commented upon in absence of valuation report of the assets as specified in Sec.2(EA) of the Wealth Tax Act.
 - (x) Physical verification of stores and spares at ICC has not been conducted by the management during the year under review (the work has been outsourced but actually not completed till completion of audit). Pending final adjustment of discrepancies like shortage, excess, difference in bincard 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.
 - (xi) Third Party material consumed by the Company, value of which has not been updated at the current cost and hence there is under provision of liability. However, for want of details quantification could not be done.
 - (xii) The additional provision for gratuity and leave encashment on the revised pay structure for the employees as compared to previous year have not been allocated to Mine Development Expenditure resulting in understatement of Profit for the year. For want of unit-wise details, the quantification, however, could not be done.
 - (xiii) Pending confirmations received, the balance under the heads Current Liabilities, Advances, Deposits, Sundry Debtors, Claims Recoverable, Materials in Transit and Stocks lying with third parties remain as per book balance (Ref. Note No. 4 of Schedule No. 26 of Notes to Accounts).
6. The effect of the various qualifications given above on the profit as well as assets and liabilities of the company could not be ascertained fully for want of details. However as far as the quantification is possible, it amounts to reduction in profit for the year by Rs 576134 thousand, and increase in liabilities by Rs 251792 thousand and reduction in assets by Rs 324342 thousand.

Subject to what is stated in paragraph 4 (d) and paragraph 5 (i) to 5 (xiii) 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, 2006 and
- (ii) In the case of the Profit & Loss Account of the profit the company for the year ended on that date.

For K B CHANDNA & CO.
Chartered Accountants

V. K. GUREJA
(Partner)
M. No. 16521

For M. C. BHANDARI & CO.
Chartered Accountants

M. R. JAIN
(Partner)
M. No. 50919

Place : New Delhi
Dated : 8th August, 2006

ANNEXUTE 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 except at MCP Unit, where the particulars indicating quantity, make and model, suppliers name have not been mentioned in respect of various assets.
(b) The fixed assets have been physically verified during the current year pursuant to Accounting Policy No.3.5. Pending reconciliation of discrepancies wherever noticed which are not of material nature, adequate provision against the shortage have been made.
(c) During the year, the company has disposed off assets relating to Mosaboni & Rakha Township including hospital and a few other condemned assets of certain closed mines 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 (whose job of physical verification has been outsourced, but actual work not completed upto the date of audit) has been conducted by the management after reasonable intervals.
(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.
(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. In case of ICC and RCP units adequate provision has been made against the discrepancies detected in earlier years but the asset continues to be shown in the stock.
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 system 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 outstanding dues including interest thereon amounting to Rs.54 thousand as unclaimed Public Deposits.
7. The company has a system of Internal Audit by external agencies. The scope and coverage of the same need to be extended to make commensurate with the size and nature of business of the company.
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 regular in depositing Provident Fund dues during the year with appropriate authorities.
According to the information and explanations given to us, undisputed amounts payable in respect of Income

ANNEXUTE TO THE AUDITORS' REPORT (Contd.)

Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Diversion rent, Entry Tax, Service Tax, Royalty, Forest land, Electricity Duty and Water Cess outstanding for more than six months from the date they became payable were in aggregate of Rs 85487 thousand as at 31st March 2006 (As given in annexure attached).

- (b) According to the information and explanations given to us, dues of Sales Tax, Excise Duty, Electricity duty, Royalty, Entry Tax, Property Tax amounting to Rs 1962186 thousand net of deposits made have not been deposited on account of disputes pending at various forum (As given in annexure attached).
10. 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, and 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 Banks and repayment of debentures.
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 shares, securities, debentures and other investments.
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 company has raised new term loan towards the end of the year, pending utilization of the same, the fund have been temporarily parked in the current account maintained with the Scheduled Bank.
- The term loan outstanding at the beginning of the year were raised and utilized during the period prior to our audit. Hence, we are unable to comment whether the same has 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 are of the opinion that there are no fund raised on short-term basis that have been used for long-term investment.
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 375000 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 save and except book debt and other current assets 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 disclosed 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 K B CHANDNA & CO.
Chartered Accountants

V. K. GUREJA
(Partner)
M. No. 16521

For M. C. BHANDARI & CO.
Chartered Accountants

M. R. JAIN
(Partner)
M. No. 50919

Place : New Delhi
Dated : 8th August, 2006

ANNEXUTE TO THE AUDITORS' REPORT (Contd.)

UNDISPUTED LIABILITIES FOR MORE THAN SIX MONTHS

(Rs. in thousand)

PARTICULARS	AMOUNT
SALES TAX / TOT	4801
ENTRY TAX	13940
SERVICE TAX	137
INCOME TAX - TDS	137
ROYALTY	2572
FOREST LAND	2124
ELECTRICITY DUTY	18225
EXCISE DUTY	2339
WATER CESS	30231
WEALTH TAX	9282
FPF INCLUDING INTEREST	1699
TOTAL	85487

STATEMENT OF DISPUTED STATUTORY LIABILITIES

(Rs. in thousand)

Sl. No.	PARTICULARS	YEAR	FORUM AT WHICH MATTER IS PENDING	AMOUNT
1.	EXCISE DUTY	1984-85, 1985-86, 1991-92, 1992-93, 1993-94 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06	CESTAT	1563850
		1994-95, 1995-96, 1998-99 1999-00, 2001-02, 2002-03 2003-04	COMMISSIONER OF EXCISE (APPEALS)	56679
2.	SALES TAX/ ENTRY TAX	1991-92, 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02	COMMISSIONER (APPEALS)	17573
3.	ELECTRICITY DUTY	FROM 1990-91 TO 2005-06	SUPREME COURT	305600
4.	ROYALTY	1996-97, 1997-98, 1998-99, 1999-00, 2000-01 2001-02, 2002-03, 2003-04	HIGH COURT	8139
5.	PROPERTY TAX	FROM 1994-95 TO 1997-98	HIGH COURT	10345
	TOTAL			1962186

ACCOUNTING POLICIES

1. Basis of Preparation of Accounts :

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by the Institute of Chartered Accountants of India consistently being followed and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis in a going concern concept.

2. 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 :

3. Fixed Assets :

- 3.1 Fixed assets are recorded at cost net of CENVAT and VAT credit wherever applicable less accumulated depreciation and impairment loss, if any.
- 3.2 Pending reconciliation/receipt of the final bills against capital items, capitalization is done on the basis of cost booked and depreciation is charged accordingly. Price differences, if any, are adjusted in the year of finalization of bills.
- 3.3 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 capitalized allocating to various items of fixed assets on an appropriate basis. Expansion programme involving construction concurrently run with normal production activities in an existing unit, all direct capital expenditure in relation to such expansion are capitalized but indirect expenditure are charged to revenue.
- 3.4 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.
- 3.5 Physical verification of fixed assets is carried out once in every five years.

4. Depreciation :

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 01.04.93 is charged on derived rates by allocating the unamortized value over the remaining life arrived at on the basis of rates prescribed under the Schedule XIV to the Companies Act, 1956. Depreciation in respect of plant & machinery and building of new project is charged from the date of commercial production.

Grants-in-Aid :

5. Fixed assets acquired out of funds provided by the 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.

ACCOUNTING POLICIES (Contd.)

6. Impairment of Assets :

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

7. Mine Development Expenditure :

7.1 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 capitalized and amortized 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 realizable value.

7.2 In case of working mines, where development activities are going on simultaneously : Expenses are apportioned between capital or revenue on the basis of inhouse technical estimates.

7.3 In respect of open cast mines : The expenditure on removal of waste and overburden, is capitalized and the same is amortized 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.

7.4 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.

8. Major Overhauling Expenses :

The expenditure attributable to major overhaul of smelter/refinery is charged to the Accounts in the year of incurrence.

9. Inventories :

9.1 Stocks of raw materials, stores and spare parts, loose tools and materials-in-transit are valued at cost. Loose tools when issued are charged off to revenue.

9.2 Finished goods and work-in-process are valued at the lower of the net realizable value and weighted average cost to the unit. The cost is exclusive of financing cost, 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 been generated. The reverts under work- in-process are valued at lower of cost (equivalent value of concentrates) and net realizable value. Subsidy on fertilizers is not considered for the purpose of fertilizer stock valuation.

9.3 The stock of anode slime arising from treatment and refining processes are valued at realizable value based on the year end London Metal Exchange price for gold and silver after making due adjustments of their physical recovery and the treatment and refining charges.

9.4. Liability for excise duty on finished goods in stock lying at works or warehouses, is provided for in the accounts and also considered in stock valuation.

9.5 The inventories out of inter-unit transfers at the close of the year are valued on the basis of cost or net realizable value whichever is lower to the transferor unit. No adjustment is made in respect of difference between the cost 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.

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

ACCOUNTING POLICIES (Contd.)

9.7 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.

9.8 Scraps are accounted for on realization.

PROFIT AND LOSS ACCOUNT :

10. Sales :

Sales are net of discounts other than cash discounts.

11. Other Income

11.1 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.

11.2 Conversion charges :

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

11.3 Interest on L/C bills :

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

12. Retirement Benefit

12.1 Gratuity and Leave encashment :

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

12.2 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.

13. Borrowing cost :

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. All other borrowing cost are charged to revenue.

14. ACCOUNTING FOR TAXES ON INCOME :

Income Tax Expense comprises current tax and deferred tax charge. Deferred Tax is recognized on timing differences, being the difference between Taxable Income and Accounting Income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are recognized only if there is virtual certainty that sufficient future taxable income will be available against which Deferred Tax Assets will be realized. Such balances of Deferred Tax Assets are reviewed as at each Balance Sheet Date to reassess the realisability thereof.

15. General :

15.1 Foreign Currency Transactions :

Transactions in foreign currencies are recognized at the rates existing at transaction time at which the transaction is settled. Year-end balances of receivables/payables are translated at applicable forward contract/year-end rates and resultant translation differences relating to fixed assets are adjusted against fixed assets and the balance is recognized in the Profit and Loss Account.

15.2 Recognition of Contingent Liability :

A contingent liability is recognized when as a result of past events there is a possible obligation or a

ACCOUNTING POLICIES (Contd.)

present obligation that may, but probably will not, require an outflow of resources and are disclosed by way of Notes.

15.3 Events occurring after the Balance Sheet Date :

Assets and Liabilities are adjusted for events occurring after the Balance Sheet that provide additional evidences to assist the estimation of accounts relating to conditions existing at the Balance Sheet Date.

15.4 Prior Period & Extra Ordinary Items :

(i) The nature and amount of prior period items (ii) extra-ordinary items are separately disclosed in the statement of Profit & Loss in a manner that their impact on the current Profit & Loss can be perceived.

15.5 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 capitalized.

15.6 Mine Closure Expenditure :

Financial implications towards final mine closure plans under relevant Acts and Rules are technically estimated and the involvement, not being material, are charged off on actual incurrence.

16. Voluntary Retirement Expenses :

16.1 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.

16.2 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.

BALANCE SHEET

As on March 31, 2006

	Schedule No.	As at 31.03.2006	(Rs. '000) As at 31.03.2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	9,089,504	9,089,504
Share Money Awaiting Allotment		400,000	400,000
Reserves & Surplus	2	<u>1,366,419</u>	<u>99,350</u>
		10,855,923	9,588,854
Loan Funds			
Secured Loans	3	1,923,126	3,409,785
Unsecured Loans	4	<u>1,000,054</u>	<u>155,554</u>
		<u>2,923,180</u>	<u>3,565,339</u>
TOTAL		<u>13,779,103</u>	<u>13,154,193</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	6,608,127	6,734,641
Less : Depreciation	5	<u>4,761,289</u>	<u>4,728,575</u>
Net Block	5	<u>1,846,838</u>	<u>2,006,066</u>
Discarded Fixed Assets net of provision	5	-	15,483
Capital Work-in-Progress including			
Advance for Capital Expenditure	6	178,945	166,714
Mine Development Expenditure	7	<u>2,991,813</u>	<u>2,760,264</u>
		5,017,596	4,948,527
Investments	8	17	17
Current Assets, Loans and Advances			
Inventories	9	3,719,924	2,256,384
Sundry Debtors	10	444,902	115,493
Cash and Bank Balances	11	1,303,329	75,533
Other Current Assets	12	10,707	10,594
Loans and Advances	13	<u>890,437</u>	<u>555,540</u>
		6,369,299	3,013,544
Less :			
Current Liabilities and Provisions	14	<u>5,741,451</u>	<u>2,674,112</u>
Net Current Assets		627,848	339,432
Deferred tax Assets (Net)		900,196	49,789
Miscellaneous expenditure	15	-	-
Profit and Loss Account		<u>7,233,446</u>	<u>7,816,428</u>
TOTAL		<u>13,779,103</u>	<u>13,154,193</u>
Notes to Accounts	26		

Accounting Policies and Schedules 1 to 26
attached form part of the accounts.
In Terms of our Report of Even Date

For and on behalf of the Board of Directors

For K.B.CHANDNA & CO.

For M.C.BHANDARI & CO.

C. S. SINGHI

M SAMAJPATI SATISH C GUPTA

Chartered Accountants

Chartered Accountants

Company Secretary

Director (Finance)

Chairman-cum-

V.K.GUREJA (M No. 16521)

M.R.JAIN (M No. 50919)

Partner

Partner

Place : New Delhi

Dated : 08th August, 2006

Place : New Delhi

Dated : 08th August, 2006

Managing Director

PROFIT & LOSS ACCOUNT

For the year ended March 31, 2006

	Schedule No.	2005-06	(Rs. '000) 2004-05
INCOME			
Gross Sales		10,537,585	5,591,135
Less : Excise Duty		1,392,714	763,625
Net Sales		9,144,871	4,827,510
Internal Issues		6,523	4,483
Other Income	16	98,379	120,372
Extraordinary Income	17	542,641	—
Grants-in-Aid		53,922	265,573
Increase/(Decrease) in Stock of Finished Goods, Semi-Finished and in Process	18	(109,055)	596,447
		9,737,281	5,814,385
EXPENDITURE			
Materials, Spares & Components	19	3,161,723	860,844
Employees' Remuneration & Benefits	20	1,274,562	869,190
Other Expenses of Manufacturing, Administration, Selling & Distribution	21	2,797,246	2,146,470
Excise duty		(25,404)	(753)
Extraordinary Expenses	22	428,244	—
Prior years' Net Debits/(Credits)	23	3,336	11,271
Interest	24	385,385	429,916
Provisions, Losses & Write off	25	72,438	153,717
VRS Expenses - Grants-in-Aid		53,922	265,573
Depreciation		158,713	173,654
Amortisation of Mine Development Expenditure		424,953	383,879
		8,735,118	5,293,761
PROFIT/(LOSS) BEFORE TAX		1,002,163	520,624
Provision for Tax - Current		—	—
- Deferred		(59,200)	(39,181)
- Fringe Benefit		2,519	—
PROFIT/(LOSS) AFTER TAX		1,058,844	559,805
Transfer from Special Reserve		343	345
Transfer to Capital Reserve		(476,205)	(14,697)
Profit/(Loss) brought forward from last year's Accounts		(7,816,428)	(8,361,881)
Balance of Profit/(Loss) carried to Balance Sheet		(7,233,446)	(7,816,428)
Earning Per Share of Rs 10 each (Note 20 on Schedule 26)			
-Basic (Rs)		1.45	1.25
-Diluted (Rs)		1.38	0.75

Notes to Accounts 26
In Terms of our Report of Even Date

For and on behalf of the Board of Directors

For K.B.CHANDNA & CO.

Chartered Accountants

V.K.GUREJA (M No. 16521)

Partner

Place : New Delhi

Dated : 08th August, 2006

For M.C.BHANDARI & CO.

Chartered Accountants

M.R.JAIN (M No. 50919)

Partner

C. S. SINGHI

Company Secretary

M SAMAJPATI

Director (Finance)

SATISH C GUPTA

Chairman-cum-

Managing Director

Place : New Delhi

Dated : 08th August, 2006

SCHEDULE TO ACCOUNTS

as on March 31, 2006

		As at 31.03.2006	(Rs. '000) As at 31.03.2005
1. SHARE CAPITAL			
Authorised			
90,00,00,000	Equity Shares of Rs 10/- each	9,000,000	9,000,000
20,00,000	7.5 % Non-Cumulative Preference Shares of Rs 1000/- each	<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed & paid up			
71,04,73,700	Equity Shares of Rs 10/- each fully paid up in cash	7,104,737	7,104,737
1,02,44,300	Equity Shares of Rs 10/- each issued pursuant to a contract without payment being received in cash	102,443	102,443
75,00,000	Equity Shares of Rs 10/- each pursuant to Indian Copper Corporation (Acquisition of Undertaking) Act,1972 without payment being received in cash	<u>75,000</u>	<u>75,000</u>
		7,282,180	7,282,180
18,07,324	7.5 % Non-Cumulative Preference Shares of Rs 1000/- each	<u>1,807,324</u>	<u>1,807,324</u>
		<u>9,089,504</u>	<u>9,089,504</u>
Share Money Awaiting Allotment (Equity)			
	As per last Balance Sheet	400,000	3,653,400
	Add : Received during the year	—	400,000
	Less : Alloted during the year	—	3,653,400
		<u>400,000</u>	<u>400,000</u>
2. RESERVES AND SURPLUS			
Capital Reserve :			
	As per last Balance Sheet	85,684	70,987
	Addition during the year	<u>476,205</u>	<u>14,697</u>
		561,889	85,684
Special Reserve :			
	As per last Balance Sheet	3,058	3,403
	Less : Transferred to Profit & Loss Account	<u>343</u>	<u>345</u>
		2,715	3,058
General Reserve :			
	As per last Balance Sheet	10,608	—
	Add : Deferred Tax	<u>791,207</u>	<u>10,608</u>
		801,815	10,608
		<u>1,366,419</u>	<u>99,350</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
3. SECURED LOANS		
i) Debentures		
10,000 14% Secured Redeemable Non-convertible Debentures of Rs.37500/- each (Previous year Rs.62500 each) (Note 1)	375,000	625,000
Add : Interest Accrued & Due	—	53,387
	375,000	678,387
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	48,126	1,182,318
Secured by Hypothecation of Stock-in-Trade, Stores and Spare parts, and Book Debts etc., both present and future of the Company. Further secured by second charge on the immovable assets of the Khetri, Malanjkhanda and Talaja Projects.		
iii) 10.65% Sec. Red. Non-Conv. Bonds of Rs.10000000/- each. (Note 2)	1,500,000	1,500,000
Secured by mortgage of a flat at Mumbai. Further secured by Govt. of India guarantee paripassu charge on the assets of Khetri, Malanjkhanda and Talaja pending execution thereof.		
iv) 14.75% 7 year Redeemable Bonds (Note 3)	—	49,080
	1,923,126	3,409,785

Amount falling due within next twelve months Rs.1,750,000 thousand (Previous year Rs. 299,080 thousand)

Note 1 : 14.00 % Secured Redeemable Non-Convertible Debentures are redeemable in 16 quarterly instalments @ Rs. 62,500 thousand commencing from December 15, 2003 and ending on September 15, 2007. The company had redeemed four instalments of Rs 62,500 thousand each during the year and consequently the face value of each debenture is reduced from Rs. 62,500 to Rs. 37,500.

Note 2 : 10.65 % Secured Redeemable Non-Convertible Bonds of Rs. 10000000/- each aggregating to Rs. 1,500,000 thousand have been redeemed at par in two tranches of Rs.750,000 thousand each on due dates i.e. on April 1,2006 and July 1, 2006 respectively.

Note 3 : 14.75% 7 year Redeemable Bonds of Rs.100000/- each aggregating to Rs.122,700 thousand were redeemable at par in three annual instalments of 30%, 30% and 40% commencing from 31st May, 2003. The third instalment of 40% which was due on May 31st, 2005 has been redeemed during the year.

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
4. UNSECURED LOANS		
i. From Government of India	250,000	—
ii. Fixed Deposits		
Unclaimed Public Deposits	41	41
Add : Interest Accrued & Due	<u>13</u>	<u>13</u>
	54	54
iii. Short Term Loans & Advances		
14 % Privately Placed Bonds (Note 1)	—	155,500
iv. 7.5% Corporate Term Loan from Bank		
Secured by Govt.of India Guarantee pending execution thereof (Note 2)	750,000	—
	<u><u>1,000,054</u></u>	<u><u>155,554</u></u>

Amount falling due within next twelve months Rs. 50,041 thousand (Previous year Rs. 155,541 thousand)

Note 1 : Out of the total 14 % Unsecured Privately Placed Bonds of Rs. 633,300 thousand, the Company has redeemed the entire amount of Rs 633,300 thousand (including Rs.155,500 thousand during the year).

Note 2 : 7.50% Corporate Term Loan of Rs 75,000 thousand is redeemable in 16 equal quarterly instalments starting from June 2007 quarter and ending in March 2011 quarter.

SCHEDULE TO ACCOUNTS

as on March 31, 2006

5. FIXED ASSETS

(Rs. '000)

DESCRIPTION	GROSS BLOCK							DEPRECIATION							NET BLOCK	
	As at 01.04.2005	During the Year					As at 31.03.2006	Upto 01.04.2005	For the year	During the Year				Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Land :																
Free hold	14566		5				14561								14561	14566
Lease hold	14547			-1652			12895	4902	132		-1569			3465	9430	9645
Roads, Bridges and Culverts	58278		7445	2128			52961	19935	682	2439	553			18731	34230	38343
Railway Siding	10784						10784	8967	129					9096	1688	1817
Buildings including Sanitary and Water Supply System	1175214	148	133700	10617			1052279	535645	19583	46003	3661			512886	539393	639569
Plant, Machinery and Mining Equipment	4597928	114197	28460	-65852	-177	-2	4617634	3523950	141180	24271	-64288	-169	-2	3576400	1041234	1073978
Electrical Equipment and Installation	318620	2385	21290	4752	210		304677	222418	9996	14944	3140	206		220816	83861	96202
Shafts and Inclines	365755			8			365763	264344	9856		8			274208	91555	101411
Vehicles	82449	3516	405	-6590	-59		78911	76240	2075	385	-6249	-57		71624	7287	6209
Furniture, Fixtures, Office, Hospital, Survey and Drawing Equipment	96500	1859	300	-241	26	-182	97662	72174	2508	272	-195	20	-172	74063	23599	24326
Total	6734641	122105	191605	-56830 *		-184	6608127	4728575	186141#	88314	-64939*	—	-174	4761289	1846838	2006066
Previous year	6947507	62776	47554	-227923		-165	6734641	4784508	199244	45052	-209967		-158	4728575	2006066	2162999
DETAILS OF DISCARDED ASSETS																
Discarded Assets	621237	100946	44116				678067	531188	93249	28310				596127	81940	90049
Less Provision															81940	74566
Discarded Assets net of provision															—	15483

Refer main P & L account and Schedule No 7.

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

Fixed Assets exclude items of Rs. 235 thousand (previous year Rs. 235 thousand) held in stores and on these items no depreciation has been charged as per past practice which comes to Rs. 116 thousand.

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
6. CAPITAL WORK-IN-PROGRESS		
Plant and Machinery (Including in transit Rs. Nil. – Previous year Rs. Nil)	382,288	367,284
Others	<u>311,975</u>	<u>310,195</u>
	694,263	677,479
Less : Provision	<u>521,855</u>	<u>510,765</u>
	172,408	166,714
ADVANCE FOR CAPITAL EXPENDITURE		
Unsecured - Considered Good	6,537	—
Considered Doubtful	<u>2</u>	<u>2</u>
	6,539	2
Less : Provision	<u>2</u>	<u>2</u>
	6,537	—
	<u><u>178,945</u></u>	<u><u>166,714</u></u>
7. MINE DEVELOPMENT EXPENDITURE		
As per last Balance Sheet	3,274,359	3,260,611
Add : Expenditure during the year as per Schedule 7.01	<u>675,582</u>	<u>403,964</u>
	3,949,941	3,664,575
Less :		
Value of ore recovered during mine development	19,080	6,337
Amortisation	<u>424,953</u>	<u>383,879</u>
	444,033	390,216
	3,505,908	3,274,359
Less : Provision	514,095	514,095
	<u><u>2,991,813</u></u>	<u><u>2,760,264</u></u>
7.01 MINE DEVELOPMENT EXPENDITURE		
Salaries, Wages & Allowances	88,799	58,922
Contribution to Provident & Other Funds	7,486	6,377
Workmen & Staff Welfare	4,665	3,293
Gratuity	715	372
Stores, Spares & Tools Consumed	231,110	168,829
Power, Fuel & Water	32,450	28,735
Repairs :		
- Building	458	279
- Plant & Machinery	4,839	4,609
- Others	1,712	1,606
Insurance	388	382
Overburden Removal Expenditure	256,036	88,751
Prospecting, Survey, Drilling, Sampling & Analysis	7,946	7,215
Depreciation	27,428	25,590
Miscellaneous	<u>11,550</u>	<u>9,004</u>
	<u><u>675,582</u></u>	<u><u>403,964</u></u>

SCHEDULE TO ACCOUNTS

as on March 31, 2006

		(Rs. '000)
	As at <u>31.03.2006</u>	As at <u>31.03.2005</u>
8. INVESTMENTS (at cost)		
Non-trade Investments in Debentures :		
- Unquoted		
- 17 Nos. 5 % Debentures of Rs 1,000/- each fully paid up in Woodlands Hospital & Medical Research Centre Ltd.	17	17
	17	17
Aggregate Book Value - Unquoted	<u>17</u>	<u>17</u>
9. INVENTORIES		
(As Taken, Valued and Certified by the Management)		
Raw Materials [at cost] (in transit Rs. 324901 thousand - Previous year Rs Nil)	1,543,844	841
Semi-Finished and In-Process [at lower of cost or net realisable value]	1,301,099	1,521,227
Less : Provision	<u>47,600</u>	<u>44,369</u>
	1,253,499	1,476,858
Finished Goods [at lower of cost or net realisable value] (in transit Rs. 16105 thousand - Previous year Rs. 77942 thousand)	591,860	480,787
Less : Provision	<u>20,838</u>	<u>20,452</u>
	571,022	460,335
Stores & Spares [at cost] (in transit Rs. 28143 thousand - Previous year Rs 24003 thousand)	850,393	794,288
Less : Provision for Obsolescence/Non-moving & Verification Discrepancies (net)	482,347	462,486
Less : Provision for Stores & Spares of irregular use	<u>19,105</u>	<u>16,169</u>
	348,941	315,633
Loose Tools [at cost]	2,618	2,717
	<u>3,719,924</u>	<u>2,256,384</u>
10. SUNDRY DEBTORS		
Exceeding six months	44,722	46,480
Other Debts	<u>443,852</u>	<u>108,853</u>
	488,574	155,333
Less : Provision for doubtful debts	43,672	39,840
	<u>444,902</u>	<u>115,493</u>
Particulars of Debt :		
Unsecured - Considered Good	444,902	115,493
Considered Doubtful	43,672	39,840
	<u>488,574</u>	<u>155,333</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	As at 31.03.2006	(Rs. '000) As at 31.03.2005
11. CASH & BANK BALANCES		
Cash & Stamps in Hand	7,478	2,551
Cheques / Drafts in Hand	109,976	25,110
Balance with Scheduled Banks on :		
i) Fixed Deposit Accounts	58,150	—
ii) Current Accounts	1,126,925	47,872
iii) Margin Money	800	—
	<u>1,185,875</u>	<u>47,872</u>
	<u>1,303,329</u>	<u>75,533</u>
12. OTHER CURRENT ASSETS		
Interest Accrued on :		
- Loans/Advances/Deposits and Others	10,707	10,594
	<u>10,707</u>	<u>10,594</u>
13. LOANS AND ADVANCES		
Loans	15,500	10,746
Advances Recoverable in Cash or in kind or for Value to be Received	233,498	185,983
Claims Recoverable	218,523	37,370
Deposits	477,717	438,963
Balance with Customs, Port Trust etc.	56,474	7,194
	<u>1,001,712</u>	<u>680,256</u>
Less : Provision for Doubtful Advances & Claims	111,275	124,716
	<u>890,437</u>	<u>555,540</u>
Particulars of Loans & Advances :		
Considered Good - Secured	4,084	5,202
- Unsecured	886,353	550,338
Considered Doubtful	111,275	124,716
	<u>1,001,712</u>	<u>680,256</u>
Notes : 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, 2006

	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
14. CURRENT LIABILITIES & PROVISIONS		
Current Liabilities :		
Sundry Creditors -Goods	2,697,667	477,851
Sundry Creditors -Others	648,212	776,285
Sundry Creditors - SSI Units	20,327	17,226
Security & Earnest Money Deposits	178,841	169,157
Grants-in-Aid		
As per last Balance Sheet	244,750	160,323
Add : Received during the year	—	350,000
	<u>244,750</u>	<u>510,323</u>
Less : Transfer to P/L Account	53,922	265,573
	<u>190,828</u>	<u>244,750</u>
Other Liabilities	1,369,984	509,946
Interest Accrued but not Due on Loans	53,040	49,024
	<u>5,158,899</u>	<u>2,244,239</u>
Provisions :		
Wealth Tax	9,282	8,282
Others	<u>573,270</u>	<u>421,591</u>
	<u>582,552</u>	<u>429,873</u>
	<u>5,741,451</u>	<u>2,674,112</u>
15. MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Major overhaul of Smelter/Refinery		
Balance as per last Balance Sheet	—	33,711
Expenditure During the year :		
Stores	1,961	54,071
Spares	3,250	18,190
Maintenance Plant (contractual)	<u>18,088</u>	<u>46,301</u>
	<u>23,299</u>	<u>118,562</u>
Less : Charged off during the year :		
Stores	1,961	76,104
Spares	3,250	18,190
Maintenance Plant (contractual)	<u>18,088</u>	<u>57,979</u>
	<u>23,299</u>	<u>152,273</u>
	<u>—</u>	<u>—</u>
Voluntary Retirement Compensation		
Balance as per last Balance Sheet	—	—
Add : Expenditure During the Year	<u>53,922</u>	<u>265,573</u>
	<u>53,922</u>	<u>265,573</u>
Less : Charged to P/L Account	<u>53,922</u>	<u>265,573</u>
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	<u>2005-06</u>	<u>(Rs. '000)</u> <u>2004-05</u>
16. OTHER INCOME		
Sale of Scrap	20,336	19,121
Profit on sale of Fixed Assets (net)	2,578	37,012
Profit on Sale of Stores (net)	19	66
Interest :		
- On Loans, Advances, Deposits etc.	8,190	712
- Received from Customers	15,093	10,473
Claims	939	3,468
Provision written back	28,818	10,199
Conversion Charges	408	12,308
Miscellaneous	21,998	27,013
	<u>98,379</u>	<u>120,372</u>
17. EXTRAORDINARY INCOME		
(Profit on sale of Mosabani & Rakha Township including Hospital to State Government of Jharkhand)		
Sale value of assets	641,461	—
Less : W.D.V. of assets	98,820	—
	<u>542,641</u>	<u>—</u>
18. INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS, SEMI-FINISHED & IN- PROCESS		
Opening Stock :		
Finished Goods	480,787	452,146
Semi-Finished and In-Process	1,521,227	953,421
Total Opening Stock	2,002,014	1,405,567
Closing Stock :		
Finished Goods	591,860	480,787
Semi-Finished & In-Process	1,301,099	1,521,227
Total Closing Stock	<u>1,892,959</u>	<u>2,002,014</u>
Increase / (Decrease)	<u>(109,055)</u>	<u>596,447</u>
19. MATERIALS, SPARES & COMPONENTS		
Raw Materials Consumed	2,528,418	297,180
Stores, Spares & Tools Consumed	614,225	557,327
Value of Ore Raised During Mine Development	19,080	6,337
	<u>3,161,723</u>	<u>860,844</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2006

		(Rs. '000)	
		<u>2005-06</u>	<u>2004-05</u>
20.	EMPLOYEES' REMUNERATION & BENEFITS		
	Salaries,Wages & Allowances	989,775	723,040
	Bonus/Ex-gratia	20,156	458
	Contribution to Provident & Other funds	91,014	74,670
	Workmen & Staff Welfare	62,717	60,941
	Gratuity	110,900	10,081
		<u>1,274,562</u>	<u>869,190</u>
21.	OTHER EXPENSES OF MANUFACTURING, ADMINISTRATION, SELLING & DISTRIBUTION		
	Power,Fuel & Water	1,589,322	1,059,661
	Repairs :		
	Building	5,692	3,726
	Plant & machinery	66,464	44,211
	Others	<u>21,592</u>	<u>12,193</u>
		93,748 *	60,130
	Major Overhaul Expenditure	23,299	152,273
	Royalty, Cess & Decretal amount	157,225	156,212
	Insurance	6,107	7,029
	Rent	6,357	6,234
	Rates & Taxes	16,421	17,716
	Remuneration to Auditors :		
	Audit Fees :		
	- Statutory Audit Fees	309	281
	- Tax Audit Fees	116	105
	- Other Capacity	99	209
	- For Expenses	<u>126</u>	<u>79</u>
		650	674
	- Cost Audit Fees	44	44
	- For Expenses	<u>2</u>	<u>—</u>
		46	44
	- Internal Audit Fees	231	259
	- For Expenses	<u>123</u>	<u>122</u>
		354	381
	Director's Fees	—	1
	Handling & Transportation	274,417	177,598
	Donation	5,068	1,005
	Commission	654	604
	Loss/(Gain) on Exchange Fluctuation	11,261	11,480
	Discount & Rebate	430,856	218,118
	Tolling Charges-Copper Bearing Material	22,300	159,222
	Miscellaneous	159,161	118,088
		<u>2,797,246</u>	<u>2,146,470</u>

* Repairs carried out departmentally does not include expenditure of Salary and Wages Rs.280,077 thousand, Stores and Spares consumed Rs. 274,484 thousand (Previous year Rs. 261,550 thousand & Rs. 228,821 thousand respectively) which have been shown under respective Heads of accounts.

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	(Rs. '000)	
	2005-06	2004-05
22. EXTRAORDINARY EXPENSES		
Fuel Surcharge including D.P.S. paid to J.S.E.B. for Mosabani (upto 31.08.2003) & Rakha unit (upto 30.09.2003)	209,397	—
Water Cess paid to State Govt. of Jharkhand (upto 31.03.2000)	80,000	—
Salaries, Wages & Allowances for the period 01.08.2004 to 31.03.2005	138,847	—
	428,244	—
23. PRIOR YEARS' NET DEBITS / (CREDITS)		
Debits :		
Salaries, Wages and Allowances	—	4
Contribution to PF and other Funds	—	—
Gratuity	—	29
Repairs and Maint. Plant and Machinery and Others	—	34
Raw Materials, Stores, Spares and Tools Consumed	—	(124)
Handling and Transportation Charges	84	378
Power & Fuel	—	18,066
Excise/Cenvat	—	18,100
Workmen and Staff Welfare	3	4,468
Miscellaneous Expenses	5,883	4,196
	5,970	45,151
Credits :		
Miscellaneous Income	2,634	33,880
	2,634	33,880
Net Debit / (Credit)	3,336	11,271
24. INTEREST		
Government Loan	10,349	—
Cash Credit	68,691	115,677
7.5% Corporate Term Loan	308	—
10.65% Redeemable Bonds	159,750	159,750
14% Debentures	78,726	112,327
14% Redeemable Bonds	10,370	24,518
Others	57,191	17,644
	385,385	429,916

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	<u>2005-06</u>	<u>(Rs. '000)</u> <u>2004-05</u>
25. PROVISIONS, LOSSES & WRITE OFF		
Provisions for :		
- Stores Discrepancies	190	203
- Finished Stock/WIP	3,617	10
- Doubtful Debts, Advances & Claims etc.	11,030	3,785
- Stores and Spares of irregular use	2,936	12,720
- Loss of Fixed Assets	23,237	—
- Capital Work-in-Progress	11,090	16,606
- Excise Duty/Cenvat/Sales Tax	—	9,096
- Wealth tax	1,000	1,000
- Non-moving / Obsolete stock / Spares	18,118	30,635
- Mining lease	1,209	1,209
- Closure of Mines - Fixed Assets	—	12,371
- Mine Development Expenditure	—	66,082
	72,427	153,717
Write off :		
- Fixed Assets & Stores	11	—
	11	—
	72,438	153,717

SCHEDULE TO ACCOUNTS

as on March 31, 2006

	<u>2005-06</u>	<u>(Rs. '000)</u> <u>2004-05</u>
26. NOTES TO ACCOUNTS		
1. Contingent liability		
a. Estimated amount of capital commitments	269404	360334
b. Other money for which the company is contingently liable		
i. Arrear Salary	964181	—
ii. Sales Tax	34757	33184
iii. Excise Duty	1622155	762009
iv. Others	2460112	1775356
c. Uncalled liability on shares partly paid	Nil	Nil
d. Arrears of fixed cumulative dividends	Nil	Nil
2. In absence of lease agreement with the State Government in respect of certain leasehold lands, the amortization has been done for the adhoc payment made so far. In case of certain freehold lands acquired through nationalization in accordance with Indian Copper Corporation (Acquisition of Undertaking) Act, 1972, title deeds, conveyance etc. are not under possession of the company.		
3. The title deed is yet to be executed in respect of office flat at SCOPE Complex, Delhi having book value of Rs 26433 thousand.		
4. Balance shown under Sundry Creditors, Sundry Debtors, Loans, Advances and Claims Recoverable remained unconfirmed by the parties.		
5. A sum of Rs.20327 thousand (previous year Rs.17226 thousand) is payable to Small Scale and Ancillary Industrial Undertaking.		
6. At ICC Pollution Control Plant under Package I and III amounting to Rs.210050 thousand have not been capitalized for want of completion of trial/guarantee runs as per terms of the contract. Based upon the valuation of the plant carried out by an expert valuer no provision against impairment of assets is required. However, as a matter of prudence, a provision amounting to Rs.55454 thousand (previous year of Rs.44364 thousand) has been made in the accounts to take care of efflux of time.		
7. In case of MCP, the issue of electricity duty dispute with MP State Electricity Board is pending with the Honourable Supreme Court afresh. The amount paid over and above the admitted liability, amounting to Rs. 324342 thousand (previous year Rs 300301 thousand) has been shown in deposits and difference between the claim and admitted liability of Rs.610742 thousand (previous year Rs 567501 thousand) has been considered as contingent liability.		
8. Pursuant to the gazetted Notification No.289 and 290 dated 7.6.2005 in respect of transfer of assets of Mosaboni and Rakha township including hospital, company's liability to the extent of Rs.64461 thousand towards JSEB and Government of Jharkhand on account of electricity and water cess respectively has been adjusted.		
9. Expenditure of Rs.31000 thousand incurred for maintenance of the Mosaboni and Rakha township including hospital after the date of transfer of such assets to the State Government of Jharkhand has been considered as recoverable from the Government, hence netted off from the relevant head of expenditure.		
10. Water cess dues of Rs 3093 thousand for the year (Rs 29256 thousand from 2000-01 to 2005-06) have been accounted at the awarded rates by the Honourable High Court in a similar case and the differential amount of claim of Rs 19267 thousand has been considered as contingent liability.		

SCHEDULE TO ACCOUNTS

as on March 31, 2006

11. Pay revision of the employees of the Company has been made effective with the approval of the concerned Ministry w.e.f. 01.08.04 reckoning the base date from 01.01.1997 and 01.11.1997 for Executives and Non Executives respectively for the purpose of fixation of pay. The resultant liability amounting to Rs 138847 thousand for the period 01.08.04 to 31.03.05 has been accounted for in the current year as an “extraordinary item”. The issue of arrear salary for the period from 01.01.1997 to 31.07.2004 is yet to be finalized and is subject to compliance of various formalities. In view of the situation an amount of Rs 964181 thousand computed on the aforesaid basis for the said period has been considered as contingent liability.
12. Full provision has been made against condemned assets worth of Rs 48250 thousand relating to certain mines declared as closed in earlier years. Certain other assets worth Rs 21190 thousand relating to such closed mines as are usable for other purposes have not been declared condemned but depreciated as per the prescribed rates.
13. Surda Mines declared as closed in earlier years but under the present situation in view of increase in copper price, the company is optimistic of reopening the same and various possible options are being explored. Under such a situation the related assets and stores are being maintained by the company in usable condition and considered at cost and depreciated as per practice.
14. Pending settlement of the dispute against a supply contract, out of the total claim of Rs 44670 thousand, a sum of Rs 18931 thousand has been considered as adequate and provided for. The balance amount has been shown as contingent liability as a matter of prudence.
15. As per Accounting Policy No. 3.5, the physical verification of fixed assets have been carried out during the year. Discrepancies identified on physical verification are not of material nature and duly adjusted in the accounts.
16. There is no indication that an asset has become impaired. However, an asset which has retired from active use has been transferred to discarded fixed asset account and hence book value of such assets have been fully provided for.
17. The Company has closed/suspended many of its mining operations located at various places, Fertiliser Plant at Khetri in different years due to their uneconomic operations. As per requirement of AS-24 on “Discontinuing Operations” the following information for the year are furnished :

Rs.'000
(Previous year figures in brackets)

	MSB GROUP OF MINES	RCP	CCP	DCP	Fertiliser Plant
i) Initial disclosure event (Year of closure)	1997 to 2003	2001	2002	1994	2001
ii) Carrying amount of Assets	No separate records maintained	19568 (31308)	897 (897)	- (-)	No separate records maintained
iii) Liabilities to be settled		30512 (117541)	7304 (7304)	338 (338)	
iv) Amount of revenue	112072 (13373)	10769 (2514)	25 (362)	- (-)	
v) Amount of expenses	123083 (75024)	78140 (11640)	- (68410)	- (-)	
vi) Gain on sale of assets	407066 (-)	137425 (9160)	- (-)	- (-)	

SCHEDULE TO ACCOUNTS

as on March 31, 2006

18. Since the company is primarily engaged in the business of manufacture and sale of copper products, the same is considered to be the only primary reportable business segment and accordingly reported. As the Company operates predominantly within the geographical limits of India no secondary segment reporting have been considered as per Accounting Standard "Segment Reporting (AS-17)".

19. Information in accordance with the requirements of AS-18 on "Related Party Disclosures" issued by The Institute of Chartered Accountants of India: -

A) **Key Management Personnel of the Company :-**

Mr. Satish C Gupta	-	Chairman-cum-Managing Director (From 01.10.05)
Mr. M. Samajpati	-	Director (Finance) (From 27.09.04)
Mr. P. Swarup	-	Director (Operations) (From 23.02.05)
Mr. D. Satapathy	-	Director (Personnel) (From 07.11.05)

20. The numerators and denominators used to calculate basic and diluted EPS :

	BASIC	DILUTED
Numerator used: Profit After Tax (in Rs. thousand)	1058844 (559805)	1058844 (559805)
Denominator used: Weighted average number of Equity Shares of Rs.10/- outstanding during the year.	728218000 (446956247)	768218000 (742646330)

21. Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Since the company has turned around from loss incurring to profit making and virtually certain to maintain the trend in near future, the Deferred Tax Assets other than unabsorbed depreciation which was not recognized upto previous year have been duly recognized in the current year. Deferred Tax Assets created because of unabsorbed loss of earlier years of Rs 791207 thousand recognized for the first time in the current year and has been adjusted through general reserve.

DEFERRED TAX ASSET (NET) : -

(Rs. '000)

	As on 01.04.05	Change in PL A/C during the year	Change in General Reserve during the year	As on 31.03.06
Deferred Tax Asset :				
i) Accumulated Unabsorbed Depreciation (excluding disputed)	577,133	—	—	577,133
ii) Accumulated business loss (excluding disputed)	-	-	791,207	791,207
iii) Difference between provision made in accounts and claims made as per I. T Act	-	24,383	-	24,383
	577,133	24,383	791,207	1392,723
Deferred Tax Liability :- Difference between net book value of depreciable capital assets vis-à-vis WDV as per IT Act	527,344	(34,817)	-	492,527
	527,344	(34,817)	-	492,527
Deferred Tax Asset (Net)	49,789	59,200	791,207	900,196

SCHEDULE TO ACCOUNTS

as on March 31, 2006

22. PROVISION FOR CONTINGENCIES: -

(Rs.'000)

PARTICULARS	Discarded Fixed Assets	Capital WIP & Advance	Mine Development Expenditure	Others	TOTAL
Carrying amount as at 1st April '05	74566	510767	514095	1138654	2238082
Amount provided during the year	17278	11090	—	187649	216017
Amounts utilized against provision	—	—	—	—	—
Unused amounts released during the year	9904	—	—	18914	28818
Carrying amount as at 31st March '06	81940	521857	514095	1307389	2425281

23. Work in Process includes stock worth Rs 198 thousand lying with third party.

24. Previous year's figures have been regrouped/rearranged wherever necessary. However, the same are not comparable in as much is that Company's KCC unit shutdown position for a period of nine months.

Annexure (Refer Note No. 5 in Schedule No. 26)

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 31.03.2006

<u>Sl No.</u>	<u>Name of Party</u>
1.	Alpha Carbon Brash Mfg. Co.
2.	Aman Conveyor Roller Industry
3.	American Rubber Mfg. Co.
4.	Amruta Industries
5.	Ankit Industrial Gases (P) Ltd.
6.	Applo Batteries
7.	Arudra Engineers (P) Ltd.
8.	Ashok Machine Tools
9.	Associated Pneumatic Industries
10.	Atlas Industrial Corporation
11.	Ayyappa Engineers
12.	Bengal Rubber Mfg. Ltd.
13.	Bharat Engg. & Mfg. Co.
14.	Bharat Minerals
15.	Bharat Wood Works
16.	Bihar Paints & Pigments Co.
17.	Bihar Steel Production
18.	Cee Dee Industries
19.	Chota Nagpur Foundry Ltd.
20.	Courtesy Printers
21.	Deepak Engg. Co.
22.	Deepak Engineering Works
23.	Denish Engg. Works
24.	Diamet Enterprises
25.	Diamond Chem Industries
26.	Dujodwal Resins
27.	Engineering Enterprises
28.	Flow Creators
29.	Foundry of India
30.	Friends Engg. Corporation
31.	Gajalaxmi Iron Works
32.	Giriraj Hydraulics (P) Ltd.
33.	Glaxy Foundries (P) Ltd.
34.	Goel Industries
35.	Goyal Minerals
36.	Grand Union Trading Co.
37.	Hindustan Engg. & Traders
38.	Hindustan Facing Industries
39.	Howrah Machinery Works
40.	Hydrokrimp A.C. (P) Ltd.
41.	Iemco Industries (P) Ltd.
42.	IGP Engineer (P) Ltd.
43.	Indo Industrial Services
44.	Inicorp Industries
45.	Iqbal Brothers (P) Ltd.
46.	J.E. Thermit
47.	Jairam Engg. Works
48.	Jhonson Rubber
49.	K.M.Udyog
50.	K.N.Welding & Engg.

Annexure (Refer Note No. 5 in Schedule No. 26)

<u>Sl No.</u>	<u>Name of Party</u>
51.	Kamal Industrial Concern
52.	Kiran Metal Works
53.	Krishna Welding & Repairing Shop
54.	Kwality Engg. Works
55.	Laxmi Chemical
56.	Laxmi Industries
57.	Laxmi Polyplast Industries
58.	M.A.S. Industries
59.	Maheswari Lime Works
60.	Metreat Products
61.	Modern Rubber Products
62.	Mohotta Fastners
63.	Nabin Engineering Works
64.	Nagpur Engg. Works
65.	National Asbestors Corporation
66.	Navbharat Explosives Co.
67.	Orlience Engg. Enterprises
68.	Podder Industries
69.	Polymold Products
70.	Prakash Printers
71.	Precision Engg. Works
72.	Premier Rubber Mills
73.	Print Well
74.	R K Industries
75.	R.K.Enterprises
76.	Refractory Specialist
77.	Rishi Industries
78.	Rollick Industries
79.	Sharma Engg. Works
80.	Shree Jagannath Ferro Castings
81.	Siva Metal Industries
82.	Small Tools & Allied Mfg. Co.
83.	Spair Enterprises
84.	S. S. Suppliers
85.	Starling Engg. Works
86.	Subernarekha Enterprises
87.	Suman Industrial Corporation
88.	Suyog Chemicals
89.	Talcem Castings
90.	The Water Supply Specialists (P) Ltd.
91.	Thejo Engg. Services
92.	Thakkar Polypack Industries
93.	Tirupati Engg. Works
94.	Toshniwal Process Instruments (P) Ltd.
95.	Unicast Engg.
96.	Unik Engineers
97.	Universal Asbestos Cement Products
98.	Utkal Moulders
99.	UTS India (P) Ltd.
100.	Varun Polypack
101.	Veeckey Industries
102.	Vulcan Industrial Engg. Co.
103.	Wood Roll

SCHEDULE TO ACCOUNTS

as on March 31, 2006

26. NOTES TO ACCOUNTS (Contd.)

Additional information

26.1 Capacities, production, stocks and sales

Class of goods	Unit	Licensed capacity	Installed capacity (As certified by management)	Actual production
A. Manufacturing Activities				
a. Main products				
1. Wire bar	MT	39400	39400	1383
	„	(39400)	(39400)	(-)
2. Wire rod	MT	60000	60000	34624
	„	(60000)	(60000)	(23203)
3. Cathode	MT	47500	47500	36087
	„	(47500)	(47500)	(24186)
b. By products				
1. Gold	KG	264	698	166
	„	(264)	(698)	(-)
2. Silver	KG	4763	9868	3384
	„	(4763)	(9868)	(-)
3. Nickel sulphate	MT	250	390	—
	„	(250)	(390)	(-)
4. Selenium	KG	10000	14600	7719
	„	(10000)	(14600)	(-)
5. Sulphuric acid	MT	236000	236000	40297
	„	(236000)	(236000)	(15878)
6. Tellurium	KG	NA	—	—
	„	(NA)	(-)	(-)

SCHEDULE TO ACCOUNTS

as on March 31, 2006

Year 2005-06

(Figures in brackets pertain to previous year)

Opening Stock		Closing Stock		Sales		Issued for internal consumption/ intermediate products and others	Quantity
Quantity	Value	Quantity	Value	Quantity	Value		
	(Rs '000)		(Rs '000)		(Rs '000)		
1	173	525	109252	859	246865	—	
(1)	(206)	(1)	(173)	(—)	(—)	(—)	
1127	202890	261	66147	35488	9295953	2	
(1513)	(234992)	(1127)	(202890)	(23607)	(4906278)	(-18)	
908	138594	780	147785	2284	538087	33931	
(770)	(90181)	(908)	(138594)	(2436)	(501564)	(21612)	
—	21	35	18526	131	95487	—	
(—)	(15)	(—)	(21)	(—)	(—)	(—)	
—	1	594	6103	2790	35576	—	
(—)	(1)	(—)	(1)	(—)	(—)	(—)	
6	534	6	478	—	138	—	
(6)	(543)	(6)	(543)	(—)	(—)	(—)	
—	—	3218	6207	4501	19371	—	
(—)	(—)	(—)	(—)	(—)	(—)	(—)	
3646	11323	6989	15937	34625	96464	2329	
(4998)	(14074)	(3646)	(11323)	(15440)	(38030)	(1790)	
—	—	—	—	—	—	—	
(—)	(—)	(—)	(—)	(—)	(—)	(—)	

SCHEDULE TO ACCOUNTS

as on March 31, 2006

SCHEDULE TO ACCOUNTS

26. NOTES TO ACCOUNTS (Contd.)

Additional information

26.1 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	—	36
	”	(NA)	—	(14)
2. Copper turnings	MT	NA	—	—
	”	(NA)	—	(-)
3. Copper mould	MT	NA	—	—
	”	(NA)	—	(38)
4. Kyanite	MT	NA	—	—
	”	(NA)	—	(-)
5. Others	MT	NA	—	—
	”	(NA)	—	—

GRAND TOTAL

Note :

* Opening stock includes value of Sulphuric Acid Rs.7564 thousand, Anode Mould Rs.2695 thousand, Wire Bar Moulds Rs 1834 thousand and Liberator Cathode Rs 10690 thousand which are shown in Work-in-Progress.

** Closing stock includes value of Sulphuric Acid Rs.13337 thousand (Previous year Rs.7564 thousand) and Anode Mould Rs 2695 thousand (Previous year Rs.2695 thousand) and Wire Bar Mould Rs 1833 thousand (Previous year Rs 1834 thousand) and Liberator Cathode Rs 724 thousand (Previous year Rs 10690 thousand) & Cathode Rs 7007 thousand (Previous year Nil) which are shown in Work-in-Progress.

*** Excludes Sale of Reverts Rs Nil (Previous year Rs.13341 thousand) and Ore Rs 31 thousand (Previous year Rs. 9 thousand) & Sale of Concentrate Rs. NIL (Previous year Rs. 5802 thousand)

SCHEDULE TO ACCOUNTS

as on March 31, 2006

Year 2005-06

(Figures in brackets pertain to previous year)

Opening Stock Quantity	Value (Rs '000)	Closing Stock Quantity	Value (Rs '000)	Sales Quantity	Value (Rs '000)	Issued for internal consumption/ intermediate products and others Quantity
31 (43)	131555 (124184)	35 (31)	241241 (131555)	27 (25)	118887 (107454)	5 (1)
— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
51 (51)	4529 (4529)	51 (51)	4527 (4528)	— (—)	— (—)	— (38)
13 (13)	8 (8)	13 (13)	8 (8)	— (—)	— (—)	— (—)
	13942 (9311)		1245 (13942)		90726 (18656)	
	503569 * (478043)		617456 ** (503569)		10537554 *** (5571983)	

SCHEDULE TO ACCOUNTS

as on March 31, 2006

26. NOTES TO ACCOUNTS (Contd.)

Additional information

26.2 Raw materials consumed

	Quantity		Value	
	2005-2006 MT	2004-2005 MT	2005-2006 (Rs. '000)	2004-2005 (Rs. '000)
Concentrate own production	123092	84243	3324775	2616143
Concentrate excluding own production	39853	436	1923806	9760
Cathode	2446	1742	604612	287420

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

	%	%		
RAW MATERIALS:				
Imported	75.89	—	1918900	—
Indigenous	24.11	100.00	609518	297180
	<u>100.00</u>	<u>100.00</u>	<u>2528418</u>	<u>297180</u>
STORES & SPARES :				
(Direct and Stores & Spares booked in Mine Development, Shut-down and Power & Fuel)				
Imported	1.21	2.89	19843	30398
Indigenous	98.79	97.11	1623682	1022184
	<u>100.00</u>	<u>100.00</u>	<u>1643525</u>	<u>1052582</u>

26.4 C.I.F. VALUE OF IMPORTS

Raw Material	3254420	—
Components, spare parts and stores	26554	23262
	<u>3280974</u>	<u>23262</u>

26.5 Expenditure in foreign currency

Technical Know-how	—	—
Travelling	419	490
Advertisement	—	—
Professional consultation fees	—	—
Others	—	—
	<u>419</u>	<u>490</u>

SCHEDULE TO ACCOUNTS

as on March 31, 2006

26. NOTES TO ACCOUNTS (Contd.)

Additional information

	2005-2006	2004-2005
	<u>(Rs '000)</u>	<u>(Rs '000)</u>
26.6 Earning in Foreign Exchange		
Exports of goods (FOB)	418328	107454
	<u>418328</u>	<u>107454</u>
26.7. Payment to Whole-time Directors :		
Salaries and allowances	790	496
Company's contribution to Provident and other funds	85	49
Re-imbusement of medical expenses	20	147
Leave encashment	149	113
Gratuity	79	—

Note :

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

CAPITAL EXPENDITURE ON TOWNSHIP AND SOCIAL AMENITIES

as on March 31, 2006

(Rs. '000)

Assets	Total expenditure upto 31-03-2005	Additions/ adjustments during the year	Total expenditure upto 31-03-2006	Depreciation upto 31-03-2006	Depreciated value as at 31-03-2006
Land	15965	—	15965	794	15171
Roads & bridges	21477	-6446	15031	6015	9016
Drainage, sewerage & water supply	77005	-24365	52640	19577	33063
Township building including Hospital quarters & others	455900	-81137	374763	137238	237525
School & hospital buildings	41312	-19601	21711	9332	12379
Electrical installations & electrification	31770	-6756	25014	13149	11865
Hospital Equipments	17450	-133	17317	12871	4446
Hospitals, Schools & Guest House furniture	5424	-228	5196	4747	449
	666303	-138666	527637	203723	323914

SOCIAL OVERHEADS INCLUDING EXPENDITURE ON TOWNSHIP
for the period ended March 31, 2006

		(Rs. '000)
	<u>2005-06</u>	<u>2004-05</u>
TOWNSHIP :		
Administration & Maintenance Expenses :		
Employees remuneration & benefits	32786	24141
Power, fuel & water	104637	167950
Consumption of stores/Repairs & maintenance	2660	2395
Depreciation	6850	10252
Others	<u>5679</u>	<u>5641</u>
	152612	210379
Less :		
Township Income	48296	49099
Net expenditure on township	<u>104316</u>	<u>161280</u>
OTHER SOCIAL OVERHEADS :		
Maintenance of school & educational facilities	10303	10578
Less : Receipts	<u>—</u>	<u>—</u>
	10303	10578
Medical Facilities	74612	63077
Less : Receipts	<u>1536</u>	<u>1398</u>
	73076	61679
Staff Welfare	7306	7886
Net expenditure on other social overheads	<u>90685</u>	<u>80143</u>
Total expenditure	<u>195001</u>	<u>241423</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	6
---	---	---	---	---	---

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	7	7	9	1	0	3
---	---	---	---	---	---	---	---

Total Assets

1	3	7	7	9	1	0	3
---	---	---	---	---	---	---	---

Sources of Funds

Paid-Up Capital

9	0	8	9	5	0	4
---	---	---	---	---	---	---

Reserves & Surplus

1	3	6	6	4	1	9
---	---	---	---	---	---	---

4	0	0	0	0	0
---	---	---	---	---	---

 *

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

Secured Loans

1	9	2	3	1	2	6
---	---	---	---	---	---	---

Unsecured Loans

1	0	0	0	0	5	4
---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

5	0	1	7	5	9	6
---	---	---	---	---	---	---

Investments

1	7
---	---

Net Current Assets

6	2	7	8	4	8
---	---	---	---	---	---

Misc. Expenditure

-	-
---	---

Accumulated Losses

7	2	3	3	4	4	6
---	---	---	---	---	---	---

IV. Performance of Company

Turnover

1	0	6	4	2	4	8	7
---	---	---	---	---	---	---	---

 *

Total Expenditure

1	0	1	8	2	9	6	5
---	---	---	---	---	---	---	---

Profit/ (Loss) Before Tax

1	0	0	2	1	6	3
---	---	---	---	---	---	---

Profit/ (Loss) After Tax

1	0	5	8	8	4	4
---	---	---	---	---	---	---

Earning Per Share (in Rs.) 1.25

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)

7	4	0	3	1	2
---	---	---	---	---	---

Product Description Copper Wire Bar

ii) Item Code No. (ITC Code)

7	4	0	7	1	0
---	---	---	---	---	---

Product Description Copper Wire Rod

iii) Item Code No. (ITC Code)

7	4	0	3	1	1
---	---	---	---	---	---

Product Description Refined Copper Cathode

CASH FLOW STATEMENT

FOR YEAR ENDED MARCH 31, 2006

Pursuant to Clause 32 of Listing Agreement with Stock Exchanges

	Year ended 31st March 2006	Year ended 31st March 2005
(Rs. '000)		
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT/ (LOSS) BEFORE TAX AS PER PROFIT AND LOSS ACCOUNT	1,002,163	520,624
Adjusted for :		
Depreciation	158,713	173,654
Provision charged	72,438	199,638
Provision written back	(28,818)	(10,199)
Interest charged	385,385	429,916
Amortisation	424,953	383,879
Interest income	(23,283)	(11,185)
Net prior year adjustments	3,336	11,271
Shut down expenditure charged off	23,299	33,711
Voluntary Retirement expenditure written off	53,922	265,573
Grant in Aid from Govt. of India utilised	(53,922)	(265,573)
Fuel Surcharge, Water Cess and Arrear Salary & Wages	428,244	—
Gain on sale of Mosabani and Rakha Township to Jharkand Govt.	(542,641)	—
Gain on disposal of fixed assets	(2,576)	(37,012)
OPERATING PROFIT/ (LOSS) BEFORE WORKING CAPITAL CHANGES	1,901,213	1,694,297
Adjusted for :		
Decrease/ (Increase) in Trade & other Receivables	(333,241)	65,610
Increase in Inventories	(1,489,954)	(598,144)
Increase in Loans & Advances	(320,313)	(80,398)
Increase in Trade Payables & Provisions	3,108,903	953
CASH GENERATED FROM OPERATIONS	2,866,608	1,082,318
Net Prior period adjustments	(3,336)	(11,271)
Taxes paid	(2,519)	—
CASH FLOW FROM OPERATING ACTIVITIES BEFORE EXTRA ORDINARY ITEMS	2,860,753	1,071,047
Expenditure on Voluntary Retirement	(53,922)	(265,573)
Grant in Aid received from Govt. of India	—	350,000
Fuel Surcharge, Water Cess and Arrear Salary & Wages	(428,244)	—
NET CASH FROM OPERATING ACTIVITIES AFTER EXTRA ORDINARY ITEMS (A)	2,378,587	1,155,474
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(145,426)	(63,090)
Expenditure on Major overhaul	(23,299)	—
Sale of Fixed Assets	648,509	39,514
Sale of Investments	—	4
Interest received	22,027	13,783
Mine Development Expenditure	(629,074)	(372,037)
NET CASH USED IN INVESTING ACTIVITIES (B)	(127,263)	(381,826)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Share money received from Govt. of India	—	400,000
Loan from Government of India	250,000	—
7.5% Corporate Term Loan	750,000	—
Redemption of 14.00% Secured Debentures	(250,000)	(250,000)
Redemption of 14.75% Secured Redeemable Bonds	(49,080)	(36,810)
Redemption of 15.00% Secured Redeemable Bonds	—	(295,300)
Redemption of 14.00% Privately Placed Bonds	(155,500)	(79,500)
Repayment of Short term Loan from banks	—	(632,428)
Interest paid	(434,756)	(395,553)
NET CASH USED IN FINANCING ACTIVITIES (C)	110,664	(1,289,591)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	2,361,988	(515,943)
CASH AND CASH EQUIVALENTS - Opening Balance	(1,106,785)	(590,842)
CASH AND CASH EQUIVALENTS - Closing Balance	1,255,203	(1,106,785)
(details in Annexure - A)		

For and on behalf of the Board of Directors

C.S.Singhi
Company Secretary
Place : New Delhi
Dated : 8th August, 2006

M Samajpati
Director (Finance)

Satish C Gupta
Chairman - cum - Managing Director

CASH FLOW STATEMENT (Contd.)

ANNEXURE - A

		(Rs. '000)
CASH AND CASH EQUIVALENTS - Opening Balance as on	01.04.2005	01.04.2004
i) Cash & Bank Balance	75,533	170,294
ii) Cash Credit Balance	(1,182,318)	(761,136)
	<u>(1,106,785)</u>	<u>(590,842)</u>
CASH AND CASH EQUIVALENTS - Closing Balance as on	31.03.2006	31.03.2005
i) Cash & Bank Balance	1,303,329	75,533
ii) Cash Credit Balance	(48,126)	(1,182,318)
	<u>1,255,203</u>	<u>(1,106,785)</u>

Auditors' Certificate

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

We have examined the attached Cash Flow Statement of Hindustan Copper Limited for the year ended March 31st, 2006. 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 8th August, 2006 to the members of the Company.

For **K.B. CHANDNA & CO.**
Chartered Accountants

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

V. K. GUREJA
Partner
M. No. 16521

M. R. JAIN
Partner
M. No. 50919

Place : New Delhi
Dated : 8th August, 2006



HINDUSTAN COPPER LIMITED

(A Government of India Enterprise)

PROXY FORM

I/We _____ of _____

_____ being a member/members of HCL

hereby appoint _____ of _____

_____ or failing him _____ of _____

as my/our proxy to attend and vote for me/us on my/our behalf at the 39th Annual General Meeting of the Company to be held on Monday, the 25th September, 2006 at 3.30 PM and at any adjournment thereof at the Registered Office of the Company at "Tamra Bhavan", 1, Ashutosh Chowdhury Avenue, Kolkata-700 019.

Signed this _____ day of _____ 2006.

Signature _____

Reg.Folio No. _____

No. of Shares _____

Affix
Revenue
Stamp

NOTE : A proxy in order to be effective must be received at the Registered Office not less than forty eight hours before the scheduled time of the meeting.

BOOK POST



If undelivered please return to :

HINDUSTAN COPPER LIMITED

'TAMRA BHAVAN'

1, ASHUTOSH CHOWDHURY AVENUE

KOLKATA-700 019

Annual Report
2005 - 2006



HINDUSTAN COPPER LIMITED

	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
<u>Sl No.</u> <u>Name of Party</u>		(Rs. '000) <u>2004-05</u>
	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
(A. Roychoudhury) Principal Director of Commercial Audit & Ex-Officio Member Audit Board - I <u>KOLKATA</u>	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
	As at <u>31.03.2006</u>	(Rs. '000) As at <u>31.03.2005</u>
	<u>2005-06</u>	(Rs. '000) <u>2004-05</u>
	<u>2005-06</u>	(Rs. '000) <u>2004-05</u>
	<u>2005-06</u>	(Rs. '000) <u>2004-05</u>
	<u>2005-06</u>	(Rs. '000) <u>2004-05</u>
	<u>2005-06</u>	(Rs. '000) <u>2004-05</u>
	2005-2006 (Rs '000)	2004-2005 (Rs '000)
		(Rs. '000)
	<u>2005-06</u>	<u>2004-05</u>