

वार्षिक प्रतिवेदन Annual Report 2017 - 2018



हिन्दुस्तान कॉपर लिमिटेड
Hindustan Copper Limited

A Miniratna Category - 1 CPSE
www.hindustancopper.com

Vision

To strive to be a leading metal mining company and maximize total shareholder return by sustainably finding, developing, and mining Copper ore and such other geologically associated minerals.

Mission

- To achieve sustainable growth in business through optimum & efficient use of existing resources and assets.
- To achieve rapid expansion of mining capacity through expansion of existing mines, re-opening of closed mines and greenfield projects.
- Detailed exploration of existing mines and new mining leases to expand mining capacity.
- To enhance the value of the Company by focusing on performance improvement.
- To assimilate state-of-the art technology in exploration, mining and beneficiation of ores for competitive advantage.
- To strive for continuous improvement in productivity and energy to bring at par with the best internationally.
- To continue innovation through research & development.



HINDUSTAN COPPER LIMITED

(A Government of Indian Enterprise)

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Important Communication to Members

Members are requested to convert their shares into electronic mode and register e-mail and Bank account details for better servicing. Please refer notes to AGM notice

Fifty first Annual General Meeting on Thursday, 27th September, 2018 at 11:00 AM

The Annual Report can be accessed at www.hindustancopper.com



BOARD OF DIRECTORS*



Shri Santosh Sharma
Chairman and Managing Director



Shri N. K. Singh
Government Nominee Director



Shri Alok Chandra
Government Nominee Director



Shri Anupam Anand
Director (Personnel)



Shri S. K. Bhattacharya
Director (Mining)



Shri Sukhen Kumar Bandyopadhyay
Director (Finance)



Ms. Simantini Jena
Independent Director



Shri Hemant Mehtani
Independent Director



Shri Dileep Raj Singh Chaudhary
Independent Director



Shri Subhash Sharma
Independent Director

*As on date of printing



HINDUSTAN COPPER LIMITED

(CIN: L27201WB1967GOI028825)

Regd. Office: 'Tamra Bhavan', 1, Ashutosh Chowdhury Avenue, Kolkata – 700 019
Phone: (033) 2283-2226, Fax: (033) 2283-2676, E-mail: investors_cs@hindustancopper.com
Website: www.hindustancopper.com

NOTICE TO THE MEMBERS

Notice is hereby given that 51st Annual General Meeting of the members of Hindustan Copper Ltd will be held on Thursday, 27th September, 2018 at 11:00 AM at Hall 6 (Auditorium at level 1), Biswa Bangla Convention Centre, Biswa Bangla Sarani, Block DG, New Town, Kolkata 700156 to transact the following business:-

Ordinary Business

- 1) To receive, consider and adopt the audited Financial Statement for the year ended 31st March, 2018 together with the Reports of the Directors, Auditors and C&AG.
- 2) To declare dividend on equity shares.
- 3) To appoint a director in place of Shri Anupam Anand (DIN 02752767), who retires by rotation and is eligible for reappointment.
- 4) To appoint a director in place of Shri Sanjay Kumar Bhattacharya (DIN 07276836), who retires by rotation and is eligible for reappointment.
- 5) To fix remuneration of the Auditors.

Special Business

- 6) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution:
“RESOLVED THAT pursuant to Section 152 and all other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), appointment of Shri Alok Chandra (DIN 06929789) as part time Official Director on the Board of the Company with effect from 22.6.2018 in terms of Ministry of Mines' order No. 10/2/2002-Met.III dated 22.6.2018 be and is hereby approved.”
- 7) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution:
“RESOLVED THAT pursuant to Section 152 and all other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), appointment of Shri Sukhen Kumar Bandyopadhyay (DIN 08173882) as Director (Finance) of the Company with effect from 9.7.2018 (A/N) in the pay scale of ₹ 1,80,000 – 3,40,000/- in terms of Ministry of Mines' order No. 10/2/2017-Met.III (Vol. II) dated 5.7.2018 and other terms and conditions as may be notified by the Government from time to time be and is hereby approved.”
- 8) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution:
“RESOLVED THAT pursuant to Section 152 and all other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), appointment of Shri Subhash Sharma (DIN 05333124) as part time Non Official Independent Director on the Board of the Company with effect from 18.7.2018 in terms of Ministry of Mines' order No. 10/3/2015-Met.III (Pt.) dated 18.7.2018 be and is hereby approved.”
- 9) To consider and, if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution:
“RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration of Rs.60,500/- (Rupees sixty thousand five hundred only) plus GST as applicable and reimbursement of actual travel and out-of-pocket expenses as recommended by the Audit Committee and approved by the Board of Directors, to be paid to M/s. Chatterjee & Co, Kolkata appointed, as Cost Auditor, to conduct audit of cost records of the Company for the financial year 2018-19 be and is hereby ratified and confirmed.”



NOTICE TO THE MEMBERS (Contd.)

10) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

(i) “Resolved that in addition to all the resolutions passed in the 375th meeting of the Board of Directors dated 31.01.2018, the Board also recommends to raise capital by issue of fresh shares through QIP (Qualified Institutional Placement) upto 13,87,82,700 equity shares (i.e. 15% of existing paid up equity capital) by Hindustan Copper Limited”.

(ii) The resolutions passed in the 375th meeting of the Board of Directors dated 31.1.2018 are reproduced below:

“Resolved that in supersession of all previous resolution(s) in this regard and in accordance with the provisions of Section 23, 42, 62 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications or re-enactments thereof for the time being in force) as amended from time to time, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (‘SEBI Regulations’), SEBI (LODR) Regulations 2015, enabling provisions in the Memorandum and Articles of Association of the Company as also provisions of any other applicable laws, rules and regulations (including any amendments thereto or re-enactments thereof for the time being in force), uniform listing agreement entered into by the Company with the stock exchanges on which the equity shares having face value of Rs. 5 each of the Company are listed, Foreign Exchange Management Act, 1999, the current Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and subject to other applicable rules, regulations and guidelines issued by the Ministry of Corporate Affairs (‘MCA’), the Registrar of Companies, [.] at [.], Securities and Exchange Board of India (‘SEBI’), the Reserve Bank of India, Government of India, the stock exchanges where the Company’s equity shares are listed viz. BSE Limited and National Stock Exchange of India Limited (‘Stock Exchanges’) and / or any other competent authorities (herein referred to as ‘Applicable Regulatory Authorities’), from time to time and to the extent applicable, and subject to such approvals, permissions, consents and sanctions as may be necessary or required from the Applicable Regulatory Authorities in this regard and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (‘Board’) (which term shall be deemed to include any Committee which the Board hereafter constitutes for the time being exercising the powers conferred on the Board by this resolution), the Board be and is hereby authorized to offer, issue and allot in one or more tranches, to Investors whether Indian or Foreign, including Foreign Institutions, Corporate Bodies, Mutual Funds, Banks, Insurance Companies, Pensions Funds or otherwise, whether shareholders of the Company or not, through an issue of equity shares through Qualified Institutional Placement (‘QIP’), to Qualified Institutional Buyers (‘QIB’) in terms of Chapter VIII of the SEBI Regulations, through one or more placements of Equity Shares (hereinafter referred to as ‘Securities’), whether by way of private placement or otherwise so that the total amount raised shall not exceed INR 1400 Crore or USD 217 Mn, whichever is higher, and on such terms and conditions considering the prevailing market conditions and other relevant factors wherever necessary, as the Board may determine at its discretion and where necessary in consultation with the Lead Managers, Underwriters, Merchant Bankers, Guarantors, Financial and/ or Legal Advisors, Rating Agencies/Advisors, Depositories, Custodians, Principal Paying/Transfer/Conversion agents, Listing agents, Registrars, Trustees, Printers, Auditors, Stabilizing agents and all other Agencies/Advisors.”

“Resolved further that for the purpose of giving effect to the above, the Board be and is hereby also authorised to determine the form, terms and timing of the issue(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount in issue/conversion/exercise/redemption, rate of interest, redemption period, listings on one or more stock exchanges in India or abroad as the Board may in its absolute discretion deems fit and to make and accept any modifications in the proposals as may be required by the authorities involved in such issue(s) in India and/ or abroad, to do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the issue(s).”

“Resolved further that QIP issue shall be completed within a period of 12 months from the date of passing of the special resolution by members/ shareholders of the company or such other time period as may be allowed under SEBI Regulations from time to time.”

“Resolved further that for QIP issue the relevant date for determination of the floor price of the Equity Shares to be issued shall be the date of meeting in which the Board decides to open the proposed issue in case of allotment of equity shares.”



NOTICE TO THE MEMBERS (Contd.)

“Resolved further that the Equity Shares so issued shall rank pari passu with the existing Equity Shares of the Company in all respects.”

“Resolved further that the Equity Shares to be offered and allotted shall be in dematerialized form.”

“Resolved further that for the purpose of giving effect to any offer, issue or allotment of Securities, the Board, be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the terms thereof, for entering into arrangements for managing, underwriting, marketing, listing and trading, to issue placement documents and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such offer(s) or issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.”

“Resolved further that the Board be and is hereby authorised to appoint Lead Manager(s) in offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents, etc. with Lead Manager(s) and to seek the listing of such securities.”

“Resolved further that the Company do apply for listing of the new Equity Shares as may be issued with the BSE Limited and National Stock Exchange of India Limited or any other Stock Exchange(s).”

“Resolved further that the Board be and is hereby authorised to delegate all or any of the powers in such manner as they may deem fit.”

“Resolved further that the Board of Directors of the Company be and is hereby authorised to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

11) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

“Resolved that in supersession of the earlier resolution passed by the shareholders in their meeting held on 22.08.2017, pursuant to Section 180(1)(c) and all other applicable provisions if any under the provisions of the Companies Act, 2013 (including any statutory modifications or re-enactments thereof), the Memorandum and Articles of Association of the Company, consent of the shareholders be and is hereby accorded to the Board of Directors, to borrow money from India or foreign, for and on behalf of the Company across various products, as deemed to be requisite and proper for the business of the Company, on such terms and conditions as the Board of Directors may determine, as may be permitted by law from time to time, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company apart from temporary loans obtained from the Company’s bankers in the ordinary course of business, will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, provided that the total amount up to which the moneys may be borrowed by the Board of Directors and/or the Committee of Directors and outstanding at any time shall not exceed the sum of Rs. 1500,00,00,000 /- (Rupees One thousand five hundred crore only) together with interest.”

“Resolved further that pursuant to the provisions of Section 42 and 71 of the Companies Act, 2013 (‘the Act’), Rule 14(2) of Companies (Prospectus and Allotment of Securities) Rules, 2014 and other applicable provisions, if any, of the Act (including any statutory modifications or re-enactments thereof for the time being in force) and in accordance with the provisions of Securities and Exchange Board of India (Issue & Listing of Debt Securities) Regulations, 2008, the Rules, Regulations, Guidelines and Circulars, as amended from time to time, the Memorandum and Articles of Association of the Company and subject to such other approvals as may be required from regulatory authorities from time to time, consent of the shareholders be and is hereby accorded to the Board of Directors jointly, to offer, issue and allot, in one or more tranches Secured or Unsecured Non-convertible Debentures/Bonds on private placement basis amounting to Rs.1500 crore, on such terms and conditions and at such times at par or at such premium, as may be decided by the Board and, to such person or persons as the Board may decide, however that the aggregate amount of funds to be raised by issue of Non-convertible debentures/Bonds shall not exceed Rs. 1500 crore together with interest or limits as approved by the shareholders from time to time.”

“Resolved further that in connection with the above, the Board, be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary, desirable, proper or expedient for the purpose of giving effect to this Resolution and for matters connected therewith or incidental thereto.”



NOTICE TO THE MEMBERS (Contd.)

- 12) To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

“Resolved that the consent of the Company be and is hereby accorded, in terms of Section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013 to the Board of Directors of the Company, to create charge / provide security for the sum borrowed on such terms and conditions and in such form and manner and with such ranking as to priority, as the Board, in its absolute discretion thinks fit, on the assets of the Company, movable and / or immovable, present and/or future, as may be agreed to between the Company and the Lenders so as to secure the borrowings by the Company from time to time, together with interest costs, charges, expenses and all other monies payable by the Company to the concerned Lenders / Institutions, under the respective arrangements entered into / to be entered by the Company and/or Board.”

“Resolved further that in connection with the above, the Board is hereby authorized to finalize / approve necessary security documents as may be required and to do all such acts, deeds, matters and things as may be deemed necessary, desirable, proper or expedient for the purpose of giving effect to this Resolution and for matters connected therewith or incidental thereto.”

By order of the Board

C S Singhi

GM & Co Secretary

FCS 2570

Date: 28.8.2018

NOTES:

- 1) **A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll 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 at the registered office of the Company not less than 48 hours before the commencement of the meeting. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person cannot act as a proxy for any other person or shareholder.**
- 2) Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
- 3) Statement pursuant to Section 102(1) of the Companies Act, 2013 (the Act), in respect of Item no 6 to 12 as set out above is annexed hereto. Route Map indicating venue of the Annual General Meeting (AGM) is given at the end of the Notice.
- 4) The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2018 to 27th September, 2018 (both days inclusive).
- 5) Dividend on equity shares as recommended by the Board, if approved at the meeting will be paid within 30 days of declaration to those members whose names appear in the Company's Register of Members and as per beneficial owners position received from NSDL & CDSL as at the close of working hours on 20th September, 2018.
- 6) Members are requested to notify immediately change in their address, if any, to the Depository Participants (DPs) in respect of their electronic shares, and to the Company at its registered office in respect of their physical shares, quoting the folio numbers.
- 7) Members are requested to provide their Bank Account details (including MICR No., IFSC Code, Account Type etc.) to their Depository Participant if the shares are held in demat form. In case the shares are held in physical form, such details along with a cancelled cheque should be sent to the Company's Registrars & Share Transfer Agent (RTA), M/s. C B Management Services (P) Limited in order to enable the Company to credit the dividend amount directly to their Bank account. In case of non availability of MICR No. and IFSC Code, Dividend Warrant will be sent after mandatorily printing the Bank particulars on it. Further, members holding shares in dematerialized form and not submitted National Electronic Clearing System (NECS) form may please note that the bank account details as provided by their Depository Participants to the Company will be printed on the dividend warrants. The Company will not entertain any direct request from such members for deletion of or change in such Bank Account details. As such, they are requested to immediately intimate their Depository Participants about any changes in their bank account details.



NOTICE TO THE MEMBERS (Contd.)

- 8) Members are requested to register/ update their e-mail address by submitting the 'Email Registration Form' available at the Company's website www.hindustancopper.com. Members holding share in electronic form are requested to register/ update e-mail address with their respective DPs.
- 9) Pursuant to the provisions of Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the unclaimed final dividend for 2010-11 and the corresponding equity shares of the Company in respect of which dividend remain unclaimed for seven consecutive years will be due for transfer to the Investor Education and Protection Fund of the Central Government on 21st October, 2018. Details of such unclaimed dividend and corresponding shares are available on the Company's website www.hindustancopper.com under the section 'Investor Relations'. In respect of the said dividend and shares, it will not be possible to entertain any claim by the Company after 21st October, 2018.
- 10) Members holding shares in physical form are requested to convert their shares in demat mode. As per SEBI (Listing Obligation and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 notified on 8.6.2018, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. The above mentioned amendment shall come into force on the 180th day from the date of its publication in the Official Gazette i.e. with effect from 5th December, 2018.
- 11) Relevant documents referred to in the Notice are open for inspection at the registered office of the Company on all working days (barring Saturday, Sunday and Holidays) between 11:00 a.m. to 1:00 p.m. up to the date of the AGM.
- 12) Members desirous of getting any information about the accounts and operations of the Company or intending to raise any query at the AGM are requested to forward the same at least 10 days prior to the date of the meeting to the Company Secretary at the registered office of the Company so that the information required can be made readily available at the meeting.
- 13) Members are requested to:-
 - a. produce the enclosed Attendance Slip duly filled & signed as per specimen signature recorded with the Company / DPs for admission to the meeting venue.
 - b. bring their copy of Annual Report to the meeting as extra copies shall not be provided.
 - c. note that due to security reasons, briefcase, eatables, etc. are not allowed inside the meeting venue.
- 14) Voting through electronic means:
 - I. As per Section 108 of the Act and Rules notified there under and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing its members the facility to exercise their right to vote on resolutions using electronic voting system (remote e-voting) provided by National Securities Depository Limited (NSDL). Shri Navin Kothari, (Membership No. FCS 5935 and CP No 3725) of M/s N K & Associates, Practicing Company Secretary, has been appointed as the Scrutinizer for conducting remote e-voting and voting at the AGM in a fair and transparent manner.
 - II. The remote e-voting period commences on 24th September, 2018 (9:00 am) and ends on 26th September, 2018 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form as on the cut-off date of 20th September, 2018, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently. A member who has cast his vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to vote again and his vote, if any, cast at the AGM shall be treated as invalid.
 - III. A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date of 20th September, 2018 only shall be entitled to avail the facility of remote e-voting or voting at the AGM. A person who is not a member as on cut-off date should treat this Notice for information purposes only. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 20th September, 2018.



NOTICE TO THE MEMBERS (Contd.)

- IV. The facility for voting through ballot process /tab voting shall be made available at the AGM and the members attending the AGM who have not cast their vote through remote e-voting shall be able to exercise their rights at the AGM. (Note: Ballot process may be carried out by distributing ballot / poll slips or by making arrangement for voting through computer or secure electronic systems as may be decided by the Company).
- V. The process and manner for remote e-voting are as under:
- A. In case a member receives Notice of AGM by email from NSDL:
- (i) Open email and open PDF file viz; “remote e-voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for remote e-voting. Please note that the password is an initial password. (NOTE: Shareholders already registered with NSDL for e-voting will not receive the PDF file “remote e-voting.pdf”).
 - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/> and click on ‘Shareholder – Login’.
 - (iii) Insert your user ID and password. Click Login.
 - (iv) Password change menu appears. Change the password/ PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (v) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles and select “EVEN” (Remote E-Voting Event Number) of Hindustan Copper Ltd.
 - (vi) Now you are ready for remote e-voting as ‘Cast Vote’ page opens. Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted. Upon confirmation, the message “Vote cast successfully” will be displayed. Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (vii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to navin.kothari@yahoo.com with a copy marked to evoting@nsdl.co.in.
- B. In case a member receives physical copy of the Notice of AGM:
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:

| <u>EVEN (Remote e-voting Event Number)</u> | <u>USER ID</u> | <u>PASSWORD/ PIN</u> |
|---|-----------------------|-----------------------------|
|---|-----------------------|-----------------------------|
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (vii) of A above, to cast vote.
- VI. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. [NOTE: Shareholders who forgot the User Details/Password can use “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com. In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID). In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No+Folio No).]
- VII. You can also update your mobile number and e-mail id in the user profile details of the folio, which may be used for sending future communication(s).
- VIII. Any person, who acquires shares of the Company and become member of the Company after dispatch of the AGM Notice and holding shares as of the cut-off date i.e. 20th September, 2018, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or to the RTA of the Company.
- IX. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.



NOTICE TO THE MEMBERS (Contd.)

- X. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or any other Director authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XI. The Result of the voting with details of number of votes cast for and against the resolutions, invalid votes and whether the resolutions have been carried or not shall be displayed on the Notice Board of the Company at its registered and corporate office immediately after the declaration of result by the Chairman or a Director authorized by him in writing. Further, the results of the voting along with the Scrutinizer's Report shall also be placed on the Company's website www.hindustancopper.com and on the website of NSDL. The results shall also be immediately forwarded to the stock exchanges.
- XII. Name, designation, address, e-mail ID and phone number of the person responsible to address the grievances connected with the e-voting - Shri Mrirtunjay Kumar Dev, Dy. Mgr. (Company Secretary), Hindustan Copper Ltd, 1 Ashoutosh Chowdhury Avenue, Kolkata – 700019, E-mail: mritunjay_kd@hindustancopper.com, Phone No: (033) 2283-2226
- XIII. In case of any query, you may refer the Frequently Asked Questions for Members and remote e-voting user manual for Members available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Assistant Manager, NSDL, Email id: evoting@nsdl.co.in, Phone: 022-24994545.



NOTICE TO THE MEMBERS (Contd.)

ANNEXURE TO NOTICE

[Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (the Act)]

Item No 6

Shri Alok Chandra has been appointed as part time Official Director of the Company with effect from 22.6.2018 in terms of Ministry of Mines' order No. 10/2/2002-Met.III dated 22.6.2018. It is now proposed to regularize his appointment at the ensuing 51st AGM of the Company in order to comply with the relevant provisions of the Companies Act, 2013 (the Act).

Born on 24.4.1968, Shri Alok Chandra is Post Graduate in Economics with specialization in Econometrics and belongs to the Indian Economic Service (IES) 1992 batch. Shri Alok Chandra has experience of about 25 years during which he developed expertise in the finance function having worked in the Department of Economic Affairs (Capital Markets Division), Department of Expenditure of the Ministry of Finance, Ministry of Petroleum & Natural Gas, Department of Consumer Affairs and Ministry of Railways. Shri Alok Chandra scrutinized and appraised project proposals of railways from economic and financial viability angles. Shri Alok Chandra is at present Economic Adviser in the Ministry of Mines, Government of India.

Shri Alok Chandra is also a Director on the Board of Bharat Aluminium Company Ltd. Shri Alok Chandra does not hold any share in the Company. The Board considers that his continued association would be of immense benefit to the Company and recommends his appointment as Director of the Company. None of the Directors, Managers and other Key Managerial Personnel (KMP) of the Company is related to Shri Alok Chandra. Except Shri Alok Chandra, none of the Directors or KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution set out at Item No 6.

Item No. 7

Shri Sukhen Kumar Bandyopadhyay has joined as Director (Finance) of the Company with effect from 9.7.2018 (A/N) in terms of Ministry of Mines' order No. 10/2/2017-Met.III (Vol. II) dated 5.7.2018 in the pay scale of ₹ 1,80,000- 3,40,000/- and other terms and conditions of appointment as notified by the Government of India from time to time. It is now proposed to regularize his appointment at the ensuing 51st AGM of the Company in order to comply with the relevant provisions of the Act.

Born on 19.11.1961, Shri Sukhen Kumar Bandyopadhyay is academically Science Graduate (B.Sc.) and holds Professional qualifications "Cost Accountants" passed in June 1988. In addition, he has also acquired training and exposures in diverse areas of Management from various prestigious institutions of the country and abroad. Before joining as Director (Finance) of the Company, Shri Sukhen Kumar Bandyopadhyay was CGM (Finance & Accounts) in SJVN Ltd, Schedule A CPSU. During his professional career spanning 29 years in executive position, he had served in many key administrative positions in the different fields of Finance & Accounts for the execution of Hydro/Thermal/Gas/Solar/Wind Projects in NEEPCO & SJVN Ltd (CPSUs) and in PPCL & IPGCL (Delhi Govt. PSU), on deputation. He was also Chairman / VC of EPF/DCPS & Treasurer - CSR of the various Trusts of SJVN Ltd. Shri Sukhen Kumar Bandyopadhyay has expertise in raising of long term loans, due diligence of project appraisal and evaluations, long term investment plan for project execution with budgeting, Treasury Management, Policy formulation, Accounts & Audit.

Shri Sukhen Kumar Bandyopadhyay does not hold directorship in any other company. He does not hold any share in the Company. The Board considers that his knowledge and vast experience in finance would be of immense benefit to the Company and recommends his appointment as Director (Finance) of the Company. None of the Directors, Managers and other Key Managerial Personnel (KMP) of the Company is related to Shri Bandyopadhyay. Except Shri Bandyopadhyay, none of the Directors or KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution set out at Item No 7.

Item No. 8

Shri Subhash Sharma has been appointed as part time Non Official Independent Director of the Company with effect from 18.7.2018 in terms of MoM order No. 10/3/2015-Met.III (Pt.) dated 18.7.2018. It is now proposed to regularize his appointment at the ensuing 51st AGM of the Company in order to comply with the relevant provisions of the Act.

Born on 28.2.1978, Shri Sharma is B. Sc. Agriculture, MA Economics and Ph D Economics. Shri Sharma is founder director, Centre for Economic Policy Research and Member Syndicate/ Member Senate, Punjab University, Chandigarh. He did economic analysis of organic farming in Punjab in his research. He has expertise and immense interest in economic issues and public policy making. He frequently writes and publishes articles. About 150 articles has been published in various research journals, magazines and Newspapers. He has authored books on Organic Farming - Economic Analysis, Walmart - Threat to Indian Retail Sector and Bharat – Samridhi ka Marg.

Shri Sharma does not hold any share in the Company. He has furnished a declaration to the Board that he meets the criteria of independence as provided in Section 149(6) of the Act. In the opinion of the Board, Shri Sharma fulfils the conditions specified



NOTICE TO THE MEMBERS (Contd.)

in the Act and rules made there under for his appointment as part time Non Official Independent Director and recommends his appointment on the Board. Shri Sharma shall be paid such sitting fees and reimbursement of actual travel expenses incurred for attending meetings of the Board and its Sub-Committee as the Board may approve from time to time. None of the Directors, Manager and other KMP of the Company is related to Shri Sharma. Except Shri Sharma, none of the Directors or KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution set out at Item No 8.

Item No. 9

The Board, on the recommendation of the Audit Committee, approved appointment of M/s. Chatterjee & Co, as Cost Auditor, to conduct audit of cost records of the Company for the financial year 2018-19 at a remuneration of ₹ 60,500/- (Rupees sixty thousand five hundred only) plus GST as applicable and reimbursement of actual travel and out-of-pocket expenses. In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company. Accordingly, the Ordinary Resolution at Item No. 9 of the Notice requires approval and ratification by members of the Company. None of the Directors or KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution.

Item No. 10

The Company has taken up ambitious mine expansion projects to increase the mining capacity from existing 3.6 mtpa to 20.02 mtpa in next 5-6 years at an estimated investment of ₹ 5,500 crore. Of the total fund requirement, the Company proposes to raise fund to the extent of ₹1,400 crore or USD 217 Mn, whichever is higher, by issue of fresh equity shares through Qualified Institutional Placement (QIP) in terms of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI Regulations). This will also enable the Company to achieve minimum public shareholding of 25% as required by the Securities Contract (Regulations) Rules, 1957.

In QIP, the shares will be allotted only to Qualified Institutional Buyers (QIBs) as per SEBI Regulations and there will be no issue of shares to retail individual investors. The exact price, proportion and timing of the issue of the shares will be decided by the Board based on analysis of the specific requirements. The resolution seeks to authorize the Board to determine the terms of issue in consultation with Merchant Bankers. Allotment of shares pursuant to the special resolution is to be completed within 12 months from the date of passing of resolution or such other time period as may be allowed under SEBI Regulations from time to time.

As per provisions of Section 23, 42, 62 and other applicable provisions, if any, of the Act and SEBI Regulations, approval of shareholders by special resolution is required for issue of equity shares through QIP. The Board in its meeting held on 31.1.2018 recommended the resolution set out in item No.10 for approval of shareholders. None of the Directors, Managers and other KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution.

Item No. 11

The Shareholders of the Company had by passing a special resolution under Section 180 (1) (c) and other applicable provisions of the Act through postal ballot on 23.3.2015 authorized the Board of Directors for borrowing from time to time any sum or sums of monies as considered fit and proper for the business of the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) up to ₹ 800 crore together with interest. Out of above limit, the Company has substantially utilized the limits. The Company is also in the process of raising further loans for its capex requirements in connection with its ongoing mine expansion and other capex program. The estimated fund requirement is around ₹ 5,500 crore. During next 5-6 years, the internal accruals estimation being around ₹ 2,300 crore, there will be a net fund gap of around ₹ 3,200 crore. In order to meet the net fund gap, the Company plans to raise an amount not exceeding ₹ 1,500 crore through debt route including issue of secured or unsecured non-convertible Debentures/Bonds on private placement basis in line with the financial norms.

The aggregate of paid up share capital and free reserves of the Company as on 31.3.2018 is ₹ 1,315.63 crore and the net worth is ₹ 831.59 crore. It is proposed to increase the borrowing limit under Section 180 (1) (c) of the Act to ₹ 1,500 crore in line with the borrowing plan of the Company. As per Section 180 (1) (c) of the Act, approval of shareholders by special resolution is required for authorization to the Board for borrowing in excess of the paid up share capital and free reserves of the Company, apart from the temporary loans obtained in the ordinary course of business. Further, as per Section 42, 71 and other applicable provisions of the Act read with Rule 14 (2) of Companies (Prospectus and Allotment of Securities) Rules, 2014 and in accordance with SEBI (Issue & Listing of Debt Securities) Regulations, 2008 & other applicable regulations as amended from time to time, approval of shareholders by special resolution is required for issue of secured or unsecured non-convertible Debentures/Bonds on private placement basis.

The Board in its meeting held on 25.5.2018 recommended the resolution set out in item No.11 for approval of shareholders by special resolution. None of the Directors, Managers and other KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution.



NOTICE TO THE MEMBERS (Contd.)

Item No. 12

For availing borrowings from time to time up to the limit approved by shareholders, the Company is required to create charge, mortgage or hypothecation on the assets of the Company. As per the provisions of Section 180(1)(a) of the Companies Act, 2013, creation of charge, mortgage or hypothecation on the assets of the Company requires approval of the shareholders by way of special resolution.

The Board in its meeting held on 25.5.2018 recommended the resolution set out in item No. 12 for approval of shareholders by special resolution. None of the Directors, Managers and other KMP of the Company or their relatives is in any way, concerned or interested, financially or otherwise in the resolution.

Brief resume of directors who are retiring and eligible for reappointment furnished in terms of Regulations 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Shri Anupam Anand

Shri Anupam Anand was appointed as Director (Personnel) of the Company with effect from 5.8.2009 in terms of MoM order No.10 (3)/2008 dated 14.7.2009. The Ministry vide letter No 10(3)/2008- Met.III (Vol.III) dated 3.12.2014 has approved extension of his tenure as Director (Personnel) for a further period of 5 years from 5.8.2014 to 4.8.2019 or until further orders, whichever is earlier.

Born on 9.4.1960, Shri Anand is M.Sc. (Physics) from Banaras Hindu University, M A (Public Administration) from Punjab University, Diploma in Social Work (DSW) from Calcutta University and passed Bihar Factory Welfare Officers' Examination conducted by Department of Labour, Government of Bihar. Before joining HCL, Shri Anand worked for around 24 years in SAIL in different positions and rose as Chief Personnel Manager. Later in 2005, he joined as General Manager (HR) in MTNL. Shri Anand has extensive experience in all facets of Human Resource including HRM, HRD, Administration and Industrial Relations.

Shri Anand does not hold directorship in other companies. He also does not hold any share in the Company. None of the Directors, Manager and other KMP of the Company is related to Shri Anand. Shri Anand attended three out of five Board meetings of the Company held during 2017-18.

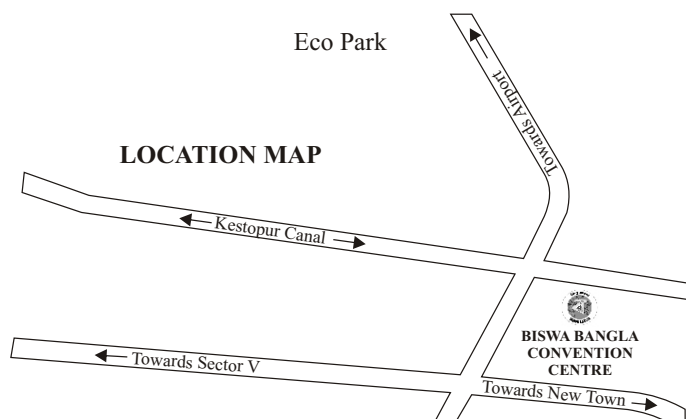
Shri Sanjay Kumar Bhattacharya

Shri Sanjay Kumar Bhattacharya assumed charge of the post of Director (Mining) on 15.9.2015 in terms of MoM Order No. 10/9/2014-Met.III (Vol.I) dated 14.9.2015. Prior to joining the Board, Shri Bhattacharya was General Manager (Mines) at Malanjkhand Copper Project of the Company.

Born on 3.12.1959, Shri Bhattacharya is B E (Mining) from NIT, Raipur and MBA (International Business). He is a qualified Mining Person under Mines Act, 1952, possessing first class Mines Manager Certificate of Competency to manage Open Cast Metalliferous Mines. He has 35 years of varied and diversified work experience in Copper mining (16 years at HCL), Iron Ore Mining (11 years at NMDC), Bauxite Mining (3 years at BALCO) and in construction activities for infrastructure developments like State Highways, Mining of Rock-Phosphate & Bauxite Minerals for State Govt. and State Mining PSUs through private participation (5 Years).

Shri Bhattacharya does not hold directorship in other companies. He also does not hold any share in the Company. None of the Directors, Manager and other KMPs of the Company is related to Shri Bhattacharya. Shri Bhattacharya attended all five Board meetings of the Company held during 2017-18.

ROUTE MAP FOR AGM VENUE





REPORT OF THE BOARD OF DIRECTORS

The Shareholders
Hindustan Copper Limited
Kolkata

Your Directors have pleasure in presenting the fiftieth Annual Report of Hindustan Copper Ltd. (HCL/the Company) together with the audited statement of accounts and Auditors' Report thereon for the year ended 31.3.2018.

1. Performance

Financial Summary or highlights

The comparative working results for the FY 2017-18 vis-à-vis FY 2016-17 are as under: (₹ in crore)

| Particulars | 2017-18 | 2016-17 |
|--|---------|---------|
| (a) Turnover | 1647.90 | 1216.94 |
| (b) Profit before depreciation, amortization, finance charges & tax | 307.98 | 245.46 |
| (c) Less : Depreciation & Amortization | 164.65 | 141.90 |
| (d) Less : Finance Charges | 21.29 | 9.01 |
| (e) Profit/ (Loss) Before Tax from continuing operation | 122.04 | 94.55 |
| (f) Profit/(Loss) Before Tax from discontinuing operation | (0.35) | (0.35) |
| (g) Profit/(Loss) Before Tax from continuing & discontinuing operation | 121.69 | 94.20 |
| (h) Less : Provision for Taxation (Current & Deferred Tax) | 42.09 | 32.26 |
| (i) Profit after tax from Continuing & Discontinuing Operation | 79.60 | 61.94 |
| (j) Other Comprehensive Income | 5.00 | (4.10) |
| (k) Profit for the year | 84.60 | 57.84 |
| (l) Add: Balance brought forward from the previous year | 700.80 | 642.96 |
| (m) Balance available for appropriation | 785.40 | 700.80 |
| (n) Less : Dividend | 18.50 | 0.00 |
| (o) Less : Tax on Dividend | 3.77 | 0.00 |
| (p) Balance to be carried forward | 763.13 | 700.80 |
| (q) Earnings per Share(Rs) (Both Basic & Diluted) | 0.861 | 0.670 |

During 2017-18, the turnover of the Company was ₹ 1647.90 crore as against ₹ 1216.94 crore during FY 2016-17 registering an increase of 35.41%. The Company posted a Profit Before Tax from continuing & discontinuing operation of ₹ 121.69 crore during the year as against ₹ 94.20 crore clocked during the previous year registering an increase of 29.18%. The Profit After Tax from continuing & discontinuing operation during FY 2017-18 is ₹ 79.60 crore as against ₹ 61.94 crore in FY 2016-17 registering an increase of around 28.51%.

Physical performance:

The comparative physical performance of production and sales for the year 2017-18 vis-a-vis 2016-17 is as under:

| Particulars | 2017-18 | 2016-17 |
|-------------------------------------|---------------|---------------|
| Ore (Lakh Tonnes) | 36.75 | 38.45 |
| Metal in concentrate (MIC) (Tonnes) | 31,793 | 30,587 |
| Cathode (Tonnes) | 25,949 | 18,602 |
| CC Wire Rod (Tonnes) | 22,211 | 18,167 |
| Sales (Tonnes): | | |
| CC Rod | 22,812 | 16,817 |
| Cathode | 4,490 | 1,532 |
| MIC | 9,133 | 10,539 |
| Total | 36,435 | 28,888 |



DIRECTORS' REPORT (Contd.)

Highlights/ Comments on physical performance :

- i. Total Copper sales during the year 2017-18 was best in last seven years.
- ii. Copper cathode production was 39% higher than the last year.
- iii. Copper wirerod production was 22% higher than the last year.
- iv. Metal-in-Concentrate production was 4% higher than the last year.
- v. Total Annual copper Ore and MIC production from Khetri Copper Complex is the highest after year 1998-99.
- vi. Reopened Kendadh mines at Jharkhand in December, 2017 and Commissioned Banwas mine (new mine) at Khetri Copper Complex, Rajasthan in June, 2017.

The MIC production of the Company crossed the MoU target however, following factors hampered better performance further:

- i. Surda mine operations were affected due to sudden and unilateral termination of contract by M/s Eastern Goldfields Ltd for ore production from Surda mine at Indian Copper Complex (ICC) in the month of May, 2017.
- ii. ICC smelter furnace is in the last leg of its campaign life. Major flash furnace overhauling was undertaken in May, 2013. Repeated breakdown of the furnace has affected the production of cathode

Remedial action taken to improve the performance are as under:

- i. A short term contract was awarded for the operations of Surda mine at ICC and the mine restarted from August, 2017.
- ii. A long term contract for operation of Banwas mine of Khetri mine has been awarded. The ore production from Banwas mine has since commenced from January, 2018.
- iii. To sustain the ore production at Malanjkhanda mine thrust on excavation is given and an additional contract for loading and hauling of 36 Lakh Bank Cubic meter of rock has been awarded.
- iv. At ICC Ghatsila, major overhauling of flash furnace has been planned in May, 2018.

2. Dividend

The Board of Directors of your Company has recommended payment of dividend @ 5% on equity, i.e. Re 0.25 per share of ₹ 5/- face value for the year 2017-18, for approval of shareholders in the Annual General Meeting. The outgo on this account will be ₹ 23.13 crore for dividend and ₹ 4.75 crore towards tax on dividend, aggregating to a total outgo of ₹ 27.88 crore. The dividend is as per a Board approved Dividend Distribution Policy, which is available at the Company's website at www.hindustancopper.com.

3. Material Changes, if any

No material change and commitment affecting the financial position of the Company occurred between the end of the financial year to which the financial statements relate and the date of the report.

4. Projects:

i. Malanjkhanda Copper Project (MP)

Work is under progress to expand the production capacity of Malanjkhanda mine from present 2 Mtpa to 5 Mtpa (2nd phase to 8 Mtpa by FY 23-24) by developing an underground mine below the existing open cast mine at an estimated cost of ₹ 1856.74 crore (upto ₹ 2900 crore in 2nd phase). All the approvals are in place, Environment Clearance and approval of National Board for Wild Life has been obtained in 2014-15 and EPC contractor for implementation of the project has been appointed. Scheduled Completion date is April, 2020. Progress so far, sinking of Service Shaft has been completed and Production Shaft is up to 643 meters. The development work of North Decline and South Decline is up to 2025 meters and 1308 meters respectively. The progress of underground development during the FY 2017-18 was satisfactory.

ii. Khetri, Kolihaan and Banwas mine (Rajasthan)

The proposed expansion of Khetri and Kolihaan mine and development of Banwas deposit will increase ore production from existing 1.1 to 5.0 million tonne per annum in two phases. Mine wise status is given below:

- a. Kolihaan Mine: For additional shaft sinking & creation of ore handling facilities below 0 mRL environmental clearance obtained on 2.2.2015. Further, 2000 m of Diamond drilling work has been under taken to establish the ore body at depth and tendering activities has also been undertaken.



DIRECTORS' REPORT (Contd.)

- b. Khetri mine: The Engineering Procurement & Construction agency for executing the Khetri mine expansion project had started the work on 16.9.2011. Independent waste handling system commissioned, deepening of production and service shaft had been initiated. During execution, bad ground / fault plane encountered at (-) 120 mRL near production shaft. Contract period ended on 14.1.2017. New contract for tacking bad ground for deepening of the existing shaft and other related activities are under process.
- c. Banwas Mine: Mine construction work has been completed in February, 2017. The Company has appointed M/s SMS Nagpur, mine developer and operation agency for long term operation of the Banwas where production ramp up has commenced.

iii. Surda mine expansion (Jharkhand)

The plan envisages increase in the depth of the mine and enhancement of production capacity from 0.4 million tonne per annum to 1.0 Mtpa. On 19-20 September, 2016 Expert Appraisal Committee of Ministry of Environment, Forest and Climate Change (MoEFCC) has recommended the proposal for Environment Clearance subject to clarification regarding forest clearance for forest land involved in underground mining. Matter is under scrutiny at Forest Clearance division of MoEFCC.

iv. Re-opening of closed mines at ICC Ghatsila (Jharkhand)

Company initiated action to re-open closed mines at Singhbhum Copper Belt of ICC namely, Kendadih and Rakha mines to produce 0.21 and 2.5 million tonne of ore per annum respectively. Mine wise status is given below:

- a. Kendadih mine: The Kendadih mine was reopened in December, 2017 after all the mining equipping work including mine dewatering work was completed. Mine development work is in progress and Environmental clearance from MoEFCC obtained on 20.1.2015, Stage II FC for the project has been obtained on 28.11.2016. Equipment are being mobilized in a phased manner and the work has commenced.
- b. Rakha mine: Considering the change in market scenario, the Company will implement the project through a EPC route. Environmental clearance of Rakha mining lease obtained on 1.8.2014, Stage II Forest Clearance for the project has been obtained on 15.9.2016.

v. Chapri Sideshwar (Jharkhand)

Chapri-Sideshwar mine fall within the Rakha and Kedadih mining lease area. The project is under tendering stage which is to be implemented on EPC route.

vi. Manufacturing of Copper Cathode through Hydrometallurgy Technology - The Company has plans to set up a plant of capacity 1.0 lakh tonne per annum to manufacture copper cathode through cost effective hydro-metallurgy technology. The site of the project has been finalized and investment in the project is ₹ 3025 crore. The investment proposal after approval of the Board has been sent to the Ministry to obtain CCEA approval. The proposal is under scrutiny of the Ministry.

vii. Extraction of minerals from copper ore tails (MP)

The Company is in advance stage of erection of Copper Ore Tailing (COT) recovery facility of capacity 3.3 Million tonne per annum to recover the valuable metals and minerals from the tailing and reduce the mass in the existing tailing storage facility (TSF) so as to extend active life of TSF and unlock the value in the waste/Tailing at Malanjkhand Copper Project (MCP). A contract has been awarded for the construction of the plant on EPC mode at a cost of ₹ 200 crore. It is expected that the plant will be commissioned by June, 2018.

5. **Significant or material orders passed by the Regulators or Courts or Tribunals:**

No significant or material orders have been passed by the Regulators or Courts or Tribunals impacting the going concern status and company's operations in future.

6. **Management Discussion and Analysis**

A report on Management discussion and analysis of the performance of the Company is given at Annexure-I.

7. **Awards and Accolades**

- i. HCL was conferred with Kolkata Best Employer Brand Award by World HRD Congress during the award ceremony held on 8.11.2017 at Taj Bengal, Kolkata.
- ii. HCL was awarded the National CSR Leadership Award by World CSR Day on 20.9.2017 at Vivanta by Taj, Yeshwantpur, Bangalore.



DIRECTORS' REPORT (Contd.)

- iii. The Quality Circle teams 'Dinkar' and 'Sahyog' of ICC won in Gold Category during the Chapter Convention on Quality Concepts (CCQC), 2017 on 12.9.2017 at Taj Bengal, Kolkata. They were also placed in 'Excellence' and 'Par Excellence' Category respectively during the National Convention on Quality Concepts (NCQC), 2017 held during 1.12.2017 to 4.12.2017 at Mysore.
- iv. Shri Anupam Anand, Director (Personnel) was identified as one of India's Best HR Leaders in PSUs by Times Ascent Presents – Asia Pacific HRM Congress & Awards – 16th Edition on 19.9.2017 at Vivanta By Taj, Yeshwantpur, Bangalore. Jury and Council of Board members of World HRD Congress conferred HR Super Achievers – PSUs to Shri Anupam Anand on 16.2.2018 at Taj Lands End, Mumbai.

8. Particulars of Loan, Guarantees or Investments u/s 186 of the Companies Act, 2013

During the year from 1.4.2017 to 31.3.2018: NIL

9. Deposits

The Company has not taken any Deposits covered under or which are not in compliance with the requirements of Chapter V of the Companies Act, 2013.

10. Related Party Transactions (RPTs):

The Company has not entered into any contracts or arrangements with related parties referred to in section 188(1) of the Companies Act, 2013. Policy on RPTs and dealing with RPTs has been formulated and put up at the Company's website at www.hindustancopper.com.

11. Establishment of Vigil mechanism:

The Company has in place a Whistle Blower Policy which provide adequate safeguards against victimization of employees / directors who avail of the mechanism and also provide for direct access to the chairman of the Audit Committee in exceptional cases. The Policy has been posted at the Company's website at www.hindustancopper.com.

12. Risk Management Policy

The Board of Directors of the Company has developed and implemented a risk management policy for the Company including identification therein of elements of risk, which in the opinion of the Board, may threaten the existence of the Company.

13. Internal Financial Controls

The Company has in place adequate internal financial control with reference to financial statements commensurate with its size and operations to be followed by the Company, detailing the policies and procedures to be followed.

14. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is given as Annexure-II forming part of this report.

15. Safety

Safety remains high priority area and the Company is always aiming to achieve "Zero Accident". The Company continues to maintain the tradition of attracting recognition for its safety performance and, like previous years, received a number of awards in mine safety as indicated below:

Malanjkhand open cast mine had won the following safety performance award in large opencast mine category in 2017-18 under the aegis of DGMS (Nagpur region I&II):

1st Prize on Vocational Training and First Aid

3rd Prize on Mechanical & Electrical equipment & Installations and SMS & emergency Preparedness

Kolihan Copper Mine received Runner up Prize for achieving Longest Accident – Free period (LAFP) in Prestigious National Safety Award-2013 on 17.08.2017 from Hon'ble President of India.

Besides the above, special training, regular refresher training programmes and on-the-job training are provided to all employees. Safety Campaigns like "Annual Mines Safety Week", "Fire Services Day", "Fire services week" and "Industrial Safety Day" celebrations are conducted regularly with active participation of employees in all the Units of HCL.



DIRECTORS' REPORT (Contd.)

16. Corporate Social Responsibility (CSR)

The CSR Report in the prescribed format as per the Companies (Corporate Social Responsibility Policy) Rules, 2014 is at Annexure-III.

17. Vigilance Activities

HCL has a vast potential for growth and Vigilance department has to play an enabling role to strengthen the systems and processes to achieve the higher growth trajectory. The same requires a more proactive role in strengthening of systems and procedures, adoption of rules to changing processes, updation of manuals, minimizing discretionary space, enhancement of transparency and fostering e-friendly environment through technological upgradation and capacity building, thereby minimizing human interface. Although, stress is being laid on preventive and proactive vigilance to achieve the above end, surveillance and detection cannot be neglected. For this purpose, there is a need for conducting regular inspections, particularly those of high value items and processes and to suggest further improvements. The focus is on the vigilance activities being an enabling process rather than being reactive. There is also a necessity to plug delays and identify areas prone to leakages.

18. Official Language Implementation

During 2017-18, HCL made constant endeavour to increase the use of Hindi in official work in its Units/Offices. 'Raj Bhasha Pakhwara' was celebrated in the Units/Offices during 14.9.2017 to 28.9.2017 incorporating 'Hindi Diwas' celebration on 14.9.2017. The messages of Hon'ble Home Minister, Govt. of India and CMD, HCL were circulated/ read out in all Offices/Units on this occasion. Various competitions were organized to enhance interest among employees towards use of Official Language and winners were honoured.

Hindi Workshops were conducted in the Units/ Offices at regular intervals. Employees were motivated to use Hindi in their day-to-day official work. Regular review of progress in use of Hindi and difficulties faced was done in Quarterly meetings of Official Language Implementation Committee under the Chairmanship of CMD at Corporate Office and Unit Heads in Units. The progressive use of Hindi is being reviewed regularly at the Board meetings too. Hindi books were also purchased during the year.

An e-copy is available on the Company's website www.hindustancopper.com too. Effort is continuously made to ensure that the Company's advertisements for recruitment/ tenders, etc. are published bilingually. "One Hindi Word Every Day" scheme is operational for improving the Hindi vocabulary of employees. The use of Hindi in computers has been reinforced and advanced Unicode Software Hindi Open Office has been provided to all Units/Offices of the Company. The Hindi translation of Annual Report, MoU, Outcome Budget, Annual Report of Ministry of Mines and various other jobs of the Company were done.

The Company's in-house journal "Tamralipi" is published in Hindi and English and distributed among employees regularly. It is also mailed to the members of the Hindi Advisory Committee.

During 2017-18, the Company participated in the half-yearly meeting of Town Official Language Committee (PSUs), Kolkata held on 12.8.2017. HCL/CO received the 'Best Performance Award' by Town Official Language Committee (PSUs), Kolkata for successful implementation of Official Language under the "Rajbhasha Award Scheme-2016-17" on 12.8.2017.

19. Business Responsibility Report:

Pursuant to Regulation 34 (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {SEBI (LODR), 2015}, Business Responsibility Report for 2017-18 describing various initiatives taken by the Company on social, environmental and governance perspective, is attached at Annexure-IV which forms part of this report.

20. Extract of Annual Return:

Extract of Annual Return pursuant to Section 92(3) of the Companies Act, 2013 is given in Annexure-V.

21. Corporate Governance

Corporate Governance Report as per SEBI (LODR), 2015 is given at Annexure-VI forming part of this report together with Certificate on Corporate Governance.

22. Number of meetings of the Board:

During 2017-18, five Board meetings were held on 17.5.2017, 12.8.2017, 25.8.2017, 10.11.2017 and 31.1.2018.



23. Directors' Responsibility Statement

In terms of Section 134(5) of Companies Act, 2013, your Directors confirm:

- (i) That in the preparation of the annual accounts for the year ended 31st March, 2018 the applicable accounting standards had been followed along with proper explanations relating to material departures.
- (ii) That such accounting policies have been selected and applied consistently and made adjustments and estimates 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, 2018 and of the Profit and Loss of the Company for the year.
- (iii) That 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) That the Directors have prepared the annual accounts on a going concern basis.
- (v) That the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively.
- (vi) That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

24. Declaration by Independent Directors:

Independent Directors of the Company have given declaration to the effect that they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013.

25. Familiarization Programme for Independent Directors

On joining, Independent directors are familiarized through induction programme / presentation with the overview of business, operations, new projects and business model of the Company. Visit to Units is also organized as per their convenience. They are also updated on the changes / developments including in the relevant statutory / regulatory requirements from time-to-time. Detail of Directors' Training / Familiarization Programme has been hosted at the Company's website at www.hindustancopper.com.

26. Code of Conduct

The Company has in place a Code of Conduct applicable to the Directors as well as Senior Management and the same has been circulated to all concerned and posted at the Company's website www.hindustancopper.com. All Board members and senior management personnel have affirmed compliance of the code for the year ended 31st March, 2018.

27. Directors

Shri V V Venugopal Rao ceased to be Director (Finance) from 5.7.2017.

Shri Kailash Dhar Diwan ceased to be CMD from 31.8.2017.

Shri Santosh Sharma took over charge of CMD from 1.9.2017.

Shri Bipul Pathak was appointed in place of Shri Subhash Chandra as part time official Director with effect from 16.2.2018.

Shri Anil Kumar Nayak was appointed in place of Shri Bipul Pathak as part time official Director with effect from 26.3.2018.

Shri Niranjana Pant ceased to be part time non-official (Independent) Director from 1.4.2018.

Shri Alok Chandra was appointed in place of Shri Anil Kumar Nayak as part time official Director with effect from 22.6.2018.

Shri Sukhen Kumar Bandyopadhyay has joined as Director (Finance) with effect from 9.7.2018.

Shri Subhas Sharma has been appointed as Non-official Independent Director with effect from 18.7.2018.

The Board places on record its appreciation for the valuable services rendered and contribution made by S/Shri V V Venugopal Rao, K D Diwan, Subhash Chandra, Bipul Pathak, Niranjana Pant and Anil Kumar Nayak during their tenure on the Board.



DIRECTORS' REPORT (Contd.)

28. Secretarial Audit Report

Shri Arup Kumar Roy, Practicing Company Secretary, has been appointed as Secretarial Auditor for FY 2017-18. Report given by the Secretarial Auditor is given at Annexure –VII to this report. With regard to the observations of the Secretarial Auditor about composition of the Board of Directors of the Company, it is stated that during 2017-18, three posts of part time non-official (Independent) Directors were laying vacant (one post since 19.3.2016 and two posts since 22.10.2016). HCL, being a Government Company and in terms of its Articles of Association, appointment of all Directors on its Board is made by the President of India through orders issued by the Ministry of Mines (MoM). The Company has requested MoM to fill up the vacant posts of Independent Directors.

29. Auditors

M/s. J Gupta & Co, Kolkata was appointed as Statutory Auditors to audit the accounts of the Company for the year 2017-18.

M/s. Chatterjee & Co, Kolkata was appointed as Cost Auditor of the Company for carrying out the cost audit of Copper Ore, Concentrate, Cathode, Continuous Cast Copper Rods, other Processed Copper and articles along with Sulphuric acid for the year 2017-18.

30. Comments of C&AG

The comments of C&AG under the Companies Act on the accounts of the Company for the year ended 31st March, 2018 are annexed to this report.

31. Appreciation

In conclusion, your Directors wish to place on record their appreciation of the hard work put in by all employees of the Company during the year under review. The Board 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, Gujarat and West Bengal and the Company's bankers, customers and office bearers of the recognized trade unions of different Units / Head Office. The Board also thanks all shareholders and investors for the trust reposed by them in the Company.

For and on behalf of the Board of Directors

Santosh Sharma
Chairman and Managing Director
(DIN-07431945)

Place: Kolkata

Date: 14.8.2018



ANNEXURE - I TO THE DIRECTORS' REPORT

MANGEMENT DISCUSSION AND ANALYSIS REPORT

I. Industry Structure and Development

Copper is one of the oldest metals ever used and has been one of the important materials in the development of civilization. Copper is an important non-ferrous base metal having wide industrial applications. Today it has become a major industrial metal, ranking 3rd after iron and aluminum in terms of quantities consumed.

Global Business Scenario

As per International Copper Study Group (ICSG), after growth of 6% in calendar year (CY) 2016, world mine production after decline by around 1.5 % in 2017 to level of 20.02 million tonnes (in metal terms). World mine production in 2017 was impacted by significant supply disruptions, namely in Indonesia and Chile, reducing output in major mining production countries. In addition, overall lack of major new projects or expansions and lower grades in planned mining sequencing in some countries negatively impacted world growth. The copper concentrate market suffered a 145kt deficit last year as a result largely of strikes at Escondida and Grasberg. In 2018, the expected recovery from 2017 constrained output, the re-starting of temporary closed/reduced capacity in the DRC and Zambia, and to a lesser extent additional output from new projects/expansions coming on stream, could lead to a growth in world mine production of around 2.5% in 2018 and is expected to reach 20.4 million tonnes (Mt) copper it will be about the same level as in 2016. Chile the DRC, Peru and Zambia are expected to be the biggest contributors to mine production growth in 2018. Chile has the largest reserve of copper accounting for 22% of world reserve, followed by Australia (11%), Peru (10%), Mexico & USA (6% each) and China (3%).

During the CY 2017, world refined production was 20.53 million tonne registering a growth of 0.7%. In 2017, a series of planned and unplanned shutdowns at major smelters and lower output at SX-EW plants significantly reduced primary refined production in major producing countries such as Chile, Japan and the United States, leading to world growth of only 0.7%, even though increased availability of scrap allowed world secondary refined production to grow by 5%. In CY 2018, the production of refined copper is estimated to grow by 5% to a level 24.6 million tonne. China will remain the biggest contributor to world refined production growth in 2018.

In the year 2017, the world consumption of refined copper is estimated at around 23.76 million tonne registering a growth of only 0.7%. However, ICSG has forecasted that world apparent refined usage is expected to increase by 3% in 2018 to a level of 24.68 million tonne. Sustained growth in copper demand is expected to continue because copper is essential to economic activity and even more so to the modern technological society. Infrastructure development in major countries such as China and India and the global trend towards cleaner energy will continue to support growth in copper demand. China will remain the biggest contributor to world growth in copper usage and accounts for 50% of the world copper demand.

Indian Copper Scenario

Compared with the global markets, India has limited copper ore reserves constituting to about 2% of the World Copper Reserves. India is the net exporter of refined copper and ranks 7th in global refined copper production and 5th in copper smelter production globally. There are three major players which dominate the copper industry in the Indian Markets. Hindustan Copper Limited (HCL) in Public Sector, Hindalco Limited and Vedanta Industries Limited, Tuticorin (closed since May 2018 on State Govt. order) in Private Sector. HCL is the only vertically integrated copper producer in the country which also has a Secondary Smelter plant at Gujarat having capability of processing various grades of copper raw material including oxide concentrate and low grade raw material to produce refined copper 50,000 MT/ annum. M/s Hindalco at Dahej in Gujarat and M/s Vedanta Industries Limited (closed since May 2018 on State Govt. order) at Tuticorin in Tamil Nadu have setup port based smelting and refining plants which depend on imported mineral in the form of concentrate either from their own mines abroad or other overseas sources. In addition there are a few installations to produce Electro-won Copper but their capacities are still very low, and production is inconsistent. There are more than 1000 SMEs, MSMEs and unorganized sector working in the downstream and secondary recycling of copper Industries in India.

As of 1.4.2015, total copper resources is 12.16 million tonnes of which 2.73 million tonnes constitute reserves in contained copper terms. As per report of Indian Bureau of Mine, largest reserves/resources of copper ore to a tune of 813 million tonnes (53.81%) are in the state of Rajasthan followed by Jharkhand with 295 million tonnes (19.54%) and Madhya Pradesh with 283 million tonnes (18.75%). Copper reserves/ resources in Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Meghalaya, Nagaland, Odisha, Sikkim, Tamil Nadu, Telangana, Uttarakhand and West Bengal accounted for remaining 7.9% of the total all India resources.



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

All the operating mining leases are presently held by HCL, a state owned copper producing company. To increase production, HCL has chalked out an expansion plan to increase mine production from 3.8 to 20.0 million tonnes per annum in next six years with a capital layout of ₹ 5,500 crore. During the fiscal year 2017-18, Mine ore production of HCL, (the only copper mining company in the country) was 3.67 million tonnes as compared to 3.84 million tonnes in 2016-17. In metal terms the production was 31,794 MT as which is 4% higher compared to 30,587 MT in 2016-17.

Refined copper production during FY 2017-18 of the country was 8.43 lakh tonnes as compared to 7.98 lakh tonnes in FY 2016-17. It is estimated that during FY 2017-18, the consumption of refined copper was around 6.6 lakh tonnes compared to 6.71 lakh tonnes in 2016-17.

II. SWOT Analysis

Strength

- Only Company having ownership of all copper mines in India
- Fully developed infrastructure facilities
- Fully integrated operations from mining of copper ore to pure metal
- Skilled and experienced work force
- Established brand value

Weakness

- High cost of logistics due to multi- location units
- Relatively smaller sized plants
- Aged equipment /old technology
- Limited value added products

Opportunity

- Scope for expansion of mine capacity
- Opportunity to explore new deposits
- Ready market for copper concentrate in India due to large smelting/refining capacity

Threat

- High volatility of LME price of copper
- Rising cost of inputs
- Continuous attrition of skilled manpower

III. Segment-wise or product-wise performance

Covered in the main report.

IV. Outlook:

Copper demand in India is expected to grow at 6-7 % due to increased thrust of Govt. of India towards “make in India” and “Smart City” programmes and increased investment in railways, power, defence and infrastructure sectors which will drive the demand of copper in the country. Demand is expected to show significant growth considering the initiatives such as development of industrial corridors, smart city project, housing for all Indians by 2022, National highway development project, Rail project, Defense production policy to encourage indigenous manufacture, India energy plan 2022- 100GW solar, 32GW wind, 260GW thermal & nuclear, 62 GW hydro. In addition to this, there is plan for green energy corridor for transmission of renewable energy. The per capita copper consumption in India is expected to increase from the current level of 0.5 Kg to 1 kg by 2025. The per capita copper consumption of China is 6 Kg and world average is 2.7 kg.

The market for electric vehicles (EV) is expected to witness growth in coming years as government incentives continue around the world. Copper is essential to EV technology and its supporting infrastructure. The evolving market will have a substantial impact on copper demand. The increase in the electric vehicles market will significantly impact copper. The projected demand for copper due to electric vehicles is expected to increase by 1,700 kilotons by 2027.



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

At present custom duty on refined copper is 5 percent and the price of refined copper in the Country is fixed at import parity level factoring the prevailing import duty component. The Govt. of India has signed free trade agreement with Japan, Malaysia & ASEAN countries whereby benefit of concessional customs duty is being given to the imports of refined copper from the countries like Japan, Malaysia, Thailand, Indonesia, Cambodia, Philippines, etc. Resultantly, Imports of refined copper with duty concessions have adversely affected the profitability of HCL. Imports which were a mere 8% of total demand in the Country in the year 2010-11 have now increased to around 35% during the period 2016-17. Thus there is an urgent need to impose safeguard duty on import of refined copper to safeguard the interest of domestic copper industry including downstream industries.

V. Risks and concerns

The Company has laid down risk management framework keeping the Company's objectives, growth strategy and process complexities arising out of its business operations. Risk management in HCL is a continuous process of identifying, assessing and managing all the opportunities, threats and risks faced by the company to achieve its goals.

VI. Internal control systems and their adequacy

The Company has internal control systems and procedures commensurate with its size and nature of business. The Company has in place delegation of authority, policies and manuals approved by the Board.

VII. Discussion on financial performance with respect to operational performance

The financial performance for FY 2017-18 vis-à-vis FY 2016-17 is summarized below: (₹ in crore)

| Particulars | 2017-18 | 2016-17 |
|--|---------|---------|
| Turnover | 1647.90 | 1216.94 |
| Value of Production | 1767.44 | 1617.85 |
| Cost of production excluding depreciation, amortization and Finance Cost | 1459.82 | 1372.74 |
| Profit before depreciation, amortization and Finance Cost & Tax | 307.98 | 245.46 |
| Depreciation, Amortisation | 164.65 | 141.90 |
| Finance Cost | 21.29 | 9.01 |
| Profit/ (Loss) Before Tax from Continuing Operation | 122.04 | 94.55 |
| Profit/ (Loss) Before Tax from Discontinuing Operation | (0.35) | (0.35) |
| Provision for taxation - Current | 46.28 | 25.97 |
| - Deferred | (4.19) | 6.29 |
| Profit/ (Loss) After Tax from Continuing & Discontinuing Operation | 79.60 | 61.94 |

Capital Expenditure

During the year, the expenditure on account of Replacements & Renewals (R&R) of plant & machinery, mine expansion, mine development & green field exploration stood at ₹ 589.81 crore which was funded through the internal resources of the Company and no Government support for capital expenditure was asked for.

Contribution to Exchequer

During 2017-18, the Company contributed a sum of ₹ 309.71 crore to the exchequer by way of duties, taxes and royalties, as against Rs 247.73 crore in 2016-17, as detailed below:

| Particulars | ₹ in crore | |
|------------------|------------|---------|
| | 2017-18 | 2016-17 |
| Excise Duty/GST | 45.52 | 32.54 |
| Customs Duty | 57.27 | 47.21 |
| Sales Tax/GST | 15.20 | 27.79 |
| Royalty and Cess | 98.21 | 63.06 |
| Income Tax | 75.08 | 53.89 |
| Others | 18.43 | 23.24 |
| Total | 309.71 | 247.73 |



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

VIII. Material developments in Human Resources / Industrial Relations front including number of people employed

(i) Manpower

As on 31.3.2018, the manpower of the Company was 2508. Category-wise break-up is tabulated below.

| Employee Group | Category (No.) | | | | | Employee Group | Special Categories (No.) | | | |
|----------------|----------------|-----|-----|-----|-------|----------------|--------------------------|-----|-----|------------|
| | Gen | SC | ST | OBC | Total | | ESM | PwD | LDP | Minorities |
| A | 382 | 73 | 21 | 88 | 564 | A | 1 | 10 | 1 | 25 |
| B | 27 | 5 | 2 | 7 | 41 | B | 0 | 1 | 0 | 3 |
| C | 703 | 207 | 250 | 202 | 1362 | C | 13 | 7 | 165 | 116 |
| D | 323 | 135 | 62 | 21 | 541 | D | 0 | 3 | 68 | 19 |
| Total | 1435 | 420 | 335 | 318 | 2508 | Total | 14 | 21 | 234 | 163 |

Legends: Group A & B: Executives; Group C & D: Non-Executives; Gen: General; SC: Scheduled Caste; ST: Scheduled Tribe; OBC: Other Backward Class; ESM: Ex-Servicemen; PwD: Persons with Disabilities; LDP: Land Displaced Person

(ii) Employment of SC/ST/OBC Community candidates and PwD candidates

The Company adheres to the prescribed Government guidelines on reservation for SC/ST/OBC/PwD categories in all its recruitment activities. The representation of SC, ST, OBC and PwD employees in the total manpower of 2508 as on 31.3.2018 was 16.75 %, 13.36 %, 12.68 % and 0.84 % respectively.

(iii) Employment of Women

The Group-wise strength of women employees as on 31.3.2018 vis-à-vis the total employee strength of the Company is given below.

| Group | No. of Employees | | Women Employees as % of total Employee |
|-------|------------------|-------|--|
| | Total | Women | |
| A | 564 | 40 | 7.09 |
| B | 41 | 2 | 4.88 |
| C | 1362 | 48 | 3.52 |
| D | 541 | 85 | 15.71 |
| Total | 2508 | 175 | 6.98 |

(iv) Employee Relations

During the period, the Employee Relation continued to be harmonious and peaceful in all the Units of the Company. The successful operation of various Bi-partite fora at the Apex, Unit and Shop-floor levels have contributed immensely towards smooth functioning of the Company.

A meeting of apex level Bi-partite Forum NJCC was held on 21.8.2017 and 19.3.2018 at Corporate Office, Kolkata. Major issues resolved included payment of 07 months arrears to workmen arising out of Wage Revision effective from 1.11.2012; and payment of Underground Allowance to eligible workmen of KCC.

(v) Human Resource Development

Training and Development, based on identified needs is given due priority by the Company for all levels of employees to increase employee effectiveness, employee utilization and productivity as well as to usher in a culture of innovation and creativity with emphasis on deciphering problem-solving skills. The Company selectively nominated employees for specialized training Programmes / Workshops / Seminars / Conferences organized by reputed professional organizations and Institutes. In FY 2017-18, against a training target of 5700 mandays, 8169 mandays of training was achieved.



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

(vi) Communal Harmony and National Integration

In the townships of the Company located at Khetri, Malanjkhanda and Ghatsila as well as in other places of work, the employees of different caste, creed, region and religion live together in harmony and celebrate all religious festivals with pomp and gaiety.

(vii) Status of implementation of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

In accordance with the provision of 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013' & Rules made thereunder, the Company has set up Internal Complaints Committee at all its Units / Offices. A provision in this regard has also been incorporated in the Conduct, Discipline and Appeal Rules. During the year, no complaint was received on this subject.

(viii) Status of implementation of The Persons with Disability Act, 1995

The number of employees belonging to PwDs category employed in the Company as on 31.3.2018 was 10 (ten) in Group A, 1 (one) in Group B, 7 (seven) in Group C and 3 (three) in Group D, aggregating to 21 (twenty one).

- a) Recruitment: In recruitment matters the reservation for PwD was adhered to as per Government of India directives and duly incorporated in advertisement published, wherever applicable. Special Recruitment drive for PwD was also conducted in 2015-16, wherein 30 vacancies were advertised and 16 candidates joined.
- b) Scholarship: HCL grants scholarship to employees' children under a special scheme. Particular care and wide publicity is given to the scheme. It has specific provision for PwD category children with relaxed eligibility criteria.
- c) Ramp: Ramps constructed at Hospital, Works and General Office to enable easy access to elevated areas in buildings and ease of mobility. Provision of wheelchairs in Hospital/main administrative offices in Units / Projects is also available.
- d) 'Accessibility Audit' of office buildings was carried out in all the five Units.
- e) Conveyance Allowance: Conveyance Allowance / Transport Subsidy to PwD employees were paid at higher rates than other employees as per Government Directives.

(ix) Skill Development

- a) HCL spent 18 % of its CSR funds in FY 2017-18 for Skill Development which translates to ₹ 61.74 Lakh out of a total spending of ₹ 342.95 Lakh during the fiscal.

b) Kaushal Vikas Yojna

On 24.3.2017, HCL signed an MoU with National Skill Development Council (NSDC) to impart trainings to various categories of population as part of Government's flag-ship programme of Skill Development. This included 'Fresh Skilling' for Youth and 'Recognition of Prior Learnings' for Unskilled and Semi-skilled workers both regular employees with skill but not certified and those working as Contract Labour. Total of 415 persons were trained. 120 were freshers and 295 were under Recognition of Prior Learnings. 73 youths trained under 'Fresh Skilling' have so far been placed, i.e., employed, in reputed companies, like Schneider Electric, Ace Designers, INDO-MIM Pvt. Ltd, Tanu Textile, SKM, Energy Measurement Services and others. Their average monthly salary is around ₹ 8,000.

c) Apprenticeship Training

HCL imparted apprenticeship training to 290 persons in various trades in its different Units during FY 2017-18. An amount of ₹ 166.39 Lakh was spent on their training.

The number of positions for Apprentice training was enhanced from 250 to 290, i.e., by 16 % increase and new trades like Medical Laboratory Technician (Pathology), Medical Laboratory Technician (Radiology), Hospital Waste Management and Refrigerator & Air Conditioner Mechanic added in accordance with the amended provisions of The Apprentices Act, 1961.



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

d) Skill Development Institute

A Skill Development Institute was established at Khetrinagar Copper Complex, District – Jhunjhunu (Rajasthan) by upgrading the existing Training Center in the HRD Centre of the Unit. The inaugural course was for 'Assistant Mine Surveyor'. It consists of six months of classroom training followed by on-the-job training of 18 months.

The 1st batch of 26 trainees undergoing training for the course of "Assistant Mine Surveyor" completed the classroom training in October 2017. They are undergoing 18 months practical training in KCC Mines. The training of 2nd batch of 29 trainees started on 18.12.2017.

e) Digital Payments

To maximize cashless transactions by the Internal and External customers of HCL, awareness workshops were organized at each Units for dissemination of knowledge of the benefits and modes / methodologies of cashless transactions. Bank payment of wages to all Contract Labour was ensured. Posters and banners were displayed at prominent places too. Awareness drives in collaboration with bank officials to educate the Employees, Contract Labour, Customers and Merchants were undertaken in all Units/Offices covering a target population of 6015 consumers (Employees, Contract Labour, Customers) and 9264 merchants. No cash transactions were carried out in HCL. To make the campuses of HCL 'Cashless', PoS machines were installed at Guest House, Directors' Bungalow, Hospitals, Town Administration and General Administration, Finance Department, Cash Sections, etc. in the three mining Units of HCL.

f) Transparency

The Company has adopted the government guideline of doing away with the process of personal interview in Group 'C' and 'D' recruitment.

(x) Swachh Bharat Mission

Under the Swachh Bharat Mission following initiatives were undertaken by HCL.

a) Open Defecation Free [ODF] Villages

- In FY 2017-18, 200 number of individual household toilets were constructed in 8 number of villages in East Singhbhum District of Jharkhand under the Swachh Bharat Mission.
- One Public toilet was constructed in Musabani Town of East Singhbhum District of Jharkhand.

b) Swachhta Activities

The Swachh Bharat Abhiyan of the Government of India was implemented in HCL in FY 2017-18 with undertaking several Swachhata Activities specially identified. Intensive 'Swachhta Drives' were undertaken at all Units and Offices including Corporate Office. Some of the major activities undertaken included the following.

- Upkeep and cleaning of
 - Offices including common area premises, Plant and Mines.
 - Residential complexes, pathways and common areas of the Unit.
 - Neighboring market, roads and parks surrounding Plant and Mines.
 - Weeding out of old files/records, etc. in offices.
- Conducting awareness campaign in the Units' Township and the neighborhood community.
- Periodic inspection of school toilets undertaken to ensure their proper maintenance usability.
- Counseling of villagers for developing in-house sanitation habits by use of household toilets for the purpose meant.



ANNEXURE - II TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS IN TERMS OF RULE 8 (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

(A) Conservation of energy-

(i) The steps taken or impact on conservation of energy:

- Power factor improved and maintained near to unity.
- High wattage conventional lights were replaced by low power consuming LED lights with expected annual power saving to the tune of more than ₹ 48 lakhs.
- 14 nos. 22.5 KW motors were replaced with EEF motors of 18 KW at MCP.
- Premium class IE-3 Energy Efficiency Motors were introduced in place of 30 to 40 yrs old conventional Motors in Flash Smelter & Refinery in phased manner at ICC.
- Separate Energy Meters have been installed for crushers, rod mills, ball mills etc and close monitoring is being done to reduce idling of these machineries at KCC.
- At KCC, Input size for rod mills have been improved by reducing the settings of all the crushers and replacing 50% of the screen panels of 30 mesh size with screen panels of 30 mesh size. Consequently, efficiency has improved and energy consumption has reduced by 0.8 KW/ Tonne of milling.
- At ICC, Furnace oil fired package boiler and DG sets have been installed as alternate to coal based captive power plant. In addition to the boiler and DG set electric driven motor blowers installed in place of steam driven blowers for converting operation of flash smelter and converter tilting mechanism has been modified with electro-pneumatic system (Dual drive system).

(ii) The steps taken by the company for utilizing alternate sources of energy:

- 5.75 KWp solar power has been added to the existing 35.25 KWp RoofTop solar power plant at Malanjkhanda Copper Project.
- M/s REIL has been entrusted to carry out the rooftop solar power feasibility study in all five units and Corporate Office.

(iii) The capital investment on energy conservation equipment: ₹ 26 crores

(B) Technology absorption-

(i) The efforts made towards technology absorption:

- Efficient furnace oil fired package boiler has been commissioned replacing old coal fired boiler at ICC.
- Modern electric driven blowers commissioned in place of steam driven blowers for converting operation of flash smelter, ICC.
- Converter tilting mechanism has been modified with electro-pneumatic system (Dual drive system) at ICC.
- New coiler with conveyor system is being installed at TCP to improve the product packaging.
- Modification in cleaner flotation circuit to arrest spillover of material with addition of sodium silicate for improving the quality of final concentrate (product) at MCP.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution:

Efforts made towards technology absorption has resulted reduction in energy consumption, improved environmental protection and ensured safety of operations.



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

- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -
- (a) The details of technology imported-
1. Modern electric driven blowers' technology imported from China at ICC to fulfill the requirement of converting operations.
 2. The EMEW technology imported from Canada. The technology will help HCL to recover LME-A grade cathode from lower concentration of copper in spent electrolyte which is otherwise not possible by conventional means. Besides this, the technology will also help HCL to recover nickel from the spent electrolyte at ICC refinery
 3. Another technology of Acid purification Unit (APU) was imported from Canada. The technology will allow HCL to separate and recycle back the major part of the acid from the spent electrolyte at ICC Refinery. This eco-friendly technology will allow reduction of liquid effluent and help HCL to recover nickel in the downstream process.
- (b) The year of import- 2017 (1) & 2016 (2 & 3) above.
- (c) Whether the technology been fully absorbed - Yes
- (d) If not fully absorbed, areas where absorption has not taken place and the reasons thereof - NA
- (iv) The expenditure incurred on Research and Development – ₹ 1.58 crore which are booked under natural heads of accounts

(C) Foreign exchange earnings and Outgo-

Earnings in foreign exchange

During 2017-18, the Company earned foreign exchanges of ₹ 340.69 crore as against ₹ 231.78 crore during FY 2016-17 through export of slime and copper concentrate.

Expenditure in foreign currency

During 2017-18, the Company spent foreign currency to the tune of ₹ 337.41 crore towards import of raw material, stores & spares, capital goods, other imports, travelling, others etc. as compared to ₹ 300.01 crore in 2016-17.



ANNEXURE - III TO THE DIRECTORS' REPORT

ANNUAL REPORT ON CSR ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of the projects or programs undertaken and a reference to the web-link to the CSR policy and projects or programs.

Policy Statement

For Hindustan Copper Limited (HCL), the Corporate Social Responsibility (CSR) is a planned set of activities taking into consideration the Company's capabilities, expectations of the communities living in and around the areas of its operation as well as where it has its presence, targeted to have a significant positive impact in the long term. The aim is to play a catalytic role in the sustainable socio-economic development in the regions where the industry is located or where its interests lie, attempting to create an enabling working environment for HCL as well as income generation opportunities for the community keeping sight of sustained regional development.

Organization setup

The CSR projects in HCL are implemented under the guidance of the Board's Sub-Committee on CSR which presently comprises of four Directors out of which two are Independent Directors. The terms of reference of the Committee is given below:

- (i) Formulate and recommend CSR policy to the Board for approval.
- (ii) Recommend for approval of the Board the amount of expenditure to be incurred on the activities in a financial year along with projects to be undertaken, earmarking funds for broad area-wise projects.
- (iii) Monitor from time-to-time the implementation of the CSR projects undertaken by the Company.

A Nodal Officer for CSR at Corporate level preferably one rank below the Board level [presently AGM (HR)] coordinates Company's CSR initiatives and is assisted by a team of designated officers. A Nodal Officer at each of the three Units coordinates CSR initiatives at unit level.

Scope of activities

The CSR activities of HCL are as per the provisions of Schedule VII of the Companies Act, 2013.

Geographical Span

The CSR activities are undertaken essentially around areas of HCL Units, within a radius of 15-20 Km. At least 75% of the amount earmarked for CSR activities shall be spent in these areas.

Of the remaining 25% of the CSR allocation after (a) above, around 15-20% may be utilized in areas beyond 15-20 Km of the Unit but within the State in which the Units are located. Up to a maximum of 5% of the amount earmarked for CSR activities may be utilized anywhere in India to be decided by the CMD.

Planning

The identification of CSR activities at Unit / Corporate level are done by any one or combination of the following methods.

- (i) In-house planned projects
- (ii) Proposals from District Administration / Local Govt. body / Public Representatives, etc.
- (iii) Proposals/Requests from a registered & specialized body for providing financial assistance for carrying out specific CSR initiative subject to the condition that it fulfils the criteria as prescribed in the statute in this regard.

Implementation methodology

The CSR activities / projects are implemented using internal resources or through collaborating with NGOs / specialized agencies / trusts / institutions / foundations / societies / Government bodies, etc., in accordance with the provision of 'The Companies Act, 2013' and 'Companies (Corporate Social Responsibility Policy) Rules, 2014'.

Web Link to CSR policy and projects or programs

Annual Report on CSR activities is also available at the Company's website (www.hindustancopper.com)



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

2. Composition of the CSR Committee

- i) Smt Simantini Jena – Chairperson
- ii) Shri Hemant Mehtani – Member
- iii) Shri Santosh Sharma – Member
- iv) Shri Anupam Anand – Member

3. Average net profit [read: Profit Before Tax] of the Company for last three financial years

₹ 7328 Lakhs

4. Prescribed CSR expenditure (i.e., two percent of the amount as in 3 above)

₹ 147 Lakhs

5. Details of CSR spent during FY 2017-18

- (a) Total amount to be spent for FY 2017-18: ₹ 370 Lakhs*

*(The allocated amount of ₹ 370 Lakhs includes Unspent CSR amount of previous years)

- (b) Amount unspent, if any -: ₹ 27 Lakhs

- (c) Manner in which the amount spent during the FY 2017-18 is detailed below.

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---------|---|--|---|---|--|---|---|
| Sl. No. | CSR project or activity identified | Sector in which the Project is covered | Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs-wise (in lakh) | Amount spent on Projects or programs Sub-heads (1) Direct expenditure on projects or programs. (2) Overheads (in lakh) | Cumulative expenditure up to the reporting period (in lakh) | Amount spent: Direct or through implementing agency |
| 1 | Drinking Water, Health and Sanitation | Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water | Dist- East Singbhum, Jharkhand | 43.08 | 43.08 | 43.08 | M/s Vidyanketan, Ghatsila |
| | | | Dist- Balaghat, Madhya Pradesh | 100.70 | 100.70 | 100.70 | Direct, State Government |
| | | | Dist- Kolkata, West Bengal | 15.00 | 5.00 | 5.00 | M/s SAHARA, Swachh Bharat Kosh |
| 2 | Education, Vocational Skills and Livelihood | Promoting education including special education and employment enhancing skills especially among children, women and elderly and the differently abled and livelihood enhancement projects | Dist- East Singbhum, Ranchi, Jharkhand | 16.88 | 16.88 | 16.88 | M/s Vidyanketan, Ghatsila, NSDC |
| | | | Dist- Balaghat, Madhya Pradesh | 14.58 | 14.58 | 14.58 | NSDC |
| | | | Dist- Jhunjhunu, Rajasthan | 47.49 | 38.08 | 38.08 | Skill Council for Mining Sector, NSDC |
| | | | Dist- Kolkata, West Bengal | 7.35 | 7.35 | 7.35 | SERVE INDIA |
| 3 | Environmental and Animal Welfare | Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water. | Dist- East Singbhum, Jharkhand | 3.00 | 3.00 | 3.00 | M/s Vidyanketan, Ghatsila |
| | | | Dist- Jhunjhunu, Rajasthan | 6.16 | 4.02 | 4.02 | M/s Jaibaba Const., M/s Chandra Construction |



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

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---------|------------------------------------|---|---|---|--|---|---|
| Sl. No. | CSR project or activity identified | Sector in which the Project is covered | Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs-wise (in lakh) | Amount spent on Projects or programs Sub-heads (1) Direct expenditure on projects or programs. (2) Overheads (in lakh) | Cumulative expenditure up to the reporting period (in lakh) | Amount spent: Direct or through implementing agency |
| 4 | Sports | Training to promote rural sports, nationally recognised sports, Paralympics sports and Olympic sports | Dist- East Singbhum, Jharkhand | 8.61 | 8.61 | 8.61 | Direct, M/s Vidyantiketan, Ghatsila |
| | | | Dist- Balaghat, Madhya Pradesh | 2.75 | 2.75 | 2.75 | State Government |
| | | | Dist- Jhunjhunu, Rajasthan | 0.55 | 0.55 | 0.55 | Direct |
| | | | Dist- Kolkata, West Bengal | 0.65 | 0.65 | 0.65 | Direct |
| 5 | Rural Development | Rural Development Projects | Dist- East Singbhum, Jharkhand | 24.84 | 24.84 | 24.84 | M/s Purnima Engineering & Construction Company, Ghatsila |
| | | | Dist- Jhunjhunu, Rajasthan | 58.18 | 53.24 | 53.24 | M/s Krishna Construction, Singhana, Municipal Board, Khetri, M/s Jaibaba Puranmal Const, Nalpur, Khetri |
| 6 | Promotion of Culture | Local Festivals | Dist- East Singbhum, Jharkhand | 2.50 | 2.50 | 2.50 | State Government |
| 7 | Miscellaneous | Miscellaneous activities, Management Cost, Institutional Cost, WCST etc. | Dist- East Singbhum, Jharkhand | 8.39 | 8.12 | 8.12 | M/s Vidyantiketan, Ghatsila, Direct |
| | | | Dist- Balaghat, Madhya Pradesh | 3.43 | 3.43 | 3.43 | Direct |
| | | | Dist- Jhunjhunu, Rajasthan | 2.36 | 2.16 | 2.16 | Direct |
| | | | District- Kolkata, West Bengal | 3.50 | 3.41 | 3.41 | Direct |
| | TOTAL | | | 370.00 | 342.95 | 342.95 | |

6. Reasons for not spending the 2% of average net profit of last three financial years

Not Applicable

7. Responsibility statement of the CSR Committee

The implementation and monitoring of HCL's CSR Policy is in compliance with CSR objectives and Policy of the Company.

Anupam Anand
Director (Personnel)
DIN: 02752767

Simantini Jena
Chairman, CSR Committee
DIN: 07346980

Place: New Delhi

Date: 30.5.2018



ANNEXURE - IV TO THE DIRECTORS' REPORT

BUSINESS RESPONSIBILITY REPORT

Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company: L27201WB1967GOI028825
2. Name of the Company: Hindustan Copper Limited
3. Registered Address:
"Tamra Bhavan"
1 Ashutosh Chowdhury Avenue
Kolkata 700019
Tel. No.: 033-2283 2226/2529
Fax no.: 033-2283 2478/2640
4. Website: www.hindustancopper.com
5. E-mail: investors_cs@hindustancopper.com
6. Financial Year Period: 2017-2018
7. Sector(s) that company is engaged in (industrial activity code-wise):

| Industrial Group | Description |
|------------------|--|
| 07291 | Mining of copper ore |
| 24201 | Manufacture of Copper from ore, and other copper products and alloys |
| 24320 | Casting of non-ferrous metals |

As per National Industrial Classification – Ministry of Statistics and Programme Implementation

8. List three key products/services that the Company manufactures/ provides (as in balance sheet):
Hindustan Copper Limited (HCL) is the only vertically integrated copper mining company in India having its own captive mines. Following are the key products manufactured by the Company:
 - Copper Cathode
 - Continuous Cast Copper Wire Rod
 - Metal in Concentrate
9. Total number of locations where business activity is undertaken by the Company:
 - a) Number of International locations: None
 - b) Number of National locations: 14

| Offices |
|--|
| Corporate and Eastern Regional Sales Office, Kolkata |
| Western Regional Sales Office, Mumbai |
| Southern Regional Sales Office, Bangalore |
| Northern Regional Sales Office, Delhi |

| Plants |
|---|
| Khetri Copper Complex (KCC), Khetrinagar, Rajasthan |
| Indian Copper Complex (ICC), Ghatsila, Jharkhand |
| Malanjkhand Copper Project (MCP), Malanjkhand, Madhya Pradesh |
| Taloja Copper Project (TCP), Taloja, Maharashtra |
| Gujarat Copper Project (GCP), Gujarat |

| Godowns |
|---------------------------|
| Jaipur, Rajasthan |
| Sahibabad, Uttar Pradesh |
| Bangalore, Karnataka |
| Kolkata, West Bengal |
| Hyderabad, Andhra Pradesh |



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

10. Markets served by the Company (Local / State / National / International): National/ International

Section B: Financial Details of the Company

1. Paid up Capital: ₹ 462.61 crore
2. Total Turnover: ₹ 1647.90 crore
3. Total Profit after Taxes from continuing and discontinuing operation: ₹ 79.60 crore
4. Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%): 4.31%
5. List of activities in which expenditure in 4 above has been incurred:
 - a. Drinking water, Health and Sanitation
 - b. Education, Vocational Skills and livelihood
 - c. Environment and Animal Welfare
 - d. Promotion of sports in rural areas
 - e. Promotion of Culture
 - f. Rural development projects

Section C: Other Details

1. **Does the Company have any Subsidiary Company / Companies?**
Yes
2. **Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s).**
Not Applicable. Subsidiary Company (Chhattisgarh Copper Ltd) incorporated on 21.5.2018.
3. **Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%]**
Yes, currently less than 30%.

Section D: BR Information

1. Details of Director / Directors responsible for BR:
 - a) Details of the Director / Directors responsible for implementation of the BR policy / policies:

| | |
|-------------|---------------------------------|
| DIN | 02752767 |
| Name | Anupam Anand |
| Designation | Director (Personnel) |
| Phone | 033-2281 6221 |
| Mail Id | anupamanand@hindustancopper.com |

| | |
|-------------|-------------------------------------|
| DIN | 07276836 |
| Name | Sanjay Kumar Bhattacharya |
| Designation | Director (Mining) |
| Phone | 033-2281 7138 |
| Mail Id | bhattacharya_sk@hindustancopper.com |

| | |
|-------------|-----------------------------|
| DIN | 08173882 |
| Name | Sukhen Kumar Bandyopadhyay |
| Designation | Director (Finance) |
| Phone | 033-2282 0702 |
| Mail Id | sukhenb@hindustancopper.com |

- b) Detail of the BR head

| | |
|-------------|-----------------------------------|
| DIN | 07431945 |
| Name | Santosh Sharma |
| Designation | Chairman and Managing Director |
| Phone | 033-2283 2725 |
| Mail Id | santoshsharma@hindustancopper.com |



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

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

P1 – Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

P2 – Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

P3 – Businesses should promote the well-being of all employees.

P4 – Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

P5 – Businesses should respect and promote human rights.

P6 – Businesses should respect, protect, and make efforts to restore the environment.

P7 – Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

P8 – Businesses should support inclusive growth and equitable development.

P9 – Businesses should engage with and provide value to their customers and consumers in a responsible manner.

2 (a) Details of compliance (Reply in Y/N)

| Sr. No. | Questions | Business Ethics | Product Responsibility | Welfare of Employees | Stakeholder Engagement | Human Rights | Environment | Public Policy | CSR | Value to customers |
|---------|--|--|------------------------|----------------------|------------------------|--------------|-------------|---------------|-----|--------------------|
| | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 1 | Do you have a policy / policies for... | Y* | Y* | Y* | Y* | Y* | Y* | Y* | Y* | Y* |
| 2 | Has the policy been formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3 | Does the policy conform to any national / international standards? If yes, specify? | Y | Y | Y | Y | Y | Y | N | Y | N |
| 4 | Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director? | Y | N | Y | N | Y | Y | N | Y | N |
| 5 | Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy? | Y | N | Y | N | N | N | N | Y | N |
| 6 | Indicate the link for the policy to be viewed online? | Y** | Y** | Y** | N | N | N | N | Y** | Y** |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Communicated to key stakeholders of HCL. The communication is an on-going process to cover all internal and external stakeholders. | | | | | | | | |
| 8 | Does the Company have in-house structure to implement the policy/policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? | Y | Y | Y | Y | Y | Y | N | Y | Y |
| 10 | Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency? | N | N | N | N | N | Y | N | Y | N |

*The Company follows DPE, other applicable Government guidelines/ laws and the policies approved by the Board.

**Company's Website: www.hindustancopper.com



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

2(b). If answer to Sr. No 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

| Sr. No. | Questions | Business Ethics | Product Responsibility | Welfare of Employees | Stakeholder Engagement | Human Rights | Environment | Public Policy | CSR | Value to customers |
|---------|---|-----------------|------------------------|----------------------|------------------------|--------------|-------------|---------------|-----|--------------------|
| | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 1 | The Company has not understood the Principles | Not Applicable | | | | | | | | |
| 2 | The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles | | | | | | | | | |
| 3 | The Company does not have financial or manpower resources available for the task | | | | | | | | | |
| 4 | It is planned to be done within next 6 months | | | | | | | | | |
| 5 | It is planned to be done within the next 1 year | | | | | | | | | |
| 6 | Any other reason (please specify) | | | | | | | | | |

3. Governance related to BR:

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.**

The BR performance of the Company is assessed on a need basis and in accordance with statutory requirements.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company publishes annually its BR report as per SEBI guidelines and it can be viewed at the Company's website www.hindustancopper.com.

Section E: Section Wise Performance

Principle 1: Ethics, Transparency and Accountability

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the Company?

No. The Company is making continuous efforts in improving the systems and procedures so that they are transparent and in conformity with the extant rules & procedures, thereby ensuring that the working atmosphere and Company's dealings / transactions with other entities are relatively free from corruption. The Company has developed its Code of Ethics and Whistle Blower Policy which pertain to ethics, bribery and corruption. Its Code of Business Ethics governs the manner in which the Company carries out its activities and interacts with its stakeholders.

2. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

Yes. It extends to the Suppliers, Contractors, Business Partners and all other associated entities. The Company is a signatory of 'Integrity Pact' with Transparency International India wherein the Integrity Pact is signed between the bidders and the Company for all service contracts valuing ₹ 20 crore and above and for all purchase contracts valuing Rs.10 crore and above.

3. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

- Investor Grievances: No investor grievance was received during 2017-18 and there was no outstanding grievance as on 31.3.2018.
- Public Grievances: 136 cases were received during FY2017-18 of which 117 were redressed.



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

iii) Customer Grievance: 3 Customer grievances were received and resolved during 2017-18 and there was no outstanding grievance as on 31.3.2018

iv) Stakeholder grievances pertaining to any other issue are forwarded to the respective department for redressal.

The stakeholders may address their complaints via platforms given below:

| | |
|---------------------|--|
| Employees | <ul style="list-style-type: none"> Grievance Redressal System Whistle Blower Policy |
| Trade Unions | Bipartite Forum at Unit/National level for the Company |
| Shareholders | At dedicated email id- investors_cs@hindustancopper.com |
| Consumers/Customers | Grievance Redressal through Marketing Department |
| Public in General | Public Grievance System of the Ministry Centralized Public Grievance Redress and Monitoring System (CPGRAMS) developed and monitored by Department of Administrative Reforms and Public Grievances for online receipt and disposal of public grievances |

Principle 2: Products contributing to sustainability

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.

The Company operates and manufactures its products (e.g. refined copper cathode, continuous cast wire rods, copper concentrate) in such a manner as to protect the environment, interests of employees and general public.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

i. Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain

ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year

The Company is committed to increase levels of recovery and recycling, as well as making investments in environment friendly technology/process to reduce energy intensity, toxicity and waste.

Energy Conservation: Energy consumption is constantly monitored at the mines, plants and townships with a view to achieve overall reduction. In place of conventional lights LED lights are incorporated in all four units to save energy and environment.

Water use efficiency: Used water is reclaimed and re-used in order to conserve water. Used water is treated in effluent treatment plants before reuse. The processes are also reviewed and modified so as to reduce the requirement of water from time to time. Treated effluent water is used in horticultural purposes. At MCP the fresh water intake from Banjar river was reduced from 22730m³/d to 17000 m³/d.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Sustainable sourcing: Before registering / approving any party, the Company scrutinizes carefully relevant documents to verify compliances of all pre-set norms including the environmental norms by the party. In case of major items, Company Officials visits their premises to evaluate all their capabilities including the environmental and social issues.

Logistics improvements: The Company continued to follow multi-modal transportation which is not only efficient & cost effective, but also environmental friendly. Further, improvements over the years through sealing of containers has successfully reduced the amount of dust emitted thus reducing the pollution level as well as wastage.

4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve the capacity and capability of local and small vendors?

Yes, the Company procures products and services from local producers and communities surrounding its operations.



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

Suppliers, vendors participate in awareness creation programs, capacity building workshops that include sharing technical expertise, skill up-gradation and shop floor visits. Company trained the local unemployed person to produce goods like hand gloves which is consumed in the factory regularly.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste? (Separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Currently, the Company recycles less than 5-10% of its waste generated internally.

Entire amount of copper bearing waste generated in TCP unit is recycled to HCL smelter plant. The copper waste of refinery and electrical workshop is also recycled back to smelter. The tailing of concentrator plant is partly backfilled in the mines. The Company sells the used oil, rubber scrap to the Government approved recyclers and these recyclers address environmental concerns while recycling or disposing the waste. A good amount of granulated copper slag (i.e. a waste of smelter plant) is sold for using as an alternative of sand blasting.

With the help of latest Technology recovery of nickel, copper and acid from the spent electrolyte of ICC refinery – a waste stream are in use.

The Company has planned to install a plant at MCP to recover valuable metals & minerals from the copper ore tailing, a waste generated from the concentrator plant.

Principle 3: Welfare of Employees

Businesses should promote the well-being of all employees.

1. Please indicate the total number of employees.

2508 as on 31st March, 2018.

2. Please indicate the total number of employees hired on temporary / contractual / casual basis.

The number of employees hired on contract during FY 2017-18 was 127. There was no employee hired on temporary / casual basis.

3. Please indicate the number of permanent women employees.

175 as on 31st March, 2018.

4. Please indicate the number of permanent employees with disabilities.

21 as on 31st March, 2018.

5. Do you have an employee association that is recognized by Management?

Yes.

6. What percentage of your permanent employees is members of this recognised employee association?

Almost all the workmen are members of the different registered Trade Unions operating in the Units / Offices

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending as on the end of the financial year.

| Sl. No. | Category | Complaints filed during the FY 2017-18 | Complaints pending at the end of FY 2017-18 |
|---------|---|--|---|
| 1 | Child labour/ forced labour/ involuntary labour | Nil | Nil |
| 2 | Sexual harassment | Nil | Nil |
| 3 | Discriminatory Employment | Nil | Nil |

8. What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?

- Permanent Employees
- Permanent Women Employees
- Casual/Temporary/Contractual Employees
- Employees with Disabilities



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

| Category | % |
|--|----|
| Permanent Employees | 49 |
| Permanent Women Employees | 17 |
| Casual/Temporary/Contractual Employees | 57 |
| Employees with Disabilities | 23 |

Based on identified needs of employees, training and development, at all levels, is given due priority, by the Company for growth of individual as well as company effectiveness. The Company selectively nominates its employees for specialized training Programmes / Workshops / Seminars / Conferences organized by reputed professional organizations and Institutes.

Principle 4: Stakeholder Engagement

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has the Company mapped its internal and external stakeholders? Yes / No

Yes

2. Out of the above, has the Company identified the disadvantaged, vulnerable and marginalized stakeholders?

Yes

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

Yes, the Company takes various initiatives to engage with disadvantaged or marginalised stakeholders such as employees with special needs, employees from disadvantaged sections of society. All decisions that impact such stakeholders are taken only post deliberations.

The initiatives were selected on the basis of the Base-line Survey to identify feasible need-based CSR projects for the respective communities from the peripheral villages.

The Company conducted Base-line Surveys within 20 Kms radius around the Plant and Mining areas to identify feasible need-based CSR projects for the respective communities from the peripheral villages. The needs of the Community especially disadvantaged and marginalised amongst them, were prioritised.

Principle 5: Human Rights

Businesses should respect and promote human rights.

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Venture/ Suppliers/ Contractors/NGO/ Others?

The Company respects human rights and addresses human rights through its own codes and procedures and compliance with applicable laws. HCL adheres to the statutes of India such as Mines Act, Factories Act which embody some of human rights principles such as prevention of child labour, forced labour.

The Company has a structured mechanism in place to address the human rights issues such as equal opportunity to all, non-discrimination, removing pay anomaly, etc. Adequate efforts are undertaken to eliminate discrimination and harassment such as workers' participation from shop floor to corporate level, concessions to persons with disability, prohibition of sexual harassment of women at workplace.

HCL is an equal opportunity employer and does not discriminate among employees based on colour, caste, race, region, religion, gender, etc. The Company implements directives of Government of India for reservation for SC/ST/OBC/ PWD/Ex-Servicemen in recruitment and promotion whenever specified.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the Management?

Please see reply to question no. 3 under Principle 1 above.



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

Principle 6: Environment

Businesses should respect, protect, and make efforts to restore the environment.

1. Does the policy related to Principle 6 cover only the Company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

Yes, the Company expects its suppliers and contractors to be compliant with all applicable laws, including those related to environment.

2. Does the Company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

The Company does not have a process in place yet, to map its Green House Gas (GHG) emissions and mitigate such emissions. However, its technology up gradation and energy efficiency initiatives contribute to mitigation of GHG emissions. At ICC, coal based captive power plant will cease to operate from the next financial year and it will significantly reduce the GHG emission. The Company understands the importance of climate change risk mitigation by adapting to likely climate changes and its impact on business operations.

3. Does the company identify and assess potential environmental risks? Y/N

Yes

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

The Company does not have any project related to the Clean Development Mechanism.

5. Has the Company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy etc.? Y/N. If yes, please give hyperlink to web page etc.

Yes, the Company has taken following initiatives:

Energy Conservation:

- Best practices of energy conservation are adopted across the organization which resulted reduction in energy consumption.
- High wattage conventional lights were replaced by low power consuming LED lights.
- 14 nos. 22.5 KW motors were replaced with EEF motors of 18 KW at MCP.
- Premium class IE-3 Energy Efficiency Motors were introduced in place of 30 to 40 yrs old conventional Motors in Flash Smelter & Refinery in phased manner at ICC.

New Technologies:

- Recovery of valuable metals & minerals from Copper ore tailing- a plant will be commissioned at MCP during 2018-19 with a capacity to process 10000 Mt / day copper ore tailing.
- Furnace oil fired package boiler and DG sets were installed in place of coal based boiler at ICC.
- Electric driven motor blowers were installed in place of steam driven blowers for converting operation of flash smelter at ICC.
- Converter tilting mechanism has been modified with electro-pneumatic system (Dual drive system) at ICC.
- Modification in cleaner flotation circuit to arrest spillover of material with addition of sodium silicate for improving the quality of final concentrate (product) at MCP.

R&D Projects:

- Recovery of copper through leaching from ESP dust of flash smelter has been successfully carried out.
- Experiments on bismuth removal from electrolyte were carried out at GCP using barium carbonate at different dosage and temperature. Optimum dosage of Barium carbonate has been established at lab scale. Further the same experiment has been scaled up and done in refinery using commercial grade in existing operational conditions, it is observed that removal of Bi upto 58.5 % was observed at 6 kg/m³ dose.



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

Environment:

The Company has an Environment Management Plan, approved by the Board and it covers prevention, mitigation and control of environmental damages and disasters. An external party was engaged to conduct environmental audit and adherence to the recommendations are implemented and monitored by environmental cells on a periodic basis. The Company has resorted to extensive plantation around the mining and township areas at the units to maintain the green environment.

Mine water and dump seepage is being completely used for processing in concentrator plant by installing matching pumps in reclamation pond and WTP, this has brought down the consumption of fresh water. It has also paved way for using mine waste dump seepage water and tailing seepage water for usage in plant operation.

Online Emission Monitoring system for Stacks and Effluent monitoring system for CETP final treated discharge water has been installed at ICC and data is being transmitted to CPCB in every 15 minutes.

MCP has planted 22,500 nos. of saplings during the FY 2017-18.

Green belt of 33.12% of total area has been maintained at GCP with various fruit bearing and native species in an area of 25.65 acres. Lawns have been developed around Administration, refinery and laboratory. 15 m wide green belt has been maintained around the plant.

Waste management:

The Company sells its scrap/obsolete/surplus items through e-auction from time to time. Solid waste like granulated slag, waste bricks and boiler ash are sold to the intended party whereas tailings and waste rock are safely stored. The waste thus stored is reused, recycled or disposed in an environmentally acceptable manner.

Copper ore tailing processing plant & nickel recovery project are waste to wealth project of the company.

Old dumped slag has been reprocessed at KCC to recover copper value.

6. Are the Emissions / Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?

The ambient air quality is regularly monitored at mines, all process plants and residential areas at all the units. The air quality levels are well within the standards and limits prescribed by the Pollution Control Boards.

Effluent treatment facilities installed at the Units of the Company have been working satisfactorily and meeting regulatory norms as prescribed by the Pollution Control Boards. Discharged process water is being recycled after treatment thus conserving the water.

Solid waste from plants and hospitals is also safely disposed-off or stored as per guidelines prescribed by the Pollution Control Boards.

7. Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as of end of financial year.

Nil

Principle 7: Public Advocacy

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

1. Is your Company a member of any trade and chambers or association? If yes, name only those major ones that your business deals with.

Yes, e.g. the Standing Conference of Public Enterprises, All India Management Association, Women in Public Sector, Indian Society of Training & Development, Indian Copper Development Centre, Indian National Suggestion Schemes Association, National Institute of Personnel Management, Quality Circle Forum of India.

2. Have you advocated / lobbied through above associations for the advancement or improvement of public good? Yes / No; if yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)

No



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

Principle 8: Inclusive Growth

Businesses should support inclusive growth and equitable development.

- 1. Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

Yes. The Company is committed to social, economic and environmental development of communities at all its operations and is committed to long term, mutually beneficial partnership between the communities, Government & the stakeholders. The Corporate Social Responsibility (CSR) plan of the Company is prepared based on the Baseline Survey and using Participatory Rural Appraisal Method.

- 2. Are the programmes / projects undertaken through in-house team / own foundation / external NGO / government structures / any other organization?**

The programmes and projects are undertaken through both in-house teams and external Government structures and implemented with the assistance of NGOs with requisite sector expertise wherever required.

- 3. Have you done impact assessment of your initiative?**

Last impact assessment was conducted in April, 2017 for the projects of FY 2014-15 and FY 2015-16. Now, assessment of the projects of FY 2016-17 and FY 2017-18 is planned in FY 2018-19.

- 4. What is the Company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?**

In 2017-18, an amount of Rs.342.95 Lakhs was spent on community development projects. The details of the project undertaken are given in Point no. 5 below.

- 5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

All projects were planned after Baseline Surveys conducted among the target communities through Participatory Rural Appraisal (PRA) methods; formation of user-groups for the Panchayats, who finally own the projects. Additionally, formation of user-groups for the facilities ensures that the community development initiatives are successfully adopted by the community. The continuation of the CSR initiatives, i.e., Construction of Household Toilets, schools toilets constructed under 'Swachh Vidyalaya Abhiyaan' making villages 'Open Defecation Free', Handloom Weaving Units, Hand gloves unit, the functioning of the Drinking Water Supply, and Hand-Pumps, Solar Street Lights and 'Kaushal Vikas Yojna' indicates that the community has adopted them whole-heartedly.

Also, the third party assessment study, which is conducted after the financial year, reviews the extent of community ownership and success of the planned projects. Feedback of communities is factored into selecting CSR projects for the next financial year.

Principle 9: Value to Customers

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

- 1. What percentage of customer complaints / consumer cases is pending as on the end of financial year?**

Nil

- 2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes / No / N.A. / Remarks (additional information)**

Yes

- 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and pending as of end of financial year? If so, provide details thereof, in about 50 words or so.**

Nil

- 4. Did your Company carry out any consumer survey / consumer satisfaction trends?**

Yes. Consumer satisfaction survey is an integral part of the Company in line with ISO 9001:2008 QMS certification with effect from January, 2014.



ANNEXURE - V TO THE DIRECTORS' REPORT

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.3.2018
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN: L27201WB1967GOI028825
- ii) Registration Date: 9.11.1967
- iii) Name of the Company: Hindustan Copper Limited
- iv) Category / Sub-Category of the Company: Public Limited
- v) Address of the Registered office and contact details:
Tamra Bhavan, 1 Asutosh Chowdhury Avenue, Kolkata: 700019
Tel. No: 033-22832226, 033-22832676.
E-mail: investors_cs@hindustancopper.com
- vi) Whether listed company Yes[√] / No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any:
M/s. C B Management Services (P) Ltd.
P-22 Bondel Road, Kolkata - 700 019
Tel. No. : (033) 2280 6692, 4011 6700/18/23/28
Fax No. : (033) 4011 6739
E-mail : rta@cbmsl.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated: Continuous Cast Copper Wire Rod contributes 62.77% and Metal in Concentrate contributes 20.82% of the total turnover of the Company.

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---------|---------------------------------|---------|--------------------------------------|------------------------|-----------------------|
| 1 | NIL | N.A. | N.A. | N.A. | N.A. |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as Percentage of Total Equity)

i) Category-wise Share Holding

| Category of Shareholder | Number of shares held at the beginning of the year | | | | Number of shares held at the end of the year | | | | % change during the year |
|-------------------------|--|------------|------------------|-------------------|--|------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| (a) Individual/ HUF | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (b) Central Govt. | 766845176 | NIL | 766845176 | 82.88 | 703587852 | NIL | 703587852 | 76.05 | -6.83 |
| (c) State Govt.(s) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (d) Bodies Corp. | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (e) Banks/FI | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (f) Any Other | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub Total(A)(1) | 766845176 | NIL | 766845176 | 82.88 | 703587852 | NIL | 703587852 | 76.05 | -6.83 |



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

| Category of Shareholder | Number of shares held at the beginning of the year | | | | Number of shares held at the end of the year | | | | % change during the year |
|---|--|----------|-----------|-------------------|--|----------|-----------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| (2) Foreign | | | | | | | | | |
| (a) NRIs-Individuals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (b) Other- Individuals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (c) Bodies Corporate | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (d) Banks/FI | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (e) Any Other | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub Total(A)(2) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Total Shareholding of Promoter (A) = (A)(1)+(A)(2) | 766845176 | NIL | 766845176 | 82.88 | 703587852 | NIL | 703587852 | 76.05 | -6.83 |
| B. Public shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| (a) Mutual Funds | 3400000 | 100 | 3400100 | 0.37 | 576250 | NIL | 576250 | 0.06 | -0.31 |
| (b) Banks/FI | 15285408 | NIL | 15285408 | 1.65 | 13642904 | NIL | 13642904 | 1.47 | -0.18 |
| (c) Central Govt. | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (d) State Govt.(s) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (e) Venture Capital Funds | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (f) Insurance Companies | 105398113 | NIL | 105398113 | 11.39 | 120178560 | NIL | 120178560 | 12.99 | 1.60 |
| (g) FIIs /Foreign Portfolio Investors | 21174 | NIL | 21174 | NIL | 640186 | NIL | 640186 | 0.07 | 0.07 |
| (h) Foreign Venture Capital Funds | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (i) Other (specify) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub-Total (B)(1) | 124104695 | 100 | 124104795 | 13.41 | 135037900 | NIL | 135037900 | 14.59 | 1.18 |
| 2. Non-institutions | | | | | | | | | |
| (a) Bodies Corporate | | | | | | | | | |
| (i) Indian | 6475125 | 4200 | 6479325 | 0.70 | 15027733 | 4200 | 15031933 | 1.62 | 0.92 |
| (ii) Overseas | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| (b) Individuals | | | | | | | | | |
| (i) Individual shareholders holding nominal share capital up to ₹ 1 lakh | 23597339 | 85617 | 23682956 | 2.56 | 58550641 | 43545 | 58594186 | 6.33 | 3.77 |
| (ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh. | 3260494 | NIL | 3260494 | 0.35 | 10074383 | NIL | 10074383 | 1.09 | 0.74 |
| (c) Others (specify) | 845254 | NIL | 845254 | 0.09 | 2891746 | NIL | 2891746 | 0.31 | 0.22 |
| (i) Qualified Foreign Investor | 2500 | NIL | 2500 | NIL | NIL | NIL | NIL | NIL | NIL |
| (ii) Trust & Foundations | 1525 | NIL | 1525 | NIL | 106425 | NIL | 106425 | 0.01 | 0.01 |
| (iii) Non-Resident Individuals | 841229 | NIL | 841229 | 0.09 | 2741918 | NIL | 2741918 | 0.30 | 0.20 |
| (iv) IEPF | NIL | NIL | NIL | NIL | 43403 | NIL | 43403 | 0.01 | 0.01 |
| Sub-Total (B)(2) | 34178212 | 89817 | 34268029 | 3.70 | 86544503 | 47745 | 86592248 | 9.36 | 5.65 |
| Total Public Shareholding (B)= (B)(1)+(B)(2) | 158282907 | 89917 | 158372824 | 17.12 | 221582403 | 47745 | 221630148 | 23.95 | 6.83 |
| C. Shares held by Custodians for GDRs & ADRs | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| GRAND TOTAL (A+B+C) | 925128083 | 89917 | 925218000 | 100.00 | 925170255 | 47745 | 925218000 | 100.00 | NIL |



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

ii) Shareholding of Promoters

| Sl. No. | Share holder's name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % Change in share holding during the year |
|---------|---------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|---|---|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged/ encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged/ encumbered to total shares | |
| 1 | President of India | 766845176 | 82.88 | NIL | 703587852 | 76.05 | NIL | -6.83 |
| | Total | 766845176 | 82.88 | NIL | 703587852 | 76.05 | NIL | -6.83 |

iii) Change in Promoters' Shareholding (please specify, if there is no change)

| | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|----------------------------------|---|----------------------------------|
| | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| At the beginning of the year | 766845176 | 82.88 | 766845176 | 82.88 |
| Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc): | | | | |
| (i) Sale of shares to employees on 3.4.2017 | 25365 | Nil | 766819811 | 82.88 |
| (ii) Sale of shares to non-retail bidders on 2.8.2017 | 50535783 | 5.46 | 716284028 | 77.42 |
| (iii) Sale of shares to retail and non-retail bidders on 3.8.2017 | 12637066 | 1.36 | 703646962 | 76.06 |
| (iv) Sale of shares to employees on 25.10.2017 | 59110 | 0.01 | 703587852 | 76.05 |
| At the End of the year | | | 703587852 | 76.05 |

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|---|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | For Each of the Top 10 Shareholders At the beginning of the year Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc): At the End of the year (or on the date of separation, if separated during the year) | | | | |
| 1 | Life Insurance Corporation of India | | | | |
| | At the beginning of the year 01/04/2017 | 103033509 | 11.14 | 103033509 | 11.14 |
| | Increase Transfer 04/08/2017 | 28810056 | 3.11 | 131843565 | 14.25 |
| | Decrease Transfer 10/11/2017 | 647514 | 0.07 | 131196051 | 14.18 |
| | Decrease Transfer 17/11/2017 | 400000 | 0.04 | 130796051 | 14.14 |
| | Decrease Transfer 01/12/2017 | 1403634 | 0.15 | 129392417 | 13.98 |
| | Decrease Transfer 08/12/2017 | 1382194 | 0.15 | 128010223 | 13.83 |
| | Decrease Transfer 15/12/2017 | 656425 | 0.07 | 127353798 | 13.76 |
| | Decrease Transfer 22/12/2017 | 1933269 | 0.21 | 125420529 | 13.55 |



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

| Sl. No. | | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | | |
|---------|---|------------|---|----------------------------------|---|----------------------------------|-------|
| | | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company | |
| | Decrease | Transfer | 29/12/2017 | 4436245 | 0.48 | 120984284 | 13.07 |
| | Decrease | Transfer | 05/01/2018 | 2718527 | 0.29 | 118265757 | 12.78 |
| | Decrease | Transfer | 12/01/2018 | 3586340 | 0.39 | 114679417 | 12.39 |
| | Decrease | Transfer | 19/01/2018 | 10761 | 0.01 | 114668656 | 12.38 |
| | Decrease | Transfer | 26/01/2018 | 1050000 | 0.11 | 113618656 | 12.27 |
| | Decrease | Transfer | 02/02/2018 | 780504 | 0.08 | 112838152 | 12.19 |
| | Decrease | Transfer | 23/02/2018 | 200000 | 0.02 | 112638152 | 12.17 |
| | Decrease | Transfer | 02/03/2018 | 300000 | 0.03 | 112338152 | 12.14 |
| | At the end of the year | | 31/03/2018 | | | 112338152 | 12.14 |
| 2 | Punjab National Bank | | | | | | |
| | At the beginning of the year | 01/04/2017 | 5055979 | 0.07 | 5055979 | 0.55 | |
| | Increase | Transfer | 04/08/2017 | 2316600 | 0.25 | 7372579 | 0.80 |
| | Decrease | Transfer | 27/10/2017 | 20000 | 0.00 | 7352579 | 0.80 |
| | Decrease | Transfer | 31/10/2017 | 420000 | 0.04 | 6932579 | 0.75 |
| | Decrease | Transfer | 03/11/2017 | 4000000 | 0.43 | 2932579 | 0.32 |
| | Decrease | Transfer | 10/11/2017 | 2527932 | 0.27 | 404647 | 0.04 |
| | Decrease | Transfer | 10/11/2017 | 404647 | 0.04 | Nil | Nil |
| | At the end of the year | | 31/03/2018 | | | Nil | Nil |
| 3 | Central Bank of India | | | | | | |
| | At the beginning of the year | 01/04/2017 | 3696774 | 0.40 | 3696774 | 0.40 | |
| | At the end of the year | | 31/03/2018 | | 3696774 | 0.40 | |
| 4 | Bank of India | | | | | | |
| | At the beginning of the year | 01/04/2017 | 3311253 | 0.36 | 3311253 | 0.36 | |
| | At the end of the year | | 31/03/2018 | | 3311253 | 0.36 | |
| 5 | General Insurance Corporation of India | | | | | | |
| | At the beginning of the year | 01/04/2017 | 2124540 | 0.23 | 2124540 | 0.23 | |
| | Increase- Transfer | 04/08/2017 | 1544400 | 0.17 | 3668940 | 0.40 | |
| | Decrease- Transfer | 17/11/2017 | 60000 | 0.01 | 3608940 | 0.39 | |
| | Decrease- Transfer | 24/11/2017 | 8596 | 0.00 | 3600344 | 0.39 | |
| | At the end of the year | | 31/03/2018 | | 3600344 | 0.39 | |
| 6 | The New India Assurance Company Limited | | | | | | |
| | At the beginning of the year | 01/04/2017 | 1844904 | 0.20 | 1844904 | 0.20 | |
| | At the end of the year | | 31/03/2018 | | 1844904 | 0.20 | |
| 7 | United India Insurance Company Limited | | | | | | |
| | At the beginning of the year | 01/04/2017 | 1000000 | 0.11 | 1000000 | 0.11 | |
| | At the end of the year | | 31/03/2018 | | 1000000 | 0.11 | |
| 8 | Syndicate Bank | | | | | | |
| | At the beginning of the year | 01/04/2017 | 930000 | 0.10 | 930000 | 0.10 | |
| | At the end of the year | | 31/03/2018 | | 930000 | 0.10 | |
| 9 | National Insurance Company Limited | | | | | | |
| | At the beginning of the year | 01/04/2017 | 750000 | 0.08 | 750000 | 0.08 | |
| | At the end of the year | | 31/03/2018 | | 750000 | 0.08 | |
| 10 | The Oriental Insurance Company Limited | | | | | | |
| | At the beginning of the year | 01/04/2017 | 645160 | 0.07 | 645160 | 0.07 | |
| | At the end of the year | | 31/03/2018 | | 645160 | 0.07 | |



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

| Sl. No. | | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--------------------------------------|------------|---|----------------------------------|---|----------------------------------|
| | | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 11 | State Bank of India | | | | | |
| | At the beginning of the year | 01/04/2017 | 0 | | 0 | 0.00 |
| | Increase- Transfer | 04/08/2017 | 7720000 | 0.83 | 7720000 | 0.83 |
| | Decrease- Transfer | 09/08/2017 | 764500 | 0.08 | 6955500 | 0.75 |
| | Decrease- Transfer | 15/09/2017 | 791287 | 0.08 | 6164213 | 0.67 |
| | Decrease- Transfer | 13/10/2017 | 614863 | 0.07 | 5549350 | 0.60 |
| | Decrease- Transfer | 27/10/2017 | 1305000 | 0.14 | 4244350 | 0.46 |
| | Decrease- Transfer | 31/10/2017 | 905000 | 0.10 | 3339350 | 0.36 |
| | Decrease- Transfer | 03/11/2017 | 815000 | 0.09 | 2524350 | 0.27 |
| | Decrease- Transfer | 22/12/2017 | 2294350 | 0.25 | 230000 | 0.02 |
| | Increase- Transfer | 29/12/2017 | 370000 | 0.04 | 600000 | 0.06 |
| | Increase- Transfer | 05/01/2018 | 500000 | 0.06 | 1100000 | 0.12 |
| | Increase- Transfer | 12/01/2018 | 800000 | 0.09 | 1900000 | 0.21 |
| | Increase- Transfer | 19/01/2018 | 110000 | 0.01 | 2010000 | 0.22 |
| | Increase- Transfer | 26/01/2018 | 200000 | 0.02 | 2210000 | 0.24 |
| | Increase- Transfer | 09/02/2018 | 850000 | 0.09 | 3060000 | 0.33 |
| | Increase- Transfer | 23/02/2018 | 44000 | 0.01 | 3104000 | 0.34 |
| | Increase- Transfer | 02/03/2018 | 150000 | 0.01 | 3254000 | 0.35 |
| | Increase- Transfer | 09/03/2018 | 65000 | 0.01 | 3319000 | 0.36 |
| | At the end of the year | 31/03/2018 | | | 3319000 | 0.36 |
| 12 | Angel Broking Private Limited | | | | | |
| | At the beginning of the year | 01/04/2017 | 245928 | 0.03 | 245928 | 0.03 |
| | Increase- Transfer | 07/04/2017 | 12888 | 0.00 | 258816 | 0.03 |
| | Decrease- Transfer | 14/04/2017 | 37413 | 0.01 | 221403 | 0.02 |
| | Increase- Transfer | 21/04/2017 | 41074 | 0.01 | 262477 | 0.03 |
| | Increase- Transfer | 28/04/2017 | 11513 | 0.00 | 273990 | 0.03 |
| | Decrease- Transfer | 05/05/2017 | 15844 | 0.00 | 258146 | 0.03 |
| | Increase- Transfer | 12/05/2017 | 17421 | 0.00 | 275567 | 0.03 |
| | Decrease- Transfer | 19/05/2017 | 23354 | 0.00 | 252213 | 0.03 |
| | Decrease- Transfer | 26/05/2017 | 19258 | 0.00 | 232955 | 0.03 |
| | Increase- Transfer | 02/06/2017 | 6243 | 0.00 | 239198 | 0.03 |
| | Decrease- Transfer | 09/06/2017 | 4518 | 0.00 | 234680 | 0.03 |
| | Decrease- Transfer | 16/06/2017 | 31193 | 0.01 | 203487 | 0.02 |
| | Decrease- Transfer | 23/06/2017 | 69436 | 0.01 | 134051 | 0.01 |
| | Decrease- Transfer | 30/06/2017 | 26845 | 0.00 | 107206 | 0.01 |
| | Decrease- Transfer | 07/07/2017 | 4266 | 0.00 | 102940 | 0.01 |
| | Increase- Transfer | 14/07/2017 | 13560 | 0.00 | 116500 | 0.01 |
| | Decrease- Transfer | 21/07/2017 | 13078 | 0.00 | 103422 | 0.01 |
| | Increase- Transfer | 28/07/2017 | 21125 | 0.00 | 124547 | 0.01 |
| | Increase- Transfer | 04/08/2017 | 56440 | 0.01 | 180987 | 0.02 |
| | Increase- Transfer | 11/08/2017 | 281218 | 0.03 | 462205 | 0.05 |
| | Decrease- Transfer | 16/08/2017 | 38823 | 0.00 | 423382 | 0.05 |
| | Decrease- Transfer | 18/08/2017 | 15022 | 0.01 | 408360 | 0.04 |
| | Decrease- Transfer | 25/08/2017 | 15764 | 0.00 | 392596 | 0.04 |
| | Decrease- Transfer | 01/09/2017 | 60762 | 0.00 | 331834 | 0.04 |
| | Increase- Transfer | 08/09/2017 | 16024 | 0.00 | 347858 | 0.04 |
| | Decrease- Transfer | 15/09/2017 | 31128 | 0.01 | 316730 | 0.03 |
| | Increase- Transfer | 22/09/2017 | 42236 | 0.01 | 358966 | 0.04 |
| | Increase- Transfer | 29/09/2017 | 61209 | 0.01 | 420175 | 0.05 |
| | Decrease- Transfer | 06/10/2017 | 37744 | 0.01 | 382431 | 0.04 |
| | Increase- Transfer | 13/10/2017 | 52526 | 0.01 | 434957 | 0.05 |



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

| Sl. No. | | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-----------|--|------------|---|----------------------------------|---|----------------------------------|
| | | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | Decrease- Transfer | 20/10/2017 | 20307 | 0.01 | 414650 | 0.04 |
| | Increase- Transfer | 27/10/2017 | 520 | 0.00 | 415170 | 0.04 |
| | Increase- Transfer | 31/10/2017 | 53055 | 0.01 | 468225 | 0.05 |
| | Increase- Transfer | 03/11/2017 | 309296 | 0.03 | 777521 | 0.08 |
| | Increase- Transfer | 10/11/2017 | 527905 | 0.06 | 1305426 | 0.14 |
| | Decrease- Transfer | 17/11/2017 | 22974 | 0.00 | 1282452 | 0.14 |
| | Decrease- Transfer | 24/11/2017 | 164814 | 0.02 | 1117638 | 0.12 |
| | Increase- Transfer | 01/12/2017 | 48220 | 0.01 | 1165858 | 0.13 |
| | Increase- Transfer | 08/12/2017 | 127486 | 0.01 | 1293344 | 0.14 |
| | Decrease- Transfer | 15/12/2017 | 65114 | 0.01 | 1228230 | 0.13 |
| | Increase- Transfer | 22/12/2017 | 96455 | 0.01 | 1324685 | 0.14 |
| | Increase- Transfer | 29/12/2017 | 86095 | 0.01 | 1410780 | 0.15 |
| | Decrease- Transfer | 30/12/2017 | 450 | 0.00 | 1410330 | 0.15 |
| | Increase- Transfer | 05/01/2018 | 102627 | 0.01 | 1512957 | 0.16 |
| | Increase- Transfer | 12/01/2018 | 246313 | 0.03 | 1759270 | 0.19 |
| | Increase- Transfer | 19/01/2018 | 81673 | 0.01 | 1840943 | 0.20 |
| | Increase- Transfer | 26/01/2018 | 16552 | 0.00 | 1857495 | 0.20 |
| | Increase- Transfer | 02/02/2018 | 124795 | 0.01 | 1982290 | 0.21 |
| | Decrease- Transfer | 09/02/2018 | 300514 | 0.03 | 1681776 | 0.18 |
| | Decrease- Transfer | 16/02/2018 | 86552 | 0.01 | 1595224 | 0.17 |
| | Decrease- Transfer | 23/02/2018 | 29434 | 0.00 | 1565790 | 0.17 |
| | Decrease- Transfer | 02/03/2018 | 111305 | 0.01 | 1454485 | 0.16 |
| | Decrease- Transfer | 09/03/2018 | 137429 | 0.02 | 1317056 | 0.14 |
| | Decrease- Transfer | 16/03/2018 | 66213 | 0.00 | 1250843 | 0.14 |
| | Decrease- Transfer | 23/03/2018 | 18545 | 0.01 | 1232298 | 0.13 |
| | Decrease- Transfer | 30/03/2018 | 2276 | 0.00 | 1230022 | 0.13 |
| | Decrease- Transfer | 31/03/2018 | 2417 | 0.00 | 1227605 | 0.13 |
| | At the end of the year | 31/03/2018 | | | 1227605 | 0.13 |
| 13 | IL and FS Securities Services Limited | | | | | |
| | At the beginning of the year | 01/04/2017 | 102566 | 0.01 | 102566 | 0.01 |
| | Decrease- Transfer | 07/04/2017 | 5307 | 0.00 | 97259 | 0.01 |
| | Increase- Transfer | 14/04/2017 | 20825 | 0.00 | 118084 | 0.01 |
| | Increase- Transfer | 21/04/2017 | 26513 | 0.01 | 144597 | 0.02 |
| | Increase- Transfer | 28/04/2017 | 25298 | 0.00 | 169895 | 0.02 |
| | Increase- Transfer | 05/05/2017 | 8586 | 0.00 | 178481 | 0.02 |
| | Increase- Transfer | 12/05/2017 | 6474 | 0.00 | 184955 | 0.02 |
| | Decrease- Transfer | 19/05/2017 | 57248 | 0.01 | 127707 | 0.01 |
| | Increase- Transfer | 26/05/2017 | 34963 | 0.01 | 162670 | 0.02 |
| | Decrease- Transfer | 02/06/2017 | 3424 | 0.00 | 159246 | 0.02 |
| | Increase- Transfer | 09/06/2017 | 7672 | 0.00 | 166918 | 0.02 |
| | Increase- Transfer | 16/06/2017 | 5865 | 0.00 | 172783 | 0.02 |
| | Decrease- Transfer | 23/06/2017 | 6475 | 0.00 | 166308 | 0.02 |
| | Decrease- Transfer | 30/06/2017 | 22108 | 0.00 | 144200 | 0.02 |
| | Increase- Transfer | 07/07/2017 | 24982 | 0.00 | 169182 | 0.02 |
| | Increase- Transfer | 14/07/2017 | 44700 | 0.00 | 213882 | 0.02 |
| | Decrease- Transfer | 21/07/2017 | 28853 | 0.00 | 185029 | 0.02 |
| | Decrease- Transfer | 28/07/2017 | 26875 | 0.00 | 158154 | 0.02 |
| | Decrease- Transfer | 04/08/2017 | 3746 | 0.00 | 154408 | 0.02 |
| | Increase- Transfer | 11/08/2017 | 23964 | 0.00 | 178372 | 0.02 |
| | Increase- Transfer | 16/08/2017 | 50104 | 0.00 | 228476 | 0.02 |
| | Increase- Transfer | 18/08/2017 | 32100 | 0.01 | 260576 | 0.03 |
| | Increase- Transfer | 25/08/2017 | 122439 | 0.01 | 383015 | 0.04 |



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

| Sl. No. | | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|------------------------|------------|---|----------------------------------|---|----------------------------------|
| | | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | Decrease- Transfer | 01/09/2017 | 90716 | 0.01 | 292299 | 0.03 |
| | Increase- Transfer | 08/09/2017 | 92051 | 0.01 | 384350 | 0.04 |
| | Increase- Transfer | 15/09/2017 | 40522 | 0.01 | 424872 | 0.05 |
| | Decrease- Transfer | 22/09/2017 | 58676 | 0.01 | 366196 | 0.04 |
| | Increase- Transfer | 29/09/2017 | 12977 | 0.00 | 379173 | 0.04 |
| | Increase- Transfer | 06/10/2017 | 132046 | 0.02 | 511219 | 0.06 |
| | Increase- Transfer | 13/10/2017 | 16186 | 0.00 | 527405 | 0.06 |
| | Increase- Transfer | 20/10/2017 | 23191 | 0.00 | 550596 | 0.06 |
| | Increase- Transfer | 27/10/2017 | 3178 | 0.00 | 553774 | 0.06 |
| | Decrease- Transfer | 31/10/2017 | 31513 | 0.00 | 522261 | 0.06 |
| | Decrease- Transfer | 03/11/2017 | 106143 | 0.02 | 416118 | 0.04 |
| | Increase- Transfer | 10/11/2017 | 225127 | 0.03 | 641245 | 0.07 |
| | Decrease- Transfer | 17/11/2017 | 260616 | 0.03 | 380629 | 0.04 |
| | Increase- Transfer | 24/11/2017 | 7227 | 0.00 | 387856 | 0.04 |
| | Decrease- Transfer | 01/12/2017 | 1790 | 0.00 | 386066 | 0.04 |
| | Decrease- Transfer | 08/12/2017 | 27823 | 0.00 | 358243 | 0.04 |
| | Decrease- Transfer | 15/12/2017 | 27698 | 0.00 | 330545 | 0.04 |
| | Increase- Transfer | 22/12/2017 | 262798 | 0.02 | 593343 | 0.06 |
| | Decrease- Transfer | 29/12/2017 | 26943 | 0.00 | 566400 | 0.06 |
| | Decrease- Transfer | 30/12/2017 | 3998 | 0.00 | 562402 | 0.06 |
| | Decrease- Transfer | 05/01/2018 | 110108 | 0.01 | 452294 | 0.05 |
| | Increase- Transfer | 12/01/2018 | 163971 | 0.02 | 616265 | 0.07 |
| | Increase- Transfer | 19/01/2018 | 251870 | 0.02 | 868135 | 0.09 |
| | Decrease- Transfer | 26/01/2018 | 58098 | 0.00 | 810037 | 0.09 |
| | Increase- Transfer | 02/02/2018 | 83521 | 0.01 | 893558 | 0.10 |
| | Increase- Transfer | 09/02/2018 | 101357 | 0.01 | 994915 | 0.11 |
| | Increase- Transfer | 16/02/2018 | 73064 | 0.01 | 1067979 | 0.12 |
| | Decrease- Transfer | 23/02/2018 | 50352 | 0.01 | 1017627 | 0.11 |
| | Decrease- Transfer | 02/03/2018 | 9405 | 0.00 | 1008222 | 0.11 |
| | Decrease- Transfer | 09/03/2018 | 11467 | 0.00 | 996755 | 0.11 |
| | Decrease- Transfer | 16/03/2018 | 39184 | 0.01 | 957571 | 0.10 |
| | Decrease- Transfer | 23/03/2018 | 142390 | 0.01 | 815181 | 0.09 |
| | Increase- Transfer | 30/03/2018 | 102074 | 0.01 | 917255 | 0.10 |
| | Decrease- Transfer | 31/03/2018 | 13833 | 0.00 | 903422 | 0.10 |
| | At the end of the year | 31/03/2018 | | | 903422 | 0.10 |

v) Shareholding of Directors and Key Managerial Personnel:

None of the Directors and KMPs is holding shares in the Company.

| Sl. No. | Director and KMP | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | At the beginning of the year Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc): At the end of the year | | | | |
| | NIL | NIL | NIL | NIL | NIL |



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

I. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in crore)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|-------------------------------------|--------------------|------------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 204.98 | 267.09 | Nil | 472.07 |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | 2.16 | 0.63 | Nil | 2.79 |
| Total (i+ii+iii) | 207.14 | 267.72 | Nil | 474.86 |
| Change in Indebtedness during the financial year | | | | |
| • Addition | Nil | 236.96 | Nil | 236.96 |
| • Reduction | (52.07) | Nil | Nil | (52.07) |
| Net Change | (52.07) | 236.96 | Nil | 184.89 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 152.91 | 504.05 | Nil | 656.96 |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | 1.63 | 0.74 | Nil | 2.37 |
| Total (i+ii+iii) | 154.54 | 504.79 | Nil | 659.33 |

II. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A Remuneration to Managing Directors, Whole-time Directors and/or Manager:

(₹ in Lakh)

| Sl. No. | Particulars of Remuneration | Name of MD/WTD/Manager | | | | | | Total Amount |
|------------|---|------------------------|--------------|--------------|-----------------------|-----------------------|----------------------|-----------------|
| | | K.D. Diwan | S. Sharma | A. Anand | V.V. Venugopal Rao | S. K. Bhattacharya | S K Bandyopadhyay | |
| 1 | Gross salary | | | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 | 43.48 | 30.51 | 36.67 | 8.39 | 29.43 | 0 | 148.88 |
| | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 | 1.96 | 3.36 | 4.19 | 1.09 | 3.36 | 0 | 13.96 |
| | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Stock Option | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Sweat Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Commission | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | - as % of profit | | | | | | | |
| | - others, specify | | | | | | | |
| 5 | Others, please specify | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Total (A) | 45.44 | 33.87 | 40.86 | 9.48 | 32.79 | 0 | 162.44 |
| | Ceiling as per the Act | NA | | | | | | |



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

B Remuneration to other directors:

(₹ in Lakh)

| Sl. No. | Particulars of Remuneration | Name of Directors | | | | | Total Amount |
|---------|---|-------------------|----------------|-----------------|----------------|----------------|--------------|
| | | Simantini Jena | Hemant Mehtani | D R S Chaudhary | Niranjant Pant | Subhash Sharma | |
| 1 | Independent Directors • Fee for attending board/ committee meetings • Commission • Others, please specify | 1.70 | 1.60 | 0.30 | Nil | Nil | 3.60 |
| | Total (1) | 1.70 | 1.60 | 0.30 | Nil | Nil | 3.60 |
| 2 | Other Non-Executive Directors • Fee for attending board / committee meetings • Commission • Others, please specify | Nil | Nil | Nil | Nil | Nil | Nil |
| | Total (2) | Nil | Nil | Nil | Nil | Nil | Nil |
| | Total (B)=(1+2) | 1.70 | 1.60 | 0.30 | Nil | Nil | 3.60 |
| | Total Managerial Remuneration | | 3.60 | | | | |
| | Overall Ceiling as per the Act | | NA | | | | |

C Remuneration to Key Managerial Personnel other than MD/WTD:

(₹ in Lakh)

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | Total |
|---------|--|--------------------------|-------------------|-----|-----------------|
| | | CEO | Company Secretary | CFO | |
| 1 | Gross salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | | 31.62 0 0 | | 31.62 0 0 |
| 2 | Stock Option | | 0 | | 0 |
| 3 | Sweat Equity | | 0 | | 0 |
| 4 | Commission - as % of profit - others, specify | | 0 | | 0 |
| 5 | Others, please specify | | 0 | | 0 |
| | Total | | 31.62 | | 31.62 |

III. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority [RD/NCLT/COURT] | Appeal made, if any (give Details) |
|------------------------------|------------------------------|-------------------|--|---------------------------|------------------------------------|
| A. Company | | | | | |
| Penalty | | | Nil | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. Director | | | | | |
| Penalty | | | Nil | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. Other officers in default | | | | | |
| Penalty | | | Nil | | |
| Punishment | | | | | |
| Compounding | | | | | |



ANNEXURE - VI TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy

The philosophy of the Company in relation to corporate governance is to ensure transparency, disclosures and reporting that conforms fully with the laws and regulations of the country in order to promote ethical conduct and practices throughout the organization for enhancing stakeholders' value.

2. Board of Directors

(a) Composition:

As on date of report, the Board of Directors comprised four functional directors, viz., Chairman and Managing Director (CMD), Director (Personnel), Director (Mining) and Director (Finance), two Government nominee directors (part-time official) representing the Ministry of Mines, Government of India and four Independent directors (part-time non-official). The posts of Director (Operations) and three Independent directors are lying vacant. The Company has requested the Ministry of Mines, Government of India to fill up the vacant posts.

(b) Meetings, attendance & other directorship

During 2017-18, five Board meetings were held on 17.5.2017, 12.8.2017, 25.8.2017, 10.11.2017 and 31.1.2018. Attendance of directors at Board meetings and at the last Annual General Meeting (AGM), number of directorship and membership in committees of other companies during the year were as follows:

(i) Whole time Directors

| Name of the director | No of Board meetings attended out of 5 held | Attendance at last AGM held on 22.8.2017 | No of directorship in other companies | No of committee position held in other companies | |
|--|---|--|---------------------------------------|--|--------|
| | | | | Chairman | Member |
| Shri K D Diwan* CMD | 3 | Yes | NA | NA | NA |
| Shri Santosh Sharma** CMD | 5 | Yes | 2 | Nil | Nil |
| Shri Anupam Anand Director (Personnel) | 3 | Yes | Nil | Nil | Nil |
| Shri V V Venugopal Rao*** Director (Finance) | 1 | NA | NA | NA | NA |
| Shri S K Bhattacharya Director (Mining) | 5 | Yes | Nil | Nil | Nil |
| Shri Sukhen Kumar Bandyopadhyay# Director (Finance) | NA | NA | Nil | Nil | Nil |

(*Ceased to be director w.e.f. 31.8.2017, **Took over as CMD w.e.f. 1.9.2017, ***Ceased to be director w.e.f. 5.7.2017, #Joined as Director (Finance) w.e.f. 9.7.2018)

(ii) Part time official (Govt. Nominee) Directors

| Name of the director | No of Board meetings attended out of 5 held | Attendance at last AGM held on 22.8.2017 | No of directorship in other companies | No of committee position held in other companies | |
|--------------------------|---|--|---------------------------------------|--|--------|
| | | | | Chairman | Member |
| Shri N K Singh | 4 | No | Nil | Nil | Nil |
| Shri Subhash Chandra* | 4 | No | NA | NA | NA |
| Shri Bipul Pathak** | NA | NA | NA | NA | NA |
| Shri Anil Kumar Nayak*** | NA | NA | 1 | Nil | Nil |
| Shri Alok Chandra# | NA | NA | 1 | Nil | Nil |

(*Ceased to be director w.e.f. 16.2.2018, **Appointed as director on 16.2.2018 and ceased w.e.f. 26.3.2018, ***Appointed as director on 26.3.2018 and ceased w.e.f. 22.6.2018, #Appointed as director w.e.f. 22.6.2018)



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

(iii) Part time non-official (Independent) Directors

| Name of the director | No of Board meetings attended out of 5 held | Attendance at last AGM held on 22.8.2017 | No of directorship in other companies | No of committee position held in other companies | |
|---------------------------------|---|--|---------------------------------------|--|--------|
| | | | | Chairman | Member |
| Smt Simantini Jena | 5 | No | Nil | NA | NA |
| Shri Hemant Mehtani | 5 | Yes | 1 | Nil | Nil |
| Shri Dileep Raj Singh Chaudhary | 2 | No | 2 | Nil | 5 |
| Shri Niranjana Pant* | Nil | No | NA | NA | NA |
| Shri Subhash Sharma** | NA | NA | NA | NA | NA |

(* Ceased to be director on vacation of the post w.e.f. 1.4.2018, ** Appointed as director on 18.7.2018)

(c) Remuneration paid to Directors

(i) Whole-time Directors

The details of remuneration paid to the whole-time Directors during 2017-18 was as follows:

| Name of the Director | All elements of remuneration package i.e. salary, PF contribution, pension, gratuity, etc. (Rs.) | Performance Linked Incentives (Rs.) | Other Benefits (Rs.) | Total (Rs.) |
|--|--|-------------------------------------|--|-------------|
| Shri K D Diwan CMD (up to 31.8.2017) | 42,33,894 | 2,42,297 | Medical : 0 Accommodation : 3,45,384 Electricity : 28,120 | 48,49,695 |
| Shri Santosh Sharma CMD (w.e.f. 1.9.2017) | 32,81,221 | 50,031 | Medical : 9,784 Accommodation : 7,24,487 Electricity : 41,921 | 41,07,444 |
| Shri Anupam Anand Director (Personnel) | 37,96,404 | 1,94,815 | Medical : 47,380 Accommodation : 7,28,194 Electricity : 39,780 | 48,06,573 |
| Shri V V Venugopal Rao Director (Finance) (up to 5.7.2017) | 7,54,953 | 1,52,046 | Medical : 6,675 Accommodation : 3,13,140 Electricity : 15,453 | 12,42,267 |
| Shri S K Bhattacharya Director (Mining) | 31,68,851 | 44,094 | Medical : 22,355 Accommodation : 6,02,292 Electricity : Nil | 38,37,592 |
| Shri Sukhen Kumar Bandyopadhyay Director (Finance) (from 9.7.2018) | NA | NA | Medical : NA Accommodation : NA Electricity : NA | NA |
| Total | 1,52,35,323 | 6,83,283 | 29,24,965 | 1,88,43,571 |

(ii) Part time non-official (Independent) Directors

Independent directors were not paid any remuneration except sitting fees at the rate of Rs. 10,000/- per Board meeting and per Committee meeting. The rate of sitting fees has been enhanced to Rs. 15,000/- per meeting w.e.f. 21.4.2018. During 2017-18, the amount of sitting fees paid to Independent directors was as follows:

| Sl. No. | Name of the director | Sitting Fees (Rs) | | |
|---------|---------------------------------|-------------------|--------------------|----------|
| | | Board meetings | Committee meetings | Total |
| 1 | Smt Simantini Jena | 50,000 | 1,20,000 | 1,70,000 |
| 2 | Shri Hemant Mehtani | 50,000 | 1,10,000 | 1,60,000 |
| 3 | Shri Dileep Raj Singh Chaudhary | 20,000 | 10,000 | 30,000 |
| 4 | Shri Niranjana Pant | Nil | Nil | Nil |
| 5 | Shri Subhash Sharma | NA | NA | NA |
| | Total | 1,20,000 | 2,40,000 | 3,60,000 |



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

(iii) **Part time official (Govt. Nominee) Directors**

The Govt. Nominee Directors are not entitled to any remuneration. They are only eligible for travelling, boarding & lodging expenses for attending meetings.

Service contracts, notice period, severance fee:

The whole time directors are appointed by the President of India for a period of five years from the date of taking over charge or till the date of superannuation (presently 60 years of age) or till further order from the Government of India, whichever event occurs the first. The appointment may, however, be terminated by either side on three months notice or on payment of three months salary in lieu thereof.

Part time official (Government nominee) directors representing the Ministry of Mines are appointed by the President of India till further orders from the Ministry of Mines.

Part time non-official (Independent) directors are appointed by the President of India for a period of three years.

There is no provision for payment of severance fees to directors.

3. Audit Committee

The terms of reference of the Audit Committee is as per the Companies Act, 2013 and SEBI (LODR), 2015.

During 2017-18, the Committee met four times on 17.5.2017, 12.8.2017, 10.11.2017 and 31.1.2018. The composition of the Committee and attendance of the members at the meetings is given below:

| Name | Category | Position | Number of meetings attended out of 4 held |
|----------------------------------|----------------------|----------|---|
| Shri Dileep Raj Singh Chaudhary* | Independent Director | Chairman | Nil |
| Shri Hemant Mehtani** | -do- | Chairman | 4 |
| Smt Simantini Jena | -do- | Member | 4 |
| Shri Niranjan Pant* | -do- | Member | Nil |
| Shri S K Bhattacharya*** | Director (Mining) | Member | 2 |

(*Ceased to be chairman/ member w.e.f. 21.8.2017, **Appointed as Chairman of the Committee from 21.8.2017, ***Inducted as Member w.e.f. 21.8.2017)

4. Nomination and Remuneration Committee

The terms of reference of the Committee is as per the Companies Act, 2013, SEBI (LODR), 2015 and office memorandum No.2 (70) / 08-DPE (WC)-GL-XVI / 08 dated 26.11.2008, issued by the Department of Public Enterprises (DPE), Government of India (GoI). In terms of above office memorandum, the Committee also recommends payment of Performance Related Pay (PRP) and policy for its distribution across the executives (including functional directors) of the Company within the prescribed limits.

Being a Government Company, the remuneration, the terms and conditions of appointment of Directors and Key Managerial Personnel (KMP) and employees of the Company are governed by the guidelines issued by the DPE, GoI from time to time.

During 2017-18, the Committee met twice on 17.5.2017 and 31.1.2018. The composition of the Committee and attendance of the members at the meetings is given below:

| Name | Category | Position | Number of meeting attended out of 2 held |
|----------------------------------|------------------------|----------|--|
| Shri Hemant Mehtani | Independent Director | Chairman | 2 |
| Smt. Simantini Jena | -do- | Member | 2 |
| Shri Dileep Raj Singh Chaudhary* | -do- | Member | Nil |
| Shri Subhash Chandra** | Govt. Nominee Director | Member | Nil |

(*Inducted as Member from 29.3.2018, **Ceased to be Member from 16.2.2018)



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

5. Stakeholders Relationship Committee

The composition of the Stakeholders Relationship Committee is as follows:

| Name | Category | Position |
|---------------------|----------------------|----------|
| Shri Hemant Mehtani | Independent Director | Chairman |
| Shri Anupam Anand | Director (Personnel) | Member |

During 2017-18 the Company did not receive any complaint and there was no complaint pending as on 31.3.2018. Shri C S Singhi, Company Secretary is the Compliance Officer.

6. General body meeting

Annual General Meeting:

Details of Annual General Meetings held during last three years are as under:

| Year | Date | Time | Location | Number of special resolutions passed |
|---------|-----------|----------|--|--------------------------------------|
| 2015-16 | 17.8.2015 | 10:30 AM | Tamra Bhavan, 1 Ashutosh Chowdhury Avenue, Kolkata- 700019 | 1 |
| 2016-17 | 26.9.2016 | 10:30 AM | -do- | 1 |
| 2017-18 | 22.8.2017 | 10:30 AM | -do- | 1 |

Extraordinary General Meeting: Nil

Postal Ballot Meeting: No special resolution was passed last year through postal ballot. No special resolution is proposed to be conducted through postal ballot in the ensuing AGM.

7. Means of communication:

The quarterly and annual financial results are generally published in Business Standard (English) and Anand Bazar Patrika (Bengali). The financial results are also made available at the Company's website www.hindustancopper.com in addition to furnishing of the same to the NEAPS portal of NSE and Listing Centre portal of BSE.

8. General Shareholder information

(i) 51st Annual General Meeting (AGM)

Date : 27th September, 2018

Time : 11:00 AM

Venue : Biswa Bangla Convention Centre, Biswa Bangla Sarani, Block DG, New Town, Kolkata 700156

(ii) Financial Year : From 1st April to 31st March each year

(iii) Book closure date : 21st September, 2018 to 27th September, 2018 (both days inclusive)

(iv) Dividend payment date : The Dividend, if declared at the AGM, would be paid to shareholders within 30 days from the date of AGM.

(v) Listing on Stock Exchanges:

| Name of Stock Exchanges | Address | Stock Code | Date from which listed | Payment of listing fee for FY 2018-19 |
|--|---|------------|------------------------|---------------------------------------|
| BSE Limited | Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 | 513599 | 2.8.1994 | Yes |
| National Stock Exchange of India Limited | Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 | HINDCOPPER | 15.9.2010 | Yes |



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

(vi) Registrar & Share Transfer Agent

M/s C B Management Services (P) Ltd
P- 22, Bondel Road, Kolkata- 700 019
Telephone: (033) 2280 6692, 4011 6700 /18 /23 /28
Fax: (033) 4011-6739
E-mail: rta@cbmsl.com

(vii) Share transfer system

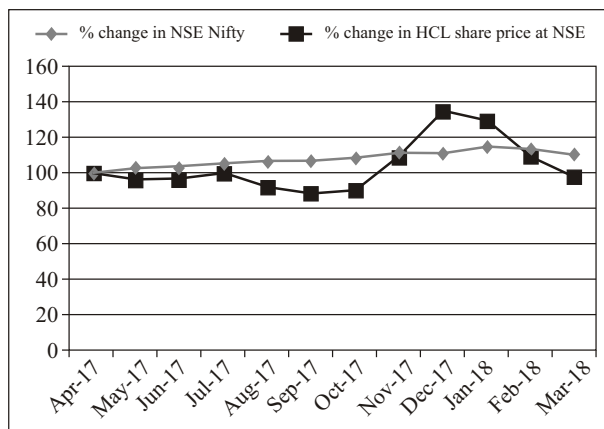
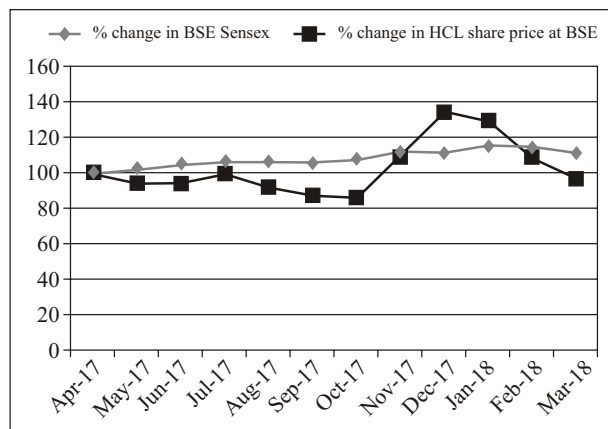
Share transfer requests lodged with the Company are processed by RTA and certificates dispatched to the buyers within 15 days from the date of lodgment.

(viii) Stock market price data

Monthly high and low price of Company's shares traded on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) during the FY 2017-18 was as follows:

| Month | BSE | | NSE | |
|----------------|----------|---------|----------|---------|
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| April 2017 | 70.70 | 64.30 | 70.65 | 64.20 |
| May 2017 | 71.85 | 60.60 | 71.95 | 61.75 |
| June 2017 | 66.90 | 60.50 | 66.80 | 62.00 |
| July 2017 | 74.70 | 64.00 | 75.00 | 64.00 |
| August 2017 | 72.60 | 59.25 | 72.60 | 59.05 |
| September 2017 | 66.65 | 56.50 | 66.50 | 56.55 |
| October 2017 | 72.40 | 55.45 | 72.40 | 58.05 |
| November 2017 | 110.55 | 70.20 | 110.50 | 70.05 |
| December 2017 | 105.60 | 86.50 | 105.60 | 86.65 |
| January 2018 | 103.30 | 83.20 | 103.25 | 83.00 |
| February 2018 | 84.60 | 70.00 | 84.00 | 69.55 |
| March 2018 | 75.70 | 62.35 | 75.65 | 62.45 |

(ix) Share price of HCL in comparison to BSE SENSEX and NSE NIFTY over the base of March, 2017 high price in percentage terms is plotted below:





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

(x) Shareholding Pattern as on 31.3.2018

| Sr. No. | Category | No. of shares held | % |
|---------|------------------------------|---------------------|------------|
| 1 | President of India | 70,35,87,852 | 76.05 |
| 2 | Mutual Funds | 5,76,250 | 0.06 |
| 3 | Financial Institutions/Banks | 1,36,42,904 | 1.47 |
| 4 | Insurance Companies | 12,01,78,560 | 12.99 |
| 5 | Bodies Corporate | 1,50,31,933 | 1.62 |
| 6 | NRIs/FIIs/QFIs | 33,82,104 | 0.37 |
| 7 | Trusts & Foundations | 1,06,425 | 0.01 |
| 8 | Indian Public | 6,86,68,569 | 7.42 |
| 9 | IEPF | 43,403 | 0.01 |
| | Total | 92,52,18,000 | 100 |

(xi) Distribution of shareholding as on 31.3.2018

| Range | | Shares | Folios | % Shares |
|------------------|--------|------------------|---------------|---------------|
| 1 | 500 | 16070410 | 107193 | 1.74 |
| 501 | 1000 | 9998238 | 11963 | 1.08 |
| 1001 | 2000 | 8932900 | 5713 | 0.96 |
| 2001 | 3000 | 5981823 | 2305 | 0.65 |
| 3001 | 4000 | 3432848 | 950 | 0.37 |
| 4001 | 5000 | 4270523 | 890 | 0.46 |
| 5001 | 10000 | 8797205 | 1177 | 0.95 |
| 10001 | 50000 | 14715609 | 737 | 1.59 |
| 50001 | 100000 | 4428509 | 60 | 0.48 |
| 100001 and above | | 848589935 | 67 | 91.72 |
| Total | | 925218000 | 131055 | 100.00 |

(xii) Dematerialization of shares and liquidity

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 the Company's equity shares is INE531E01026 with effect from 29.8.2008. Status of dematerialization as on 31.3.2018 was as follows:

| Particulars | No. of Shares | % of Holding | No. of folio |
|--------------|---------------------|---------------|-----------------|
| DEMAT : | | | |
| a) N S D L | 89,15,14,003 | 96.35 | 72,028 |
| b) C D S L | 3,36,56,252 | 3.64 | 58,525 |
| PHYSICAL | 47,745 | 0.01 | 502 |
| Total | 92,52,18,000 | 100.00 | 1,31,055 |

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

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



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

(xiv) Plant locations

- | | | |
|---|--|--|
| 1. Indian Copper Complex P.O.Ghatsila, Dist.Singhbhum, Jharkhand | 2. Khetri Copper Complex P.O.Khetrinagar, Dist.Jhunjhunu Rajasthan | 3. Malanjkhand Copper Project P.O.Malanjkhand, Dist.Balaghat Madhya Pradesh |
| 4. Taloja Copper Project P.O.Taloja, Dist.Raigad Maharashtra | 5. Gujarat Copper Project 747, GIDC Industrial Area Jhagadia, Bharuch Gujarat | |

(xv) Address for correspondence

Hindustan Copper Ltd.
"Tamra Bhawan",
1 Ashutosh Chowdhury Avenue,
Kolkata 700019
e-mail: investors_cs@hindustancopper.com
Tel. No. (033) 2283 2226/2676

9. Disclosures

The Company has not entered into any transaction of material significance with the related parties during the year. The Company's Policy on Related Party Transactions is available at its website www.hindustancopper.com.

No penalties/strictures have been imposed on the Company by Stock Exchanges, SEBI or any statutory authority on any matters related to capital markets during last three years.

The Company has formulated Whistle Blower Policy and it is affirmed that no personnel has been denied access to the Audit Committee. The Policy is available at the Company's website at www.hindustancopper.com.

None of the directors of the Company are inter se related as on 31.3.2018. As per declaration given, none of the non-executive directors are holding any equity shares / convertible instruments in the Company. Familiarization programme imparted to Independent Directors is available at the Company's website at www.hindustancopper.com.

Pursuant to Regulation 17(8) of SEBI (LODR) 2015, the CEO and CFO of the Company have given compliance certificate to the Board.

The Company has complied with Regulations 17 to 27 of SEBI (LODR), 2015 as applicable except that Independent directors are less than 50% of the Board. The Company has disseminated on its website all information as listed under clause (b) to (i) of Regulation 46 (2) of SEBI (LODR), 2015. The Company has not adopted any discretionary requirements specified in Part E of Schedule II of SEBI (LODR), 2015.

Commodity price risk or foreign exchange risk and hedging activities: Price of Company's copper products are linked to London Metal Exchange copper prices. As regard foreign exchange risk, the Company has a natural hedge.



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

CERTIFICATE ON CORPORATE GOVERNANCE

**To the Members,
Hindustan Copper Limited,
Kolkata**

We have examined the compliance of conditions of corporate governance by Hindustan Copper Limited ('the Company'), for the year ended 31st March, 2018, as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination is 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 Regulations except that during the financial year 2017-18 the numbers of Independent Directors did not comprise at least 50% of the Board of Directors, when an executive director is the Chairman of the Board as required under the above Regulations.

We have been explained no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

NK & Associates
Practicing Company Secretaries
CPNo 3725

Navin Kothari
Partner
MRN: FCS 5935

Place: Kolkata
Date: 11.07.2018



ANNEXURE - VII TO THE DIRECTORS' REPORT

MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

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

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Hindustan Copper Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) SEBI (Prohibition of Insider Trading) Regulations, 2015;
 - c) SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - d) SEBI (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during the Audit Period);
 - e) SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - f) SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.
 - g) SEBI (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - h) SEBI (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period);



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

- (vi) Corporate Governance Guidelines issued by the Department of Public Enterprise vide their OM. No. 18(8)/2005- GM dated 14th May, 2010;
- (vii) Laws specifically applicable to the industry to which the Company belongs, as identified by the management, that is to say:
 - a) The Mines Act, 1952
 - b) Explosive Act, 1884 and Explosive Rules, 2008
 - c) Mines & Minerals (Development & Regulation) Act, 1957
 - d) The Metalliferous Mines Regulations, 1961
 - e) Indian Forest Act, 1927

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Non-Executive Directors. All appointment was made in compliance of the provision of the Act. However, in the case of Independent Directors, the Company did not have minimum required 50% Independent Director. As on 31.3.2018, three posts of Independent directors are lying vacant (i. e. one post since 19.3.2016 and two posts since 22.10.2016) as per the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, since the Company is having an Executive Chairman and the matter has been referred to the Ministry of Mines, Government of India for filling of the vacant posts.

Adequate notice is given to all directors to schedule the Board meetings, agenda and detailed notes on agenda are sent as per the provisions of the Act, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Place : Kolkata
Date : 16.4.2018

Arup Kumar Roy
Practicing Company Secretary
C P No. 9597 ACS No. 6784

Note: This report is to be read with my letter of even date which is annexed as 'Annexure A' and forms an integral part of this report.



ANNEXURE - VII TO THE DIRECTORS' REPORT (*Contd.*)

ANNEXURE A TO SECRETARIAL AUDIT REPORT

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

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as are appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. In view of financial records and books of accounts being subjected to audit by the Internal Auditor, Statutory Auditor, Cost Auditor and C&AG Auditor and relying on the reports submitted by the above agencies from time to time, I have not separately verified the financial records and books of accounts of the Company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules and regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Date: 16.4.2018
Place: Kolkata

Arup Kumar Roy
Practicing Company Secretary
C P No. 9597; ACS No. 6784



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF HINDUSTAN COPPER LIMITED, KOLKATA FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of Hindustan Copper Limited for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act) is the responsibility of the management of the Company. The Independent Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on these financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 May 2018.

I, on behalf of the Comptroller and Auditor General of India, have conducted Supplementary Audit under Section 143(6) (a) of the Act of the financial statements of Hindustan Copper Limited for the year ended 31 March 2018. This supplementary audit has been carried out independently without access to the working papers of the independent auditor and is limited primarily to inquiries of the independent auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

Independent Auditor's Report

Para 5 Emphasis of Matter

In sub para (1) it was wrongly indicated as 'Annexure A to Clause No. 28' instead of 'Annexure A to Clause No. 29'.

Para (i) (b) of Annexure I

Fixed Assets of Gujarat Copper Project (GCP) and Regional Office Sales East (ROSE) have been verified as per laid down programme, the Auditors comment is not correct so far as these two units are concerned.

Para (x) of Annexure I

It was disclosed by the management vide Sl. no. 14 of Note no. 39 of General Notes on Accounts that no fraud by the company or on the company by its officer's and employees noticed or reported during the year. Thus, Auditor's report on this regard is not correct.

Para (2) 3.00 of Annexure III

It was reported that Accounting Standards are not complied in many cases which is contradictory to Opinion (Para 4) in Independent Auditors Report.

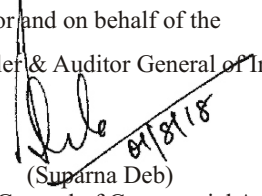
Para 12.00 of Annexure III

The Auditor failed to share any documentary evidence with C&AG in support of their claim of "deep rooted conspiracy" to drain the Company of its valuable resources for the benefit of others.

Para 14.00 of Annexure III

The amount should be Rs 7.22 crore in place Rs 72.22 crore as mentioned in the Report.

Place : Kolkata
Date : 01 August 2018

For and on behalf of the
Comptroller & Auditor General of India

(Suparna Deb)
Director General of Commercial Audit
& Ex-officio Member, Audit Board-I,
Kolkata



TEN YEARS AT A GLANCE

(₹ in lac)

| YEAR | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| FOR THE YEAR | | | | | | | | | | |
| Turnover | 164791 | 121694 | 106895 | 112749 | 161590 | 147527 | 163818 | 128128 | 142985 | 134910 |
| Gross Profit/(Loss) | 14297 | 10321 | 3973 | 8113 | 43297 | 40790 | 47448 | 33939 | 21933 | 1230 |
| Depreciation and Amortisation | 16465 | 14190 | 11901 | 11285 | 17414 | 15098 | 14406 | 9727 | 8104 | 7372 |
| Net Profit/(Loss) | 7961 | 6194 | 3774 | 6760 | 28642 | 35564 | 32346 | 22410 | 15468 | (1031) |
| Value Added | 86797 | 77979 | 72406 | 71578 | 116505 | 95385 | 114697 | 99195 | 70182 | 40206 |
| Value of production | 176744 | 161785 | 121035 | 121947 | 176557 | 177106 | 170421 | 140946 | 150604 | 134428 |
| AT THE YEAR END | | | | | | | | | | |
| Share Capital | 46261 | 46261 | 46261 | 46261 | 46261 | 46261 | 46261 | 46261 | 46261 | 46261 |
| Internal Resources | 180652 | 171407 | 162902 | 206288 | 198993 | 179070 | 151400 | 127597 | 120069 | 102695 |
| Borrowings | 56215 | 40656 | 20715 | - | - | - | - | - | - | - |
| Cash credit from banks | 9481 | 6551 | - | - | - | - | - | - | 5 | 230 |
| Capital expenditure gross | 224181 | 179198 | 161749 | 174149 | 155190 | 142135 | 127855 | 122921 | 116923 | 111085 |
| Working Capital | 15092 | 56312 | 62351 | 79225 | 87638 | 82999 | 68585 | 52658 | 36501 | 36116 |
| Capital employed | 48292 | 91737 | 80163 | 99426 | 108817 | 103632 | 89502 | 73975 | 58464 | 57086 |
| Manpower (No.) | 2508 | 2843 | 3252 | 3676 | 4112 | 4498 | 4810 | 5100 | 5300 | 5440 |



INDEPENDENT AUDITOR'S REPORT

To the Members of Hindustan Copper Limited

Report on the Financial Statements

We have audited the accompanying Financial Statements of Hindustan Copper Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence, we have obtained is sufficient and appropriate, to provide a basis for our audit opinion on the Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements, give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India including the IndAS, of

- i) the state of affairs (financial position) of the Company as at 31st March, 2018, and
- ii) its profit (financial performance including other comprehensive income),
- iii) its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to the following matters in the Note No 39-General Notes on Accounts to the Financial Statements:

- 1) Our observations as per Annexure A to the Clause No. 28, which may have material impact on the state of affairs as well as the profit for the year and the comparative previous years' figures. However, the company will review the observations during the current year and make the accounting adjustments, if needed.
- 2) Vide Clause No. 1 (i) which describes the uncertainty related to the outcome of various lawsuits filed and claims of demand raised against the Company by various authorities/parties and its financial impact on the Financial Statements of the company. The Company has treated those demands as disputed and not acknowledged as debt in the books and treated the same as Contingent Liabilities, the total amount of which comes to Rs.51765.56 lacs.



INDEPENDENT AUDITOR'S REPORT (Contd.)

- 3) Vide Clause No. 8 which describes the balances under the head Sundry Creditors, Claims Recoverable, Loans & Advances, Sundry Debtors and Deposits from and with various parties/Govt. Dept. etc. have not been confirmed in number of cases.
- 4) As stated in Clause No. 3 of Note No. 39 - General Notes on Accounts, the title deed for leasehold land received from the State Government and certain freehold lands acquired through nationalization in accordance with Indian Copper Corporation (Acquisition of Undertaking) Act, 1972 in respect of Indian Copper Complex (ICC) have not yet been executed in favour of the Company and in Clause No 6 of Note No 39 - General Notes on Accounts, title deeds were not obtained/held in the name of the company in respect of office flat at SCOPE Complex, Delhi and Jaipur office for book value of Rs 62.88 Lac (Previous year Rs 68.06 Lac) as well as Land & Building for book value of Rs 6138.52Lac (Previous year Rs 6300.54Lac) of Gujarat Copper Project (GCP).

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(5) of the Act, we give in the Annexure-II a statement of our replies to the directions /additional directions issued by the Comptroller and Auditor General of India (C&AG)
3. As required by section 143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes 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 those books.;
 - (c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Change in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, to the extent applicable.
 - (e) In our opinion, provisions under section 164(2) of the Act, regarding disqualification of Directors are not applicable to a Government company in terms of Notification No. G.S.R. 463(E) dated 05.06.2015 issued by Ministry of Corporate Affairs.
 - (f) With respect to the adequacy of internal financial control over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in the Annexure-III, and
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Financial Statements (vide Clause No. 1 (i) of Note No. 39 - General Notes on Accounts) and our comments made in paragraph 'Emphasis of Matter'.
 - ii. The Company did not have any material foreseeable losses on long-term contract including derivative contracts.
 - iii. According to the information and explanations given to us, there were no amounts which were required to be transferred to Investor Education and Protection Fund by the company.

For J Gupta & Co.
Chartered Accountants
Firm Reg. No 314010E

CA Abhishek Raj
Partner
M.No. 302648

Place: New Delhi
Date: 30.05.2018



ANNEXURE - I TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in our report of even date)

- (i) (a) The Company has not maintained proper records so as to show full particulars including quantitative details and situation of its Fixed Assets. The summary of discrepancies in the records are as below:
1. Fixed Asset Register does not show the following particulars in most of the cases:
- a) Location/situation
 - b) Identification (Land may be identified by survey numbers and by deeds of conveyance, Railway sidings can be identified by length and location, Vehicles can be identified by reference to the registration books.). At the point of identification, a code number may be affixed on the asset which would give sufficient details for future identification.
 - c) Quantity
 - d) Component wise break up (Plant and Machinery may be sub-divided into fixed and movable)
 - e) adjustment for revaluation or for any increase or decrease in cost
 - f) particulars regarding impairment
 - g) particulars regarding sale, discarding, demolition, destruction, etc
 - h) particulars in respect of those items of fixed assets that have been fully depreciated or amortised or have been retired from active use and held for disposal.
 - i) particulars in respect of items of fixed assets that have been fully impaired during the period covered by the audit report.
 - j) name& designation of the person who has custody of the asset for the time being.
 - k) Deemed Cost, being the WDV as on 01.04.2015, which has been substituted in place of Gross Block.
- (b) The company has a laid down programme of physical verification of its fixed assets by which all fixed assets are required to be verified in a phased manner over a period of three years. (Vide Clause No.26 of Note No. 39 - General Notes on Accounts). At TCP, GCP, ROSW and ROSE, the assets have not been verified during last 4 years. At KCC, the external agency engaged for physical verification has ascertained that 16 Nos. of Fixed Assets in 14 Assets Code, consisting of mainly heavy vehicles, having original cost of Rs.191 lakhs (WDV on 31.12.17 Rs.96 lakhs) were physically not available. However, in the same report, it has been mentioned that the same were lying at the Administration Office "as discussed during audit and over the phone". This evidences that there is total lack of control on the safeguard and proper use of the assets.
- (c) As such, we are not aware about the extent of material discrepancies, if any, of physical balance with book balance. In our opinion, the periodicity of physical verification having regard to the size of the company and the nature of its assets, is not reasonable.
- (d) The Company, in spite of repeated assurances in the past few years as reported in the past audit reports, has not taken any steps to maintain Register of Land and Building (Immovable Property) showing the details of title deeds held in the name of the Company or otherwise including total number of such cases and whether the same are leasehold/freehold.
- (e) Title deeds of all the immovable properties (except as specified on Emphasis of Matter paragraph as above) are held in the name of the Company. However, original title deeds are not made available to us except 11 flats at Panvel, Mumbai with original cost of Rs.11.27 lakhs (at present not being used).
- (ii) (a) According to the information and explanations given to us, the inventories of Store & Spares have been physically verified by the management / external agencies during the year. However, in the case of physical stock of Raw Material, Finished Goods and Semi Finished and In-Process Stock, is stated to have been physically verified at the year end by the management and the same exactly tallies with the Book Stock. Therefore, no discrepancy between physical stock with the book stock has been determined. However, in view of the nature, volume and frequency of transaction, such NIL discrepancy in the Stock is not acceptable. In view of lack of authenticity of physical stock, we disclaim to express any opinion as to whether the periodicity of physical verification is reasonable having regard to the size of the company and the nature of its business. However, certain discrepancies arising out of verification of Store & Spares between the physical stocks and book records were noticed, which were material considering size of the Company and the nature of its business and the same have not been properly dealt with in the books of account. For example at KCC, shortage amounting to Rs.146 lakhs (which includes 192485 Ltrs of HSD valued at Rs.127 lakhs) was found apart from observation about several discrepancies in the maintenance of records. In the remarks, it is mentioned that,"For the HSD Tank at Central Stores the move orders pending for transactions viz. .were entered and transacted. The physical qnty and book qnty is tallying. HSD qnty161700 is available at KPOWER-K15 ORG as confirmed by Elec Dept." There was opening provision of Rs.114 lakh and additional provision of Rs.33 lakh has been made to disclose the closing provision is of Rs.147 lakhs. Therefore, the discrepancy has not been properly accounted for. This evidences that there is lack of control on the safeguard and proper use of the assets.



ANNEXURE - I TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

- (iii) The Company has not furnished us any register, if any, maintained under section 189 of the Companies Act, 2013. However, the Company has not granted any loans, secured or unsecured, during the year, to any companies, firms, limited liability partnerships or other parties. In view of above, the clauses 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.
- (iv) According to information and explanations given to us, the company has not advanced any loan, given any guarantee or provided any security in connection with such loan and given/made any loan/investment within the meaning of section 185 and 186 of the Companies Act, 2013. However, since the Company has not provided the details of parties covered under section 185 of the Act, we are unable to comment on the matter of granting any loans or providing any guarantees or security to such parties, if any. The Company has made investments in the Mutual Funds, which is not the business activity of the Company. The reasons of such market risk bearing investment has not been explained to us.
- (v) According to the information and explanations given to us, the company has not accepted any deposit from the public within the meaning of Section 73 to 76 or any other relevant provision of the Companies Act, 2013 and the rules framed thereunder and as such, reporting under this clause is not applicable to the Company.
- (vi) According to the information and explanations given to us, maintenance of cost records by the Company has been specified by Central Government under sub section (1) of section 148 of the Companies Act, 2013. We have broadly reviewed such cost records and we are of the opinion that, prima facie, such accounts and records have been made and maintained.
- (vii) (a) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employee state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, Cess and other statutory dues with the appropriate authorities where applicable. There is no arrear of outstanding statutory dues as at 31st March 2018 for a period of more than six months from the date they became payable excepting Rs.1207.41 Lac (Rs.1081.96 Lac) towards Water Cess payable to Water Resources Department, Govt. of Jharkhand since the financial year 1999-2000.
- (b) According to the records of the Company and information and explanations given to us, the following are the details of disputed dues in respect of income tax, sales tax, entry tax, service tax, duty of custom, duty of excise, value added tax and Cess as on 31st March 2018:

| Statement of Disputed Statutory Dues as on 31.03.2018 | | | | |
|---|----------------------|------------------------------------|--|--------------------|
| Name of the Statute | Nature of Dues | Period to which the amount relates | Forum where dispute is pending | Amount (₹ in lacs) |
| West Bengal Value Added Tax Act, | State Sales Tax/ VAT | 2004-05 (RSOE) | Dy. Commissioner (Appeal) | 10.46 |
| West Bengal Value Added Tax Act, | State Sales Tax/ VAT | 2008-09 (RSOE) | Sr. Jt. Commissioner (Appeal) | 50.12 |
| West Bengal Value Added Tax Act, | State Sales Tax/ VAT | 2010-11 (RSOE) | Addl. Commissioner (Appeal) | 4.73 |
| Central Sales Tax Act | Central Sales Tax | 2007-08, 2008-09 & 2010-11 (ICC) | Commissioner of Commercial Taxes, Jamshedpur | 1679.47 |
| Central Excise Act | Central Excise | 1985-86 (ICC) | CESTAT | 60.60 |
| Central Excise Act | Central Excise | 1997-98 TO 1999-00 (ICC) | CESTAT | 203.52 |
| Central Excise Act | Central Excise | 1995-96 (ICC) | CESTAT | 15.65 |
| Central Excise Act | Central Excise | 2000-01 TO 2003-2004 (ICC) | CESTAT | 1501.76 |
| Central Excise Act | Central Excise | 2000-2001 TO 2001-2002 (ICC) | CESTAT | 283.40 |
| Central Excise Act | Central Excise | 1996-97 (ICC) | CESTAT | 1.46 |
| Central Excise Act | Central Excise | 1998 (ICC) | Supreme Court of India | 16.00 |
| Madhya Pradesh Value Added Tax Act, | Entry Tax | 1994-95 (MCP) | Commissioner (Appeals) Jabbalpur | 5.38 |
| Madhya Pradesh Value Added Tax Act, | State Sales Tax/ VAT | 2009-2010 (MCP) | Sales tax Authority (Bhopal) | 34.47 |
| Madhya Pradesh Value Added Tax Act, | State Sales Tax/ VAT | 2011-12 (MCP) | Sales tax Authority (Bhopal) | 16.66 |
| Madhya Pradesh Value Added Tax Act, | State Sales Tax/ VAT | 2012-13 (MCP) | Sales tax Authority (Bhopal) | 99.89 |
| Central Excise Act | Central Excise | 2005-06 TO 2007-08 (MCP) | Commissioner Central Excise | 64.19 |



ANNEXURE - I TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

| Name of the Statute | Nature of Dues | Period to which the amount relates | Forum where dispute is pending | Amount (₹ in lacs) |
|----------------------------------|----------------------|---|--|--------------------|
| Central Excise Act | Central Excise | 1998-99 TO 2017-18 (KCC) | Commissioner Central Excise | 1693.66 |
| Rajasthan Value Added Tax Act, | Central Excise | 2007-08 TO 2014-15 (KCC) | Dy. Commissioner Appeal (Bikaner) | 311.67 |
| Income Tax Act | Income Tax | 2016-17 & 2017-18 (KCC) | Commissioner of Income Tax ,Jaipur | 13.20 |
| Central Excise Act | Central Excise | 2007-08 TO 2017-18 (TCP) | CESTAT | 828.38 |
| Maharashtra Value Added Tax Act, | State Sales Tax/ VAT | 1994-95,2011-12 & 2012-13 (TCP) | Appellate Authority | 171.14 |
| Income Tax Act | Income Tax | 2001-02,2002-03, 2003-04,2005-06, 2006-07,2007-08, 2011-12 & 2012-13 (HO) | High Court, ITAT & Commissioner of Income Tax (Appeal) | 10547.08 |
| GR TOTAL | | | | 17612.89 |

*RSOE - Regional Sales Office East, *ICC - Indian Copper Complex *MCP - Malanjkhand Copper Project

*TCP - Talaja Copper Project, * KCC - Khetri Copper Complex, *CO - Corporate Office

- c) According to the information and explanations given to us, there are no dues of sales tax, income tax, wealth tax, excise duty, service tax and cess, which have not been deposited on account of any dispute.
- (viii) According to information and explanations given to us, the Company has not defaulted in repayment of loan or borrowing to financial institutions, banks or government and dues to debenture holders.
- (ix) According to the information and explanations given to us, the Company has applied the term loans for the purpose for which they were obtained. During the year the Company has not raised any amount through initial public offer or further public offer.
- (x) We have not been furnished any information and explanation whether there were any fraud by the Company or any fraud on the Company by its officers and employees noticed or reported during the year.
- (xi) According to the information and explanations give to us, provisions of section 197 of the Companies Act, 2013 regarding managerial remuneration are not applicable to the Government Company in terms of Notification No G.S.R. 463(E) dated 05.06.2015 issued by Ministry of Corporate Affairs and as such, reporting under this clause is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi company and as such, reporting under this clause is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed in the Financial Statements as required by the applicable accounting standards, where applicable.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and as such, reporting under this clause is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him/her and as such, reporting under this clause is not applicable to the Company.
- (xvi) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934 and as such, reporting under this clause is not applicable to the Company.

For J Gupta & Co.
Chartered Accountants
Firm Reg. No 314010E

CA Abhishek Raj
Partner
M.No. 302648

Place: New Delhi
Date: 30.05.2018



ANNEXURE - II TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in our report of even date)

CAG Directions

Report pursuant to directions/additional company specific directions issued by office of the Comptroller and Auditor General of India (C& AG) under Section 143(5) of the Companies Act, 2013

1. Directions:

Whether the company has clear/title/ lease deeds for freehold land and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/lease deeds are not available?

Actions Taken:

In the absence of Register of Land showing details of freehold and leasehold land vis-à-vis title/lease deeds of those lands being reconciled with each other, we are unable to state the area of freehold and leasehold land for which title/lease deeds are not available with the Company. However, as stated in Clause No. 3 and 6 to Note No. 39 - General Notes on Accounts, leasehold land received from State Government as well as freehold land acquired through nationalization in accordance with Indian Copper Corporation (Acquisition of Undertaking) Act, 1972, in respect of Indian Copper Complex (ICC) and freehold & leasehold land of 3709.55 Lac in respect of Gujarat Copper Project (GCP), have not yet been executed in favour of the Company.

Impact on the Accounts & Financial Statements:

Gross Block & Net Block of Leasehold/ Freehold Land, wherever applicable, have been duly shown in the accounts and Financial Statements. Hence there is no impact on the accounts and Financial Statements.

2. Directions:

Whether there are any cases of waiver /write off of debts /loans/ interest etc., if yes, the reasons therefor and the amount involved.

Actions Taken:

As per information and explanation given to us, there was no case of waiver of debts/ loans/ interest etc. during the year except provisions made till last year on long pending provisions of Rs. 1367.42 lakhs against which action taken, if any, has not been explained with documentary evidences thereof. This amounts to prolonging ultimate waivers and write off actions on later dates.

Impact on the Accounts & Financial Statements:

Since provisions has been made, there is no additional impact, therefor, in the accounts.

3. Directions:

Whether proper records are maintained for inventories lying with third parties & assets received as gift from Government or other authorities.

Actions Taken:

As per information and explanation given to us, proper records are maintained for inventory lying with third parties. However, there is no inventory lying with third parties as on 31.03.2018.

The company has not received any gift from Government or other authorities during the year.

Impact on the Accounts & Financial Statements:

There is no impact on the accounts and Financial Statements.

No such cases, hence there is no impact on the accounts and Financial Statements.

For **J Gupta & Co.**
Chartered Accountants
Firm Reg. No 314010E

CA Abhishek Raj
Partner
M.No. 302648

Place : New Delhi
Date : 30.05.2018



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Hindustan Copper Limited ("the Company") as of 31st March 2018 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is not sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

Our observations on each of the criteria are as below:

- (1) Criteria:

Maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

Observation:

Our various observations of the basis of qualification and the CARO Report describes that the records are not maintained in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.

- (2) Criteria:

Reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

Observation:

- 1.00 Reconciliation of material, particularly, Semi Finished and In-Process Material based on Matching Concept not available.
- 2.00 Liability and contingent liability arising from the past events, viz., Purchase Orders issued and extent of execution of thereof till year end are not available.
- 3.00 Accounting Standards are not complied in many cases.
- (3) Criteria:
Reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

Observation:

- 1.00 Use of company's manufacturing facilities have been made for converting third parties raw material into Finished Products without routing the same through the production records, e.g., 32 Cmt of CCCWR at TCP and 999 Cmt of MIC at GCP. Further, idle capacity at TCP is utilised to convert third party Cathode into CCR, while own produced Cathode at GCP is sold without conversion.
- 2.00 Expenditure of Research and Development and on acquisition of Hydrometallurgy has been incurred for which there was note of discord in the Board of Directors meetings.
- 3.00 Expenditure has been incurred on the proposed 1 Mill TPA project for which there was note of discord in the Board of Directors meetings.
- 4.00 Acquisition of GCP with low and uneconomical capacity, had been made without making due diligence and TEFR by independent agency. Dubious background of the JCL, which had been taken over was not discussed in Board of Directors meeting. TEFR was prepared by one of the lenders to the Sellers. The recommended cost of acquisition was suggested by this lender above the computed price giving ROI of 15%. The rosy operating projections have not been achieved. Although the acquisition had taken place in previous year, but the evidence of its being uneconomical are available since last 2 years.
- 5.00 Sulphuric Acid Plant at KCC was disposed off to Avik Global Solutions P Ltd during the year at ₹644 lakh, having WDV of ₹24.53 lakhs. The sale was originally approved by CMD on 12.09.2017 for ₹722 lakh to Colours County Developers P Ltd. who did not lift the material. On retendering, Avik Global Solutions P Ltd was awarded the contract, which was approved by CMD on 30.01.2018. However, as per the Guidelines for Write Off and Disposal of Surplus Stores, Equipment and Scrap Material, the power of CMD was only upto ₹5 lakhs. Therefore, the CMD has exceeded his powers in this regard. KYC of the said company, namely, Avik Global Solutions P Ltd, seems to have not been done, since the paid up capital of the Company is only ₹1 lakh, with no worthwhile background and it seems to be shell or paper company. The credentials of the party have not been verified. Further, DOA prescribes the basis as WDV of the disposed off asset instead of estimated realisable value.
- 6.00 There is no working manual pertaining Material, Marketing, updated Finance/ Accounts Manual covering Ind As requirement, Contract, Project Monitoring, Works Procedure, HR-Personnel-employee benefits.
- 7.00 We were not produced the details and documents pertaining to Budgetary Control for both Revenue and Capital Expenditure.
- 8.00 The Company has been allotting contracts by ignoring the obvious facts and allowing the bidding in different names by one person thus encouraging the monopolistic and restrictive activities. One such instance is as below:

PPO No 7585, 7690 and 7585 were awarded through open Tender where the Departmental Estimates was lower than the Tender Awarded Value and the same has been awarded to L1 parties, namely, Mi2c Securities & Facilities P Ltd (Mi2C) and Prehari Cyber Security & Facilities P Ltd. (Prehari). These both parties are of the Same Management Group and these 2 parties only were the technically qualified bidders. As per the Purchase Manual, any kind of Cartel Should be avoided to get the Tender. Out of the 3 parties participated in the bid, one was rejected in the technical round itself, and rest 2 were related Parties, Further the Tender exceeded the Departmental Estimates during awarding of Contract.

The Company has represented that both the bidders had different sets of promoters apart from different CIN, PAN, MA & AA etc and also the address. However, following indicates that there is close nexus between the two bidder.

1. As per the reply received from the Management end, Prehari & MI2C has submitted the MOA and AOA, the AOA clearly mention the name of the 1st Subscriber of the Both Companies as Cyber Dyne Private Limited, Cyber Dyne Private Limited hold 70% in MI2C and 74% in Prehari, Further 99% of Share of cyber Dyne is hold by Mr. Pranav Tekchand.
2. The promoters, Pranav Tek Chand and Krishna Pal Singh Rana were the 1st Directors of MI2C since its incorporation, Krishna Pal Singh Rana resigned from Board of MI2C on 05th July 2017 and currently the Company has (MI2C) 3 Director i.e) Pranav Tek Chand, ii) Parveen Kumar Sharma iii) Manu Bansal. Pranav Tek Chand and Krishna Pal Singh Rana were the 1st Directors of Prehari since its incorporation and they resigned from the Board on 15th December 2016 and appointed two new Director Sukhdev Singh Lall and Anand Kumar but continue to hold the Share through 74% share through cyber Dyne Private Limited. Cyber Dyne is Controlled by Pranav Tek Chand who hold 99% of Shareholding and Directorship of the Company since its incorporation. Both the Company MI2C and Prehari are having same Address as per the ROC records i.e 8/40, South Patel Nagar, New Delhi-110 060.



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

3. These clearly indicate MI2C and Prehari are related Parties and forming cartel to get the Labour and Manpower Supply work. In the Past also either MI2C or Prehari are getting Work on the Basis of Carteling and also getting extension in their Work order on regular Basis. Management fails to identify or willingly allowed to form Cartel is Major Internal Control Lapses and Loss to the Company. The same need to be Further Investigated by vigilance to check Fraud aspect. Currently Prehari and MI2C are enjoying the Monopoly in Khetri area in regards to getting Labour Contract and Manpower Supply Work.
- 9.00 We have not found any stock holding norms of Raw materials, semi finished goods and finished goods in the Finance Manual of HCL approved by the boards. Approximately seven and half months stock of Metal in Concentrate is held in stock, which is very high.

10.00 **GCP**

10.01 Acquisition of GCP

The unit was acquired from Jhagadia Cooper Ltd (JCL). JCL was constructed on leasehold land of 3.13 lakh sqmtr as per agreement dt 08.12.1994 and Lease Deed dt 29.09.1996 with GIDC. The past performance of JCL immediately before its closure were as below (Rs/Cr):

| | Mar 10 12 mths | Mar-09 12 mths | Mar-08 18 mths | Sep-06 12 mths | Sep-05 18 mths |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| INCOME | | | | | |
| Revenue From Operations [Gross] | 65.03 | 368.64 | 374.71 | 237.91 | 0 |
| Less: Excise/Service Tax/Other Levies | 2.22 | 3.33 | 5.74 | 6.39 | 0 |
| Revenue From Operations [Net] | 62.81 | 365.3 | 368.96 | 231.53 | 0 |
| Total Operating Revenues | 62.81 | 365.3 | 368.96 | 231.53 | 0 |
| Other Income | 0.34 | -34.31 | 18.26 | -1.84 | 0 |
| Total Revenue | 63.15 | 331 | 387.22 | 229.68 | 0 |
| EXPENSES | | | | | |
| Cost Of Materials Consumed | 74.52 | 321.21 | 400.69 | 218.02 | 0 |
| Operating And Direct Expenses | 18.82 | 8.53 | 17.7 | 3.14 | 0 |
| Changes In Inventories Of FG,WIP And Stock-In Trade | -5.32 | 55.28 | -15.44 | -7.02 | 0 |
| Employee Benefit Expenses | 4.73 | 5.09 | 8.36 | 2.63 | 0 |
| Finance Costs | 112.21 | 86.93 | 127.3 | 30.39 | 0 |
| Depreciation And Amortisation Expenses | 72.65 | 72.46 | 108.76 | 27.58 | 0 |
| Miscellaneous Expenses Written Off | 0 | 0 | 0 | 3.75 | 0 |
| Other Expenses | 7.52 | 38.88 | 9.76 | 7.63 | 0 |
| Total Expenses | 285.12 | 588.38 | 657.13 | 286.11 | 0 |
| EBIDTA | -37.11 | -98.00 | -33.84 | 1.54 | 0.00 |
| PBT | -221.97 | -257.39 | -269.90 | -56.43 | 0.00 |
| PAT | -221.97 | -257.48 | -270.02 | -56.47 | 0.00 |
| Average LME Rate (USD/Ib) | 2.79 | 2.66 | 3.27 | 2.89 | |

The above performance relates to the period when the Copper prices were at high level. The Average LME Rates are stated above. The average rates during 2014-15, when the Unit was taken over were also at the same level. Further, the substantial part of the operations of JCL was based on imported raw material. This signifies that the operations of the Unit were uneconomical and due to this only, JCL could not make over its continuous loss.

- 10.02 Asset Reconstruction Company (India) Limited (ARCIL), after taking over the outstanding of the long term financial assistances from the majority of the secured lenders, namely, IDBI Bank, ICICI Bank, SBI and IFCL, started the process of inducing strategic investor and initiated discussions with various domestic and international parties to evolve a viable restructuring/ revival package. Several efforts were made by ARCIL in 2008-09. However, none of the investors submitted any financial offer for investment in JCL. Further efforts were made in 2009-10. However, once again no encouraging response was received from the investors.



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

As the operations of JCL were closed, it did not have sufficient funds to maintain the plant and machinery, which were required to be maintained continuously so that the machinery does not deteriorate. ARCIL was required to spend a total amount of ₹10 crores from April 2010 to August 2012 so that plant and machinery of the company are maintained and the factory of JCL can be restarted at a short notice by the new investors. In 2011, a public advertisement inviting bids came to be issued for leasing the plant and machinery of JCL for a period of 3 years. However, the process could not be completed as the interested parties did not show any inclination towards taking the plant and machinery on lease and no bids were received in the process.

In 2012, once again efforts were initiated, however, the offer received was much below the reserve price. In 2013, fresh process for sale of secured movable and immovable properties of JCL through public auction under the provisions of the Securitisation Act read with Security Interest Enforcement Rules, 2002 came to be published on 02.08.2013. Once again, there was complete lack of interest from the investors and no bids were submitted in the process.

Guj HC had ordered to liquidate JCL on 11.06.14. Asset Reconstruction Company (India) Limited (ARCIL) had approached (via e-mail dated 12.08.2014) HCL, seeking the interest of the company in the acquisition of assets of the Jhagadia Copper Limited (JCL). Based on the request of ARCIL, the company appointed IFCI, one of the co-lenders of JCL, as consultant to assess the viability of the investment in the proposed acquisition of JCL.

10.03 In the Board of Directors' meeting held on 13.11.2014, following returns on investment were expected, considering the two business option given below: -

Option I: Operating the refinery plant on standalone basis,

Option II: Operating both smelter and refinery plant.

Against option I, IRR of the project was shown as 23.82% against an investment of ₹225 crore (including repair cost of ₹15 crore) based on the assumption that the Company will source around 30000 MT of anodes from Hindalco (for tolling to cathode), 10000 MT of own anode from tolling of KCC concentrate and surplus anodes from ICC to produce 40000 MT cathode.

Against option II, IRR of the project was shown as 18.99% against an investment of ₹245 crore (including repair cost of ₹35 crore) based on the assumption that the Company will source around 19000 MT of low grade copper scrap and 800 MT of own scrap to operate the smelter.

Board accorded in-principle approval for undertaking due diligence in connection with the proposed acquisition of JCL from ARCIL. Subsequently, ARCIL issued Public Notice for the sale of JCL on 17.11.2014, which was extended to 06.01.15. Single bid was received by JCL from HCL on 06.01.15 and on the same day, the bid of HCL was accepted. The bid of HCL was just and almost equal to the estimated reserved price, i.e., ₹210 crores. This shows that all the activities were pre-determined before issue of Public Notice by ARCIL. Incidentally, IFCI, whose Advisory Report was had been relied, was one of the Lenders to JCP. Therefore, there was conflict of interest in the assignment given to IFCI for advising on the Bid.

Subsequently, IFCI came up with another Final Report advising HCL to bid at ₹210 Cr. In that also, IFCI discussed the 2 options as in their Initial Report. In the Final Report, certain figures were changed, but the basic fabric of the content of the Report remained same. In the Final Report also, IFCI gave 2 options as below:

Against option I, IRR of the project was shown as 15% against an investment of ₹215 crore (including repair cost of ₹25 crore) based on the assumption that the Company will source around 12000 MT of own anode from tolling of KCC concentrate and of 3000 MT surplus anodes from ICC and 10000 MT Anodes from outside to produce 25000 MT cathode.

Against option II, IRR of the project was shown as 15% against an investment of ₹270 crore (including repair cost of ₹50 crore) based on the assumption that the Company will source around 18900 MT of copper scrap (94%), 300 MT of Low grade (25% Cu) copper HCL scrap and 800 MT of High grade (94% Cu) copper HCL scrap to operate the smelter.

As can be seen, there were significant variation in the initial and final projections for which the reasons were not stated in the Report. Further, the Report analysed that it was beneficial to opt for both Refinery and Smelter. The Report valued the JCL at ₹254 Cr for 12% IRR and ₹180 Cr for 15% return and advised to bid at ₹210 Cr. The reason of taking a mid-value of ₹210 Cr instead of ₹180 Cr has not been mentioned in the Report.

10.04 There were several computation mistakes in the Cash Flows etc. as disclosed in the IFCI Report. Some are as below:

10.04.1 In the Cash Flow, the Change in Bank Borrowings for Working Capital in the Cash Inflows and the Change in Total Working Capital is same., which is not correct since Bank Borrowings has to be only 75% of the working capital, because 25% is presumed to be margin money.

10.04.2. Increase in Equity Capital has been disclosed in the Balance Sheet, which does not tally with the Cash Inflows.

10.04.3. The Turnover from Cathode has been estimated at substantially low average rate in the first 2 years at ₹3000 per MT and 3rd year at ₹4000 per MT. This sort of projections are not correct. Further, the Production of cathode has been shown to be the same quantity as the quantity of Raw Material consumed. This is also not correct. The cost of ICC Anode has been taken at ₹288500/MT while that of KCC Anode has been taken at ₹367000/MT. In the Cost of Raw Material from KCC/ICC Anode has been taken for 15000 MT at average rate of ₹352000/MT while cost of scrap has been taken as ₹246666/MT, which again seems to be unrealistic. Therefore, the expenses have been shown at unrealistically low level and a lot of arbitrariness has been included in the projections to arrive at positive IRR.



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

- 10.04.4. It has been stated at the outset in the Report that JCL had become non-performing due to lack of working capital. However, since the projections of IFCI shows that there are positive returns from running the Project, it was not explained in the Report as why the lenders did not support the Unit by providing Working Capital since the lenders had CDR scheme to help the genuine borrowers for restructuring the debts etc. The honest discussion has not been done in the Report as to the reasons of the Unit not operating satisfactorily. Even the Unit could be rented out to any other party to run the plant. Instead it has been kept idle for years together. There seems to be a lot of water flowing below the skeleton discussion done in the Report.
- 10.04.5. The Report also calculates the Equity IRR apart from the Project IRR. There is no need of such extraneous calculations since Equity IRR has to be better than Project IRR because of the projected operating margins are higher than borrowing cost. This calculation has been done just to impress and induce HCL to bid for the Project.
- 10.04.6. Finally, the Company purchased JCL pursuant to Order dt 27.01.15 of Guj HC in February, 2015 at a capital cost of ₹ 210 crore from ARCIL as a single bidder. Total capital investment including repair & maintenance and other miscellaneous expenses (excluding IDC) for acquisition of JCL was. estimated at ₹ 293.34 crore with a projected IRR of 13.70% and equity IRR of 27.86% as per final evaluation by IFCI. Possession of JCL by HCL was ken on 30.04.2015.
- 10.04.7. Total capex made by the company in acquisition of JCL was ₹ 306 Crore till 31.03.2018 and there are outstanding capital commitments of ₹ 15 Cr, totalling ₹ 321 Cr against projection of ₹ 302 Cr. The company had taken in May, 2015, a term loan of ₹ 200 crore (in equivalent US\$ 31.27 Mill.) from Export-Import Bank of India for investment in JCL at floating rate of 6 month LABOR of 0.42% + 258 bsp, i.e. 3% . The disbursement was made on 12.06.2015. The loan is repayable in 8 half yearly installments of USD 3.91 Mill. each starting from 03.07.2017 and ending on 01.01.2021. Mortgage was to be created by 12.09.15, but the same is still pending since the lease deed has not yet executed by GIDC in favour of the company. Exim Bank charges penal interest at 1% since mortgage formalities were not completed by 31.03.2016. The required mortgage formalities were not completed; Land Building and PPE at TCP valued at ₹ 78.46 Cr were offered as security The project was renamed as Gujarat Copper Project (GCP) from JCL. Trial run operation of GCP (refinery only) started on 22.06.2016.
- 10.05. Observations:
- 10.05.1. It was primarily assumed in the Feasibility report that refinery will be fed by KCC anodes (after toll smelting of concentrates), surplus ICC anodes and anodes to be procured from Hindalco. However, the company has been either converting KCC concentrates into cathodes by third party or selling the KCC concentrate even after the taking over of JCL which implied that KCC anodes are not suitable for use in GCP. Further; anodes are not available from Hindalco (since their capacity of smelter and refinery is same) on a regular basis and ICC does not have any substantial quantity of surplus anode for refining in GCP. Kaldo Furnace is a secondary smelter which depends upon the copper scrap mainly and not suitable to consume Metal in Concentrate produced at different units of HCL due to high sulphur content. Raw material sourcing for Refinery from KCC Kheri unit 8000 MT p.a anode and from ICC Ghatsila unit 3000 MT p.a surplus anode is presumably wrong since KCC smelter is on non operation from 2008 and ICC had no surplus production of anode since last two years.
- Thus, all the assumptions made in the feasibility report regarding anodes for sourcing Refinery were not correct.
- 10.05.2. The company had imported (May, 2016) 1000 MT blister copper from Zambia (a country with duty free tariff preference) for refining in GCP refinery due to non-availability of anode from the sources assumed in Feasibility report. Management has calculated that marginal cost of refining the imported blister in GCP would be ₹ 343876/MT (cost of Cathode) with the assumption of LME price of copper @US\$4945.50/MT and exchange rate of ₹ 67.07/US\$ and will contribute ₹ 16671/MT of wire rod produced out of imported blister considering only variable cost of wire rod plant. However, this contribution/MT is inadequate to recover the estimated fixed cost (₹ 35 crore), depreciation (₹ 18.3 crore), interest on loan (₹ 9.5 crore) & working capital (₹ 7 crore), amounting to ₹ 70 crore of GCP and fixed cost of ₹ 14.52 crore of TCP. It was, further, observed that the above contribution was possible because of savings in basic customs duty of 5% (₹ 16434/MT) due to import of copper from Zambia. Thus, there will not be any contribution from the refinery of GCP at present LME rate of copper & rupee exchange rate if the import of anode/blister copper is made from a country having no duty free tariff preference. Landed cost of imported cathode at TCP procured from a country having duty free tariff preference (DFTP) would have been ₹ 332000/MT at the LME copper price of US\$4945.50/MT and RBI reference rate of ₹ 67.07/US\$ where as marginal cost of cathode produced at GCP out of imported blister copper comes to ₹ 343876/MT implying that import of cathode is more economical than production in GCP.
- 10.05.3. There was no relation between raw material procurement projection and projected profit & loss statement. In the raw material projection it was assumed that Anode will be procured from the local market from the first year whereas projected profit & loss statement did not consider any anode procurement cost from local market. Similarly, it was assumed in raw material projection that scrap will be procured 8900 MT & 18900 MT respectively in the first year & second year from the local market but profit & loss statement did not consider the cost of scrap for the first two year.
- 10.05.4. Capacity of GCP is 50000 MT. Capacity utilization of the plant has been shown as 90% from the fourth year of operation, i.e., 45000 MT. However, Profit & loss statement considered only production of 33000 MT Cathode from the 5th year onwards.
- 10.05.5. It was assumed in the Feasibility Report that 18900 MT copper scrap quantity will be procured from the local market (@90.8% of LME + ₹ 1100 towards transportation charges/MT) from the third year of operation to feed the smelter (Kaldo furnace). However, no records are available in support of the fact that copper scraps are sold in the local market at the above rate. It was observed from international scrap metal prices during August '16 that copper scrap prices on FOB basis varied from 88% to 89% of LME cash



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

settlement price and therefore landed cost of copper scrap would be much higher than 90.8% of LME (as envisaged in the Feasibility report) after considering shipping cost, insurance cost, port clearing charges & basic customs duty of 5%. Thus, profit projections made in the projected profit & loss statement does not hold good.

- 10.05.6. In view of the above, it can be concluded that all the assumptions made in the Feasibility report were misleading and therefore, the profitability projection made for GCP was incorrect. Thus, there will be no profitability in GCP, considering the meagre contribution expected to be generated, from processing of blister copper/ copper scrap etc. and the lower volume of operation in view of limited availability of material to run the smelter & refinery.
- 10.05.7. A comparison between the projections and actual are as below, which shows that the projections were unrealistically optimistic. The Unit has incurred loss of ₹ 7 Cr and ₹ 24 Cr during the year ended 31.03.17 and 31.03.18 respectively without considering the notional ROI of 10% on average investment of about ₹ 250 Cr from own sources. Thus, the company would have been in better financial position as on 31.03.18 by about ₹ 80 Cr.

| Projections - Profit & Loss Account (Rs/Cr) | 1 | 2 | 3 | 31/03/2017 | 31/03/2018 |
|---|---------------|---------------|---------------|-------------------|-------------------|
| Cathode Production (MTPA) | 25000.00 | 25000.00 | 35000.00 | | 12668.00 |
| Turnover (Cr) | 484.00 | 484.00 | 941.00 | 312.23 | 565.73 |
| Av Price realised per MT (Rs.) | 193600.00 | 193600.00 | 268857.14 | | 446581.94 |
| Decrease of Stock | | | | -168.89 | 78.43 |
| Anode from Hindalco | 0.00 | 0.00 | 0.00 | | 0.00 |
| Total Cost of Raw Material | 380.00 | 380.00 | 776.90 | 438.60 | 436.52 |
| Fixed Cost | 35.00 | 35.00 | 35.00 | 15.96 | 19.71 |
| Variable Cost | 18.00 | 18.00 | 47.00 | 21.30 | 28.49 |
| Total Operating Cost | 433.00 | 433.00 | 858.90 | 306.97 | 563.15 |
| EBITDA | 51.00 | 51.00 | 82.10 | 5.28 | 2.58 |
| Interest on Loan | 23.42 | 23.42 | 21.96 | 3.18 | 7.38 |
| Interest on WC | 6.66 | 6.66 | 12.94 | 0.00 | 0.00 |
| Depreciation | 18.34 | 18.34 | 18.34 | 9.00 | 18.68 |
| PBT | 2.59 | 2.59 | 28.87 | -6.90 | -23.48 |
| | | | | | |
| Balance Sheet | 1 | 2 | 3 | 31/03/2017 | 31/03/2018 |
| Gross Fixed Assets | 300.90 | 300.90 | 300.90 | 275.89 | 306.26 |
| Less Acc Depn | 18.34 | 36.68 | 55.02 | 8.99 | 27.88 |
| Net Fixed Assets | 282.56 | 264.22 | 245.88 | 266.90 | 278.38 |
| Net Current Assets | 80.67 | 80.67 | 156.83 | 210.85 | 64.19 |
| Cash & Bank | -0.09 | 19.98 | 12.02 | 0.80 | 1.36 |
| Total Assets | 363.13 | 364.87 | 414.73 | 478.55 | 343.93 |
| Equity Capital | 88.00 | 88.00 | 88.00 | 273.62 | 191.24 |
| Reserves & Surplus | 1.73 | 3.47 | 22.80 | | |
| Debt | 212.90 | 212.90 | 186.30 | 204.98 | 152.91 |
| Equity for WC | | | | | |
| BB for WC | 60.50 | 60.50 | 117.63 | | |
| Total Liabilities | 363.13 | 364.87 | 414.73 | 478.55 | 344.15 |
| Working Capital | | | | | |
| Debtors | 80.67 | 80.67 | 156.83 | 0.11 | -0.01 |
| Adv | | | | 5.61 | 19.89 |
| Dep | | | | 29.47 | 0.21 |
| Raw Material | 31.67 | 31.67 | 64.74 | 0.08 | 4.62 |
| S&S | | | | 60.40 | |
| WIP | | | | 145.14 | 90.28 |
| FG | | | | 23.75 | 0.02 |
| Payables-Prov | | | | 0.00 | 0.00 |
| Payables-Other Liab | | | | -9.42 | -8.40 |
| Payables-Financial Liab | | | | -2.30 | -2.21 |
| Payables-Trade | 31.67 | 31.67 | 64.74 | -41.99 | -40.20 |
| Working Capital | 80.67 | 80.67 | 156.83 | 210.85 | 64.19 |



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

Thus, in our opinion, investment decision of the management for acquisition of Jhagadia Copper Limited without proper examination of the Feasibility' Report was presumably done without due diligence, application of mind and propriety and professional skepticism. In any case, the investment needs to be measured for impairment in view of the continuous loss in the Unit.

- 11.00 The policy of discount on some specific products is designed in a manner so as to benefit a particular customer, e.g., 19.6 mm CCCWR supplied to a party to whom 93% of the total production of that material has been sold.

At TCP, on 02.06.17, 26.277 MT was dispatched to Airen Metals P Ltd. against conversion of 26.316 MT of scrap material delivered by the party, charging conversion charges of Rs.131580 @ Rs. 5000 per MT. Excise Duty has not charged, although, the Company to make the payment of excise duty. The accounts show Rs.100255 as income from Conversion charges. Further, it has been explained that the same represents the defects occurred in the material not due to original defects in the material supplied to the party, but arose later on due to fault of the Customer. Thus, undue advantage was given to a particular customer. All such activity has been done without recording in the books of accounts.

The Unit has earned a net operating profit of about Rs.55 Cr on production of about 22000 MT of CCCWR. Therefore, per MT margin of the Unit is Rs.25000 per MT. Therefore, the party gets the benefit of Rs.25000 per MT by making payment of Rs.5000 per MT, taking undue benefit of about Rs.5 lakhs.

- 12.00 At TCP, during the current year, a contract is being processed for entering into with a Bangalore based party, namely Trafigura India for conversion of Cathode to be supplied by them. The activity has been initiated by Head Office on the representation by this Party on 13.04.2018. Astonishingly, on 28.04.2018, i.e., only within 15 days, the contract is in the final stage of execution. The local concerned person in Finance Department or Materials Department or Production Department are unaware about the KYC of the Customer. Further, it was surprising that when an outsider can procure Cathode from third parties and get it converted by HCL and sell at profit, why the same cannot be done by HCL at its own, particularly when TCP has unutilised spare capacity. This indicates a deep rooted conspiracy to drain the company of its valuable resources for the benefit of others.

- 13.00 Following table shows the discount to some parties given more than others although the sale was executed at LME rates.

| Sl. No. | Particulars | Inv Qty (MT) | Sale Amt (Rs/Lakhs) | Discount (Rs/Lakhs) | Dr to sales (Rs/Lakhs) | Sales Reversal (Rs/Lakhs) | Total Discount (Rs/Lakhs) | % of sales |
|---------|-------------------------------|--------------|---------------------|---------------------|------------------------|---------------------------|---------------------------|------------|
| 1 | Total Sales of Cathode/CCCWR | 27369 | 123966 | -1098 | -487 | -249 | -1834 | -1.48% |
| 2 | Lykos India Private Limited | 6738 | 29077 | -410 | -141 | -180 | -731 | -2.51% |
| 3 | Airen Metals Private Limited | 3834 | 17389 | -193 | -133 | | -326 | -1.87% |
| 4 | India Trade Link Pvt. Ltd | 2475 | 10529 | -120 | -33 | -35 | -188 | -1.79% |
| 5 | K. M. Gandhi Metals Pvt. Ltd. | 2409 | 10193 | -99 | -29 | -13 | -141 | -1.38% |

From the above, it would appear that parties from Sl 2 to 4 have been given higher discount than others.. It may be mentioned here that about 16000 MT has been sold to these parties out of total sale of about 28000 MT of Copper Cathode and CCCWR, constituting 60% of total sales. This concentration of sales to 4-5 parties to whom substantial discount has also been allowed, may debar the company from the penetration in the market and may ultimately affect its negotiating power. In fact, the substantial discount given to few parties may have acted as restriction of entry of other customers. The marketing policy of granting discount and the parameters thereof needs to be reviewed whether such policy encourages cartel and pooling and other restrictive and monopolistic practices of the customers.

- 14.00 During the year, 3611 MT, Copper Cathode produced at GCP has been sold to certain selected parties although, there was inadequate capacity utilisation at TCP Unit for production of CCCWR, which would have fetched higher value realisation of Rs.35000 per MT. Considering the Cost of production at TCP to be Rs.15000 per MT, there was extra benefit extended to such customers to the extent of Rs.7222 lakhs, which would have been earned by the company. This included 688 MT to Airen Metals P Ltd, 462 MT to India Tradelink P Ltd, 1512 MT to Lykos India P Ltd, 653 MT to TDT Copper Ltd. and 76 MT to K M Gandhi Metals P Ltd.
- 15.00 16123 MT of Granulated Copper Dump Slag has been sold during the year at average rate of Rs.950 per MT at Rs. 154 lakhs. The copper content of the same is informed to us. However, considering the copper content of even 1%, the metal content rate comes to less than Rs.1 lakh, which is substantially lower than even the cost of ore.
- 16.00 During the year, a contract dated 16.08.2017 was entered into with TrafiguraPte Ltd of Singapore. As per the contract, HCL was to export 60000 MT of KCC concentrate with metal content of 17%. i.e, 10200 MT to the party and the consideration was required to be paid by the party by replacing the same with 8650 Copper Anodes/ Custome Copper Anodes. Therefore, the cost of such conversion of concentrate into Anode was equivalent to 1550 MT of Copper Anode valued at Rs.6200 lakhs @ Rs.4 lakh per MT.



ANNEXURE - III TO THE INDEPENDENT AUDITOR'S REPORT (Contd.)

- That works out to be Rs.60000 per Cmt of MIC. In the cost sheet of KCC stock, Rs.60000 per Cmt been estimated as cost of producing Anode from MIC. However, this Anode is directly usable in Refinery to convert into Cathode and it is again melted at GCP to produce Anode of required specification to that it is usable in the Refinery by incurring additional cost of Rs.60000. Thus, the Company has lost Rs.6200 by exporting MIC, importing Anode in exchange and again processing the imported Anode to produce customised anode for Refinery. Interestingly, the Company at its GCP Unit, has processed 1000 Cmt of MIC on behalf of Trafigura @ Rs.15000 per Cmt. If the GCP Unit could process the KCC MIC, then there was no need of entering in such transaction. Although the transaction is termed as Barter Exchange, we have not been informed the quantity exported and the equivalent quantity imported.
- 17.00 The Company has entered into derivative contracts to hedge the cost of imported raw material for GCP at London Metal Exchange till the despatch of the Finished Goods against the international price fluctuations so that the Company's profits are restricted to production margin. The company has incurred loss of on such transactions due to increase in the international prices. However, it is claimed by the management that such loss has been offset by the increased sale price realisation.
- In this regard, it is observed that the revenue from operations are inherently driven by international prices. Further, the Company had no export obligation against the imported raw material. Moreover, the so called imported raw material are, in fact, Anode received by one unit after tolling of MIC dispatched by another Unit of the Company. Thus, in effect, the whole transaction is in the nature of conversion of MIC into Anode, which is used for producing the Cathode. Therefore, the conditions were not existing to resort to derivative transactions. By this, the Company has lost opportunity to encash the rising international prices and thereby incurred avoidable loss.
- 18.00 We have not been informed the reasons for allowing conversion of third party material (Concentrate and Copper Scrap into Anode and Wire Rod respectively) at substantially lower rates than the cost of production and getting own concentrate converted into Semi-Finished Anode at more than three times of the rates charged by the company for similar processing. Further, the own produced Cathode are sold in the open market instead of converting the same into CCR and realising higher prices. However, Cathode supplied by third parties are converted into CCR on the pretext of utilising spare capacity of CCR production.
- 19.00 We have not been informed the reasons for discussing the matter of 1 million TPA project based on hydrometallurgy in several board meetings and incurring substantial money on research activity without any positive outcome.
- 20.00 *Details of risk identification, implementation of controls measures to mitigate the loss arising from such risk and verification of the efficacy of control measures and the remedial steps taken for the discrepancies notices including modifications of control measures, have not been furnished to us.*

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, does not have an internal financial controls system over financial reporting so as to be called adequate and as such, we opine that the internal financial controls over financial reporting were not operating effectively as at March 31, 2018, particularly in the absence of proper documentation on the internal control over financial reporting criteria to be established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For J Gupta & Co.
Chartered Accountants
Firm Reg. No 314010E

CA Abhishek Raj
Partner
M.No. 302648

Place: New Delhi
Date: 30.05.2018



BALANCE SHEET AS AT 31st MARCH 2018

(₹ in lac)

| PARTICULARS | Note No. | As at 31st March, 2018 | As at 31st March, 2017 |
|--|----------|---------------------------|---------------------------|
| ASSETS | | | |
| (1) NON-CURRENT ASSETS | | | |
| (a) Property, Plant and Equipment | 3 | 33199.74 | 35424.95 |
| (b) Capital Work In Progress | 4 | 65954.68 | 27860.58 |
| (c) Financial Assets | | | |
| (i) Investments | 5 | - | - |
| (ii) Others | 6 | 1.44 | 266.33 |
| (d) Deferred Tax Assets (net) | 7 | 5577.71 | 5158.35 |
| (e) Other Non-Current Assets | 8 | 57303.93 | 51136.80 |
| (f) Non current assets classified as held for sale | 9 | - | - |
| (2) CURRENT ASSETS | | | |
| (a) Inventories | 10 | 78861.51 | 82186.93 |
| (b) Financial Assets | | | |
| (i) Investments | 11 | 8.18 | 0.05 |
| (ii) Trade receivables | 12 | 8157.36 | 16507.44 |
| (iii) Cash and cash equivalents | 13 | 879.67 | 121.22 |
| (iv) Bank Balances other than above | 14 | 391.54 | 5380.84 |
| (v) Others | 15 | 13443.07 | 14340.59 |
| (c) Current tax Assets | 16 | 9768.59 | 8474.75 |
| (d) Other current assets | 17 | 13986.42 | 4108.93 |
| TOTAL ASSETS | | 287533.84 | 250967.76 |
| EQUITY AND LIABILITIES | | | |
| (1) Equity | | | |
| (a) Equity Share Capital | 18 | 46260.90 | 46260.90 |
| (b) Other Equity | 19 | 106468.09 | 100435.29 |
| Liabilities | | | |
| 1 NON-CURRENT LIABILITIES | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 20 | 15290.54 | 20497.95 |
| (ii) Other financial liabilities | 21 | 923.57 | 1035.82 |
| (b) Provisions | 22 | 8186.73 | 7928.73 |
| (2) CURRENT LIABILITIES | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 23 | 50404.54 | 26709.07 |
| (ii) Trade Payables | 24 | 22613.35 | 15656.40 |
| (iii) Other financial liabilities | 25 | 5609.32 | 4648.88 |
| (b) Other current liabilities | 26 | 17150.64 | 16286.95 |
| (c) Provisions | 27 | 5237.50 | 6746.78 |
| (d) Current Tax Liabilities | 28 | 9388.66 | 4760.99 |
| TOTAL EQUITY & LIABILITIES | | 287533.84 | 250967.76 |
| Corporate Information | 1 | | |
| Significant Accounting Policies | 2 | | |
| General Notes on Accounts | 39 | | |

The notes referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board of Directors

C.S.Singhi
Company Secretary
(M No. FCS 2570)

Sanjay Kumar Bhattacharya
Director (Mining)
(DIN : 07276836)

Anupam Anand
Director (Personnel)
(DIN : 02752767)

Santosh Sharma
Chairman-cum-Managing Director
(DIN : 07431945)

In terms of our report of even date attached.

For J.GUPTA & CO.

Chartered Accountants
FRN 314010E

(CA Abhishek Raj)

Partner

(MRN: 302648)

Place : New Delhi

Dated :30th May, 2018



STATEMENT OF CHANGES IN EQUITY

| Statement of Changes in Equity | | | | | |
|---|---|-----------------|---|---|-----------|
| A. Equity Share Capital (₹ in lac) | | | | | |
| Balance at the beginning of the reporting period 01.04.2016 | Changes in equity share capital during the year | | | Balance at the end of the reporting period 31.03.2017 | |
| 46260.90 | - | | | 46260.90 | |
| B. Other Equity | | | | | |
| Particulars | General Reserve | Capital Reserve | Corporate Social Responsibility Reserve | Retained Earnings | Total |
| Balance at the beginning of the reporting period 01.04.2016 | 8965.97 | 21166.24 | 366.58 | 64296.15 | 94794.94 |
| Dividends & Dividend Tax | - | - | - | - | - |
| Profit for the Year | - | - | - | 6193.60 | 6193.60 |
| Other Comprehensive Income | - | - | - | (409.57) | (409.57) |
| Amout used during the year | - | - | (143.68) | - | (143.68) |
| Balance at the end of the reporting period 31.03.2017 | 8965.97 | 21166.24 | 222.90 | 70080.18 | 100435.29 |
| Statement of Changes in Equity | | | | | |
| A. Equity Share Capital (₹ in lac) | | | | | |
| Balance at the beginning of the reporting period 01.04.2017 | Changes in equity share capital during the year | | | Balance at the end of the reporting period 31.03.2018 | |
| 46260.90 | - | | | 46260.90 | |
| B. Other Equity | | | | | |
| Particulars | General Reserve | Capital Reserve | Corporate Social Responsibility Reserve | Retained Earnings | Total |
| Balance at the beginning of the reporting period 01.04.2017 | 8965.97 | 21166.24 | 222.90 | 70080.18 | 100435.29 |
| Dividends & Dividend Tax | - | - | - | (2227.13) | (2227.13) |
| Profit for the Year | - | - | - | 7960.53 | 7960.53 |
| Other Comprehensive Income | - | - | - | 499.52 | 499.52 |
| Amout used during the year | - | - | (200.12) | - | (200.12) |
| Balance at the end of the reporting period 31.03.2018 | 8965.97 | 21166.24 | 22.78 | 76313.10 | 106468.09 |

For and on behalf of the Board of Directors

C.S.Singhi
Company Secretary
(M No. FCS 2570)

Sanjay Kumar Bhattacharya
Director (Mining)
(DIN : 07276836)

Anupam Anand
Director (Personnel)
(DIN : 02752767)

Santosh Sharma
Chairman-cum-Managing Director
(DIN : 07431945)

In terms of our report of even date attached.

For J.GUPTA & CO.
Chartered Accountants
FRN 314010E

(CA Abhishek Raj)
Partner
(MRN: 302648)
Place : New Delhi
Dated :30th May, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2018



(₹ in lac)

| Particulars | Note No. | For the year ended 31st March, 2018 | For the year ended 31st March, 2017 |
|--|----------|--|--|
| I Revenue from Operations | 29 | 171967.84 | 131077.01 |
| II Other Income | 30 | 2729.60 | 2745.24 |
| III Total Income (I+II) | | 174697.44 | 133822.25 |
| IV EXPENSES | | | |
| Cost of Materials Consumed | 31 | 41138.01 | 29392.94 |
| Changes in Inventories of Finished Goods, Semi-Finished and Work-In-Process | 32 | (724.65) | (27130.87) |
| Employee Benefits Expense | 33 | 32792.44 | 33046.22 |
| Finance Cost | 34 | 2128.65 | 901.47 |
| Depreciation and Amortisation Expense | 35 | 16465.25 | 14190.27 |
| General, Administration & Other Expenses | 36 | 70694.20 | 73967.97 |
| Total Expenses (IV) | | 162493.90 | 124368.00 |
| V PROFIT /(LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV) | | 12203.54 | 9454.25 |
| VI Exceptional items | | - | - |
| VII PROFIT /(LOSS) BEFORE TAX (V-VI) | | 12203.54 | 9454.25 |
| VIII TAX EXPENSE | 37 | | |
| 1) Current Tax | | 4639.68 | 2609.00 |
| 2) Deferred Tax | | (419.36) | 628.96 |
| IX PROFIT /(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS (VII-VIII) | | 7983.22 | 6216.29 |
| X Profit/(Loss) from discontinued operations | | (34.70) | (34.70) |
| XI Tax expense of discontinued operations | | (12.01) | (12.01) |
| XII PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS AFTER TAX (X -XI) | | (22.69) | (22.69) |
| XIII PROFIT /(LOSS) FOR THE PERIOD (IX+XII) | | 7960.53 | 6193.60 |
| XIV OTHER COMPREHENSIVE INCOME | 38 | | |
| A(i) Items that will not be reclassified to Profit or Loss | | 499.52 | (409.57) |
| A(ii) Income Tax relating to items that will not be reclassified to Profit or Loss | | - | - |
| B(i) Items that will be reclassified to Profit or Loss | | - | - |
| B(ii) Income Tax relating to items that will be reclassified to Profit or Loss | | - | - |
| XV TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (XIII+XIV) (Comprising Profit/(Loss) and Other Comprehensive Income for the period) | | 8460.05 | 5784.03 |
| XVI Earning per equity share (for continuing operations) | | | |
| 1 BASIC | | 0.863 | 0.672 |
| 2 DILUTED | | 0.863 | 0.672 |
| XVII Earning per equity share (for discontinued operations) | | | |
| 1 BASIC | | (0.002) | (0.002) |
| 2 DILUTED | | (0.002) | (0.002) |
| XVIII Earning per equity share (for discontinued & continuing operations) | | | |
| 1 BASIC | | 0.861 | 0.670 |
| 2 DILUTED | | 0.861 | 0.670 |
| Corporate Information | 1 | | |
| Significant Accounting Policies | 2 | | |
| General Notes on Accounts | 39 | | |

The notes referred to above form an integral part of the Statement of Profit & Loss.

For and on behalf of the Board of Directors

C.S.Singhi
Company Secretary
(M No. FCS 2570)

Sanjay Kumar Bhattacharya
Director (Mining)
(DIN : 07276836)

Anupam Anand
Director (Personnel)
(DIN : 02752767)

Santosh Sharma
Chairman-cum-Managing Director
(DIN : 07431945)

In terms of our report of even date attached.

For J.GUPTA & CO.

Chartered Accountants
FRN 314010E

(CA Abhishek Raj)

Partner
(MRN: 302648)
Place : New Delhi
Dated :30th May, 2018



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2018

(₹ in lac)

| | For the year ended 31st March 2018 | For the year ended 31st March 2017 |
|--|---------------------------------------|---------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| NET PROFIT/ (LOSS) BEFORE TAX AS PER STATEMENT OF PROFIT AND LOSS | 12203.54 | 9454.25 |
| Adjusted for : | | |
| Depreciation | 3272.02 | 2317.50 |
| Provisions charged | 1022.14 | 425.74 |
| Provisions written back | (1376.96) | (547.40) |
| Interest expense | 2128.65 | 901.47 |
| Dividend paid | 1850.43 | - |
| Dividend tax paid | 376.70 | - |
| Amortisation | 13193.23 | 11872.77 |
| Interest income | (1706.74) | (2421.26) |
| Dividend income | - | (4.67) |
| Loss / (Profit) on disposal of fixed assets | 1.71 | (28.73) |
| OPERATING PROFIT/ (LOSS) BEFORE WORKING CAPITAL CHANGES | 30964.72 | 21969.67 |
| Adjusted for : | | |
| Decrease/ (Increase) in Trade & other Receivables | 8348.78 | (10776.27) |
| Decrease/ (Increase) in Inventories | 3316.59 | (30426.85) |
| Decrease/ (Increase) in Current & Non-Current assets | (10664.58) | (9738.20) |
| Increase/ (Decrease) in Current & Non-Current Liabilities | 6376.23 | 4639.68 |
| CASH GENERATED FROM OPERATIONS | 38341.74 | (24331.97) |
| Tax Refund received | 3637.10 | 663.29 |
| Taxes paid | (4800.00) | (2287.90) |
| NET CASH FROM OPERATING ACTIVITIES | (A) 37178.84 | (25956.58) |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets | (39649.29) | (9244.79) |
| Sale of Fixed Assets | 32.60 | 33.03 |
| Interest received | 2467.98 | 3183.60 |
| Dividend received | - | 4.67 |
| Mine Development Expenditure | (18601.96) | (19751.26) |
| NET CASH USED IN INVESTING ACTIVITIES | (B) (55750.67) | (25774.75) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Loan repaid | (5207.41) | - |
| Dividends paid | (1850.43) | - |
| Dividend tax paid | (376.70) | - |
| Interest paid | (2170.95) | (840.65) |
| NET CASH USED IN FINANCING ACTIVITIES | (C) (9605.49) | (840.65) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (A + B + C) (28177.32) | (52571.98) |
| CASH AND CASH EQUIVALENTS - opening balance | (20958.77) | 31613.21 |
| CASH AND CASH EQUIVALENTS - closing balance | (49136.09) | (20958.77) |
| (details in Annexure - A) | | |

For and on behalf of the Board of Directors

C.S.Singhi
Company Secretary
(M No. FCS 2570)

Sanjay Kumar Bhattacharya
Director (Mining)
(DIN : 07276836)

Anupam Anand
Director (Personnel)
(DIN : 02752767)

Santosh Sharma
Chairman-cum-Managing Director
(DIN : 07431945)

In terms of our report of even date attached.

For J.GUPTA & CO.
Chartered Accountants
FRN 314010E

(CA Abhishek Raj)
Partner
(MRN: 302648)
Place : New Delhi
Dated :30th May, 2018



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2018 (Contd.)

| ANNEXURE - A | | |
|--|-------------------|-------------------|
| | | (₹ in lac) |
| 1. CASH AND CASH EQUIVALENTS - opening balance | 01/04/2017 | 01/04/2016 |
| i) Current Financial Assets - Cash & Cash Equivalents (Note 13) | 121.22 | 4151.63 |
| ii) Current Financial Assets - Bank Balance other than above (Note 14) (Excluding Unpaid Dividend of ₹ 13.35 lac and Margin money of ₹ 4.79 lac as on 01/04/2017) | 5362.70 | 13033.13 |
| iii) Current Financial Assets - Investments (Note 11) | 0.05 | 7596.11 |
| iv) Non-current Financial Assets - Others (Note 6) | 266.33 | 6832.34 |
| v) Current Financial Liabilities - Borrowings (Note 23) | (26130.71) | - |
| vi) Current Financial Liabilities - Borrowings -effect of exchange rate change included (Note 23) | (578.36) | - |
| | (20958.77) | 31613.21 |
| CASH AND CASH EQUIVALENTS - closing balance | 31/03/2018 | 31/03/2017 |
| i) Current Financial Assets - Cash & Cash Equivalents (Note 13) | 879.67 | 121.22 |
| ii) Current Financial Assets - Bank Balance other than above (Note 14) (Excluding Unpaid Dividend of ₹ 12.38 lac as on 31/03/2018) | 379.16 | 5362.70 |
| iii) Current Financial Assets - Investments (Note 11) | 8.18 | 0.05 |
| iv) Non-current Financial Assets - Others (Note 6) | 1.44 | 266.33 |
| v) Current Financial Liabilities - Borrowings (Note 23) | (50301.84) | (26130.71) |
| vi) Current Financial Liabilities - Borrowings -effect of exchange rate change included (Note 23) | (102.70) | (578.36) |
| | (49136.09) | (20958.77) |

2. The Cash Flow Statement has been prepared under the Indirect Method as set out in Indian Accounting Standard Ind AS 7 - Statement of Cash Flows.



NOTES TO IND AS FINANCIAL STATEMENTS

1. Corporate Information

Established in 1967 and domiciled in India, Hindustan Copper Limited is a Central public sector undertaking under the administrative control of Ministry of Mines, Government of India. The registered office of the company is situated at Kolkata. The principal activities of the company are exploration, exploitation, mining of copper and copper ore including beneficiation of minerals, smelting and refining. The Company is listed with BSE Ltd. and National Stock Exchange of India Ltd.

2. Significant accounting policies

2.1 Basis of Accounting

The financial statements are prepared under historical cost convention from the books of accounts maintained under accrual basis except for certain financial instruments which are measured at fair value and in accordance with the Indian Accounting Standards prescribed under Companies Act, 2013.

2.2 Application of Indian Accounting Standards (Ind-AS)

The Company adopted Indian Accounting Standards (Ind AS) from April 1, 2016 and accordingly the financial statements have been prepared in accordance with the recognition and measurement principles as notified by MCA under the Companies (Indian Accounting Standards) Rules, 2015 ("Ind AS Rules"), of the Companies Act, 2013.

The Company has adopted all the Ind AS as applicable and its adoption was carried out in accordance with Ind AS 101 – First Time Adoption of Indian Accounting Standards.

2.3 Use of Estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.4 Revenue Recognition

Sale of Products

Revenue is measured at the fair value of the consideration received or receivable and fair value has been defined. Operating revenue recognized is net of all promotional expenses and discounts, rebates and/or any other incentive to customers. In case of sale of Copper Concentrate, Copper Reverts, Anode Slime etc. and tolling of Copper Concentrate of Khetri and Malanjkhand origin, sales / tolling at the end of the accounting period are recorded on provisional basis as per standard parameters for want of actual specifications and differential sales value are recorded only on receipt of actual. This is as per consistent practice followed by the company.

Sale of Services

Income from conversion of job work is accounted for on the basis of actual quantity dispatched. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion (Percentage of Completion Method) of the transaction at the end of the reporting period

Other Operating Revenues

a. Sale of Scrap

Sale of Scrap is accounted for on delivery of material.

b. Interest received from Customers

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

c. Interest from Contractors against mobilisation advance for mining operations

Interest up to the date of Balance Sheet on all mobilisation advances for mining operations is accounted for on accrual basis.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

d. Provisions not required written back

Provisions/Liabilities created from business activities in earlier years no longer required are accounted for.

e. Penalty and Liquidated Damages

Penalty and liquidated damages are accounted for as and when these are realised and / or considered recoverable by the company.

Other Income

a. Claims

Claims are recognized in the Statement of Profit & Loss (Net of any payable) on actual basis including receivables from Government towards subsidy, cash incentives, reimbursement of losses, insurance claims etc, where it is reasonably certain that these assets will be realised.

b. Dividend and Interest from Investments

Dividend income and interest income from investments is recognised in the Statement of Profit and Loss when the right to receive the same has been established and it is certain that the economic benefits will flow to the company and the amount of income can be measured reliably.

c. Profit on Sale of Investment

Profit on sale of investment is recognised upon transfer of title by the company and is determined as the difference between the sales price and the then carrying value of the investment.

d. Others

Any other income is recognised on accrual basis.

2.5 Employees Benefit

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to Statement of Profit or Loss. Past service cost is recognized in Statement of Profit or Loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- i. Service cost (including current service cost, past service cost, etc.);
- ii. Net interest expense or income; and
- iii. Re-measurement.

The company presents the first two components of defined benefit costs in profit or loss in the line item 'employee benefits expense'.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the company defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the company can no longer withdraw the offer of the termination benefit and when the company recognises any related restructuring costs.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the company in respect of services provided by employees up to the reporting date.

Deficit in Provident Fund

Deficit, if any, in the accounts of Provident Fund Trust ascertained on the basis of last audited accounts of the Trust is accounted for as a charge to Revenue.

2.6 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest expenses calculated using the effective interest method and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs

2.7 Depreciation and Amortization

The company has used the exemption available in Ind AS 101 with respect to recognition of Plant, Property and Equipment (PPE) and Intangible Assets at their carrying value being deemed cost.

The depreciable amount of an item of PPE is allocated on a straight line basis over its useful life prescribed in Part C of Schedule II of the Companies Act, 2013 or actual useful life of assets assessed by the Technical Committee of the company, whichever is lower. The residual value and the useful life of an asset are reviewed, at each financial year-end. Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation on all such items have been provided from the date they are 'Put to Use' till the date of sale and includes amortization of intangible assets and leasehold assets. Freehold land is not depreciated. The residual value of all such items is taken at 5% of the original cost of individual asset.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Certain consumable items of small value whose useful life is very limited are directly charged to revenue in the year of purchase.

From the date Ind AS came into effect, the carrying amount of an asset is depreciated over the remaining useful life of the asset as per estimate of remaining useful life. Wherever, the remaining useful life of an asset is nil, the carrying amount is recognized in the opening balance of retained earnings after retaining the residual value.

2.8 Taxation

Income tax expense represents the sum of current tax and deferred tax.

Current tax

The current tax payable is based on taxable profit for the year as determined from net profit before tax as represented in Statement of Profit and Loss and Other Comprehensive Income, in line with different provisions under Income Tax Act 1961. Current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and Deferred Tax for the year

Current and deferred tax are recognized in Statement of Profit or Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

2.9(a) Property Plant and Equipments

The cost of an item of PPE is recognized as an asset if and only if, it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The cost of an item of PPE is the cash price equivalent at the recognition date. The cost of an item of PPE comprises:

- i. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- ii. Costs directly attributable to bringing the PPE to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the company incurs either when the PPE is acquired or as a consequence of having used the PPE during a particular period for purposes other than to produce inventories during that period.

The company has chosen the cost model of recognition and this model is applied to an entire class of PPE. After recognition as an asset, an item of PPE is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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.

In respect of expenditure during construction/development of a new unit/project in a new location, all direct capital expenditure as well as all indirect expenditure incidentals to construction are capitalized allocating to various items of PPE 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. Borrowing costs that are attributable to the acquisition or construction of qualifying asset are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

Expenses incurred for implementation of new projects are carried forward against respective projects till execution. Expenses rendered in fruitless projects abandoned subsequently are provided for in the Statement of Profit & Loss.

2.9(b) Intangible Assets

Identifiable intangible assets are recognized when the company controls the asset; it is probable that future economic benefits associated with respective assets will be realized for more than one economic period. At initial recognition, intangible assets are recognized at cost. Intangible assets are amortized on straight line basis over estimated useful life from the date on which they are available on use. Intangible Assets other than Software are amortized over estimated useful life which is equivalent to license period, generally not more than 5 years. However, Software which are considered as Intangible Assets are fully amortised in the year in which the expenses are incurred.

2.10 Mine Development Expenditure

In case of underground mines : The expenditure on development of a new mine in all cases and on subsequent development of a working mine is capitalized and depleted on the basis of ore raised during the year and the mineable ore reserves estimated from time to time.

In case of working mines, where development activities are going on simultaneously : Expenses are apportioned between capital and revenue on the basis of in-house technical estimates.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

In respect of open cast mines : The expenditure on removal of waste and overburden, is capitalized and the same is depleted in relation to actual ore production during the year on the stripping ratio which is re-assessed periodically based on the estimated ore reserve as well as the quantity of waste excavation in respect of open cast mines. Subsequently, If any ore is reclaimed from overburden, the same is included in inventory at a value based on opening rate of mine development expenditure with a corresponding credit in Mine development expenditure.

Expenditure incurred on exploration of new deposits is included in mine development expenditure. If subsequently the exploration activities are found to be not viable, 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.

If a working mine is closed due to economic reasons, the un-depleted value of Mine Development Expenditure related to that mine is provided in the books of accounts in the year in which it is decided to close or suspend operation of the mine. If later on, the closed / suspended mines are re-opened and the company remains the owner of the mines, the unamortized Mine Development Expenditure which was fully provided in the year of closure will be written back in the books of accounts in the year of re-opening and the company will be depleting it year wise based on the estimated remaining life of that mine.

2.11 Overhauling Expenses

Revenue expenditure attributable to overhaul of smelter and/ or refinery is charged off to the Statement of Profit & Loss in the year of incurrence.

2.12 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.

2.13 Non Current Assets Held for Sale

The company classifies a non-current asset (or disposal group of assets) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset (or disposal group) is classified as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with applicable Indian Accounting Standards.

2.14 Inventories

Stocks of stores and spare parts, loose tools and materials-in-transit are valued at the lower of the net realizable value and cost. The raw materials are also valued at the lower of the net realizable value and weighted average cost to the unit if the finished goods in which they will be incorporated are expected to be sold below cost. Loose tools when issued are charged off to revenue.

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, administration overhead, 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 concentrate) and net realizable value.

The stock of anode slime arising from treatment and refining processes are stated 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.

The inventories out of inter-unit transfers at the close of the year are valued on the basis of cost to the transferor unit.

Imported materials are valued at the lower of the net realizable value and weighted average cost. In the event where final price is not determined valuation is made on provisional cost. Variations are accounted for in the year of finalization.

Provision is made in the accounts every year, for non-moving stores and spares (other than insurance spares) which have not moved for more than five years. Insurance spares are fully provided for on the expiry of the life of the relevant Property Plant and Equipments.

2.15 Grants-in-Aid

All government grants are recognized as deferred income and it will be taken to Statement of Profit and Loss over the period of time in accordance with the pattern in which the obligations are met.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

2.16 Impairment of Assets

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in Statement of Profit and Loss, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation decrease.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.17 Foreign Exchange Transactions

Transactions in currencies other than the company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency monetary items (except overdue recoverable where realisability is uncertain) are converted using the closing rate as defined in the Ind AS-21- The effects of changes in Foreign Exchange Rates. Non-monetary items are reported using the exchange rate at the date of the transaction. The exchange difference gain/loss is recognized in the Statement of Profit and Loss.

Liability in foreign currency loans relating to acquisition of fixed assets is converted using the closing rate as defined in Ind AS 21-The effects of changes in Foreign Exchange Rates and the difference in exchange is recognized in terms of exemptions given in paragraph D13AA of Appendix D to Ind AS-101, where the effect of exchange differences on foreign currency loans of the company is accounted for by addition or deduction to the cost of the assets so far it relates to the depreciable capital assets and shall be depreciated over the balance life of the assets.

2.18 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2.19 Contingent Liabilities/ Assets

Contingent Liabilities

Wherever no reliable estimate could be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent Liabilities are disclosed in the General Notes forming part of the accounts.

Contingent Assets

Contingent Assets are not recognised in the financial statements but are disclosed in Notes to the Accounts. Such assets occur when the inflow of economic benefits is probable. Such contingent assets are assessed continuously, if it's virtually certain that inflow of economic benefits will arise then such assets and the relative income will be recognised in the financial statements.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

2.20 Leasing

Assets held under lease, in which a significant portion of the risks and rewards of ownership are transferred to lessee are classified as finance leases. All other leases are classified as operating leases.

Depreciation expenses are recorded if asset held under finance lease is depreciable.

Finance expenses are recognized immediately in the statement of profit and loss if they are not directly attributable to qualifying assets, otherwise they are capitalised in accordance with the company's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

2.21 Financial Instruments

Non Derivative Financial Instruments

(i) Initial Recognition

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(ii) Subsequent Recognition

a. Financial assets

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

b. Financial Liabilities

Financial liabilities are subsequently measured at amortized cost using Effective Interest Rate (EIR) method except for derivatives, which are measured at fair value.

Derivative Financial Instruments

All derivatives are recognized and measured at fair value with changes in fair value being recognized in profit or loss for the period.

2.22 Events Occurring after the Reporting Period

The company adjusts the amount recognized in its financial statements to reflect adjusting material events after the reporting period and does not adjust the amount to reflect non-adjusting events after the reporting period. However where retrospective restatement is not practicable for a particular prior period then the circumstances that lead to the existence of that condition and the description of how and from where the error is corrected are disclosed in Notes on Accounts.

2.23 Research and Development Expenditure

Expenditure on research and development is charged off to the Statement of Profit & Loss in the year it is incurred. Expenditure on PPE in this regard, if any, is capitalized.

2.24 Dividends

Final dividend on shares are recorded as a liability on the date of approval by the shareholders in general meeting and interim dividends are recorded as a liability on the date of declaration by the directors in the meeting of the Board of Directors.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Note : 3 Property, Plant and Equipment

(₹ in lac)

| DESCRIPTION | Free Hold Land | Buildings including Sanitary and Water Supply System | Plant, Machinery and Mining Equipment | Furniture & Fixtures & Office Equipment | Vehicles | Roads, Bridges and Culverts | Railway Siding | Electrical Equipment and Installation | Shafts and Inclines | Total |
|---|----------------|--|---------------------------------------|---|---------------|-----------------------------|----------------|---------------------------------------|---------------------|-----------------|
| YEAR ENDED 31ST MARCH 2017 | | | | | | | | | | |
| Gross Carrying Amount | | | | | | | | | | |
| Opening as at 1st April 2016 | 151.61 | 3572.17 | 10170.98 | 329.06 | 226.95 | 1348.12 | 293.87 | 1273.67 | 444.81 | 17811.24 |
| Additions | 2294.97 | 2974.98 | 13469.09 | 119.10 | 4.00 | 470.79 | - | 1373.59 | | 20706.52 |
| Inter-head Adjustments | | | | | | | | | | - |
| Disposals | | | (196.46) | (4.46) | (27.23) | | | | | (228.15) |
| Closing Gross Carrying Amount | 2446.58 | 6547.15 | 23443.61 | 443.70 | 203.72 | 1818.91 | 293.87 | 2647.26 | 444.81 | 38289.61 |
| Accumulated Depreciation | | | | | | | | | | |
| Opening as at 1st April 2016 | | | | | | | | | | |
| Depreciation charge during the year | | 387.61 | 2034.37 | 69.73 | 38.20 | 315.25 | 32.67 | 202.61 | 13.99 | 3094.43 |
| Impairment Losses | | | (5.92) | | | | | | | (5.92) |
| Inter-head Adjustments | | | | | | | | | | - |
| Disposals | | | (193.70) | (4.24) | (25.91) | | | | | (223.85) |
| Closing Accumulated Depreciation | - | 387.61 | 1834.75 | 65.49 | 12.29 | 315.25 | 32.67 | 202.61 | 13.99 | 2864.66 |
| Net Carrying Amount | 2446.58 | 6159.54 | 21608.86 | 378.21 | 191.43 | 1503.66 | 261.20 | 2444.65 | 430.82 | 35424.95 |
| YEAR ENDED 31ST MARCH 2018 | | | | | | | | | | |
| Gross Carrying Amount | | | | | | | | | | |
| Opening Gross Carrying Amount | 2446.58 | 6547.15 | 23443.61 | 443.70 | 203.72 | 1818.91 | 293.87 | 2647.26 | 444.81 | 38289.61 |
| Additions | - | 201.17 | 1405.85 | 17.60 | - | 7.47 | - | 28.31 | - | 1660.40 |
| Inter-head Adjustments | | | - | | | | | | | - |
| Assets classified as held for sale | | | 5.67 | | | | | | | 5.67 |
| Disposals | | | (664.71) | - | (14.32) | | | | | (679.03) |
| Closing Gross Carrying Amount | 2446.58 | 6748.32 | 24190.42 | 461.30 | 189.40 | 1826.38 | 293.87 | 2675.57 | 444.81 | 39276.65 |
| Accumulated Depreciation | | | | | | | | | | |
| Opening Accumulated Depreciation | - | 387.61 | 1834.75 | 65.49 | 12.29 | 315.25 | 32.67 | 202.61 | 13.99 | 2864.66 |
| Depreciation charge during the year | | 521.21 | 2591.10 | 90.32 | 34.59 | 338.24 | 32.67 | 242.22 | 13.99 | 3864.34 |
| Impairment Losses | | | (12.40) | | | | | | | (12.40) |
| Inter-head Adjustments | | | | | | | | | | |
| Assets classified as held for sale | | | 5.03 | | | | | | | 5.03 |
| Disposals | | | (631.12) | - | (13.60) | | | | | (644.72) |
| Closing Accumulated Depreciation | - | 908.82 | 3787.36 | 155.81 | 33.28 | 653.49 | 65.34 | 444.83 | 27.98 | 6076.91 |
| Net Carrying Amount | 2446.58 | 5839.50 | 20403.06 | 305.49 | 156.12 | 1172.89 | 228.53 | 2230.74 | 416.83 | 33199.74 |

Note :

HCL has used the exemption available in Ind AS 101 with respect to recognition of Property, Plant, Equipments (PPE) and Intangible Assets at their carrying value.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|---|---------------------------|---------------------------|--|
| Particulars | As at 31st March, 2018 | As at 31st March, 2017 | |
| Note No 4 CAPITAL WORK IN PROGRESS | | | |
| i) Plant & Machinery | 26737.53 | 11780.05 | |
| ii) Others including Mine Expansion | 42610.06 | 19473.44 | |
| | 69347.59 | 31253.49 | |
| Less: Provision | 3392.91 | 3392.91 | |
| TOTAL | 65954.68 | 27860.58 | |
| Note No 5 NON - CURRENT FINANCIAL ASSETS - INVESTMENTS | | | |
| Non Trade Investment in Debentures | 0.17 | 0.17 | |
| Less : Provision for diminution in value | 0.17 | 0.17 | |
| TOTAL | - | - | |
| AGGREGATE BOOK VALUE - UNQUOTED | Nil | Nil | |
| AGGREGATE BOOK VALUE - QUOTED | - | - | |
| MARKET PRICE OF QUOTED INVESTMENT | - | - | |
| Note No 6 NON - CURRENT FINANCIAL ASSETS - OTHERS | | | |
| Bank deposits with more than 12 months maturity | 1.44 | 266.33 | |
| TOTAL | 1.44 | 266.33 | |
| Note No 7 DEFERRED TAX ASSETS (NET) | | | |
| i) DEFERRED TAX ASSET | | | |
| OPENING BALANCE | 8484.26 | 8066.60 | |
| Adjustment/Credit during the year | 296.55 | 417.66 | |
| CLOSING BALANCE | 8780.81 | 8484.26 | |
| ii) DEFERRED TAX LIABILITY | | | |
| OPENING BALANCE | (3325.92) | (2279.30) | |
| Adjustment/Credit during the year | 122.81 | (1046.62) | |
| CLOSING BALANCE | (3203.11) | (3325.92) | |
| i)-ii) DEFERRED TAX ASSETS / (LIABILITIES) (Net) | 5577.71 | 5158.35 | |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|---|---|---------------------------|---------------------------|
| Particulars | | As at 31st March, 2018 | As at 31st March, 2017 |
| Note No 8 | OTHER NON - CURRENT ASSETS | | |
| a) | MOBILISATION ADVANCES | | |
| i) | Secured (considered good) | 2439.57 | 2538.84 |
| ii) | Unsecured (considered good) | | |
| | Against Bank Guarantee | - | - |
| | Others | - | - |
| iii) | Unsecured (considered doubtful) | 0.02 | 0.02 |
| | Less: Provisions for Capital Advances * | 0.02 | 0.02 |
| b) | Other Loans & Advances | | |
| | Receivable from MPSEB | 2822.26 | 2822.26 |
| c) | Mine Development Expenditure | | |
| | As per Last Balance Sheet | 47067.49 | 38412.07 |
| | Add: Expenditure during the Year (as per Note Below) | 19226.73 | 20561.97 |
| | | 66294.22 | 58974.04 |
| | Less: Value of Ore recovered during Mine Development | 32.45 | 33.78 |
| | Less: Amortisation during the Year | 13193.23 | 11872.77 |
| | | 53068.54 | 47067.49 |
| | Less: Provision | 4664.86 | 4664.86 |
| | TOTAL | 48403.68 | 42402.63 |
| | Note: MINE DEVELOPMENT EXPENDITURE DURING THE YEAR | | |
| i) | Salaries, Wages, Allowances | 2444.39 | 3206.18 |
| ii) | Contribution to Provident & Other Funds | 202.97 | 258.26 |
| iii) | Workmen & Staff Welfare Expenses | 26.33 | 42.04 |
| iv) | Stores, Spares & Tools Consumed | 3258.57 | 3296.69 |
| v) | Power, Fuel & Water | 663.90 | 423.76 |
| vi) | Royalty | 2.37 | 2.34 |
| vii) | Repair & Maintenance | 1585.88 | 2987.11 |
| viii) | Insurance | 2.34 | 2.82 |
| ix) | Overburden Removal Expenditure | 9939.12 | 9248.01 |
| x) | Depreciation | 592.32 | 776.93 |
| xi) | Other Expenses | 508.54 | 317.83 |
| | TOTAL | 19226.73 | 20561.97 |
| The above expenditure is in addition to the expenses shown under the respective natural head of accounts indicated and charged in the Statement of Profit and Loss Account for the year and in the relevant schedules thereof. | | | |
| Amortisation during the year is in relation to the expenses incurred on mines which are under operation/production and does not include expenditure on prospecting of minerals in new mines area. | | | |
| d) | Prepaid Expenses | | |
| | Expenses on Leasehold Land | 3638.42 | 3373.07 |
| | TOTAL | 3638.42 | 3373.07 |
| | TOTAL (a+b+c+d) | 57303.93 | 51136.80 |
| | PROVISIONS FOR CAPITAL ADVANCES * | | |
| | OPENING BALANCE | 0.02 | 0.02 |
| | Additions during the year | - | - |
| | Amount used during the year | - | - |
| | CLOSING BALANCE | 0.02 | 0.02 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|---|---|---------------------------|---------------------------|
| | Particulars | As at 31st March, 2018 | As at 31st March, 2017 |
| Note No 9 | NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE | | |
| | Gross Block | 6119.45 | 6116.31 |
| | Less: Depreciation | <u>5376.34</u> | <u>5373.00</u> |
| | NET BLOCK | 743.11 | 743.31 |
| | Less: Provision | <u>743.11</u> | <u>743.31</u> |
| | NET BLOCK (NET OF PROVISIONS) | <u>-</u> | <u>-</u> |
| Note : Refer Note No. 27 under 39 General Notes on Accounts. | | | |
| Note No 10 | INVENTORIES | | |
| i) | Raw Materials | 69.21 | 5025.44 |
| ii) | Semi-Finished and In-Process (at lower of cost or net realisable value) | 73504.95 | 66947.31 |
| | Less: Provision for Semi-Finished and In-Process * | <u>123.03</u> | <u>136.27</u> |
| iii) | Finished Goods (at lower of cost or net realisable value) | 257.24 | 6090.23 |
| iv) | Stores and spares | 7197.51 | 6198.58 |
| | Stores in transit/ pending inspection | <u>489.88</u> | <u>573.82</u> |
| | | 7687.39 | 6772.40 |
| | Less: Provision for Obsolete Stores & Spares ** | <u>2534.25</u> | <u>2512.18</u> |
| | TOTAL | <u>78861.51</u> | <u>82186.93</u> |
| PROVISION FOR SEMI-FINISHED AND IN-PROCESS * | | | |
| | OPENING BALANCE | 136.27 | 136.27 |
| | Additions during the year | - | - |
| | Amount used during the year | 13.24 | - |
| | CLOSING BALANCE | <u>123.03</u> | <u>136.27</u> |
| PROVISION FOR OBSOLETE STORES & SPARES ** | | | |
| | OPENING BALANCE | 2512.18 | 2549.17 |
| | Additions during the year | 40.00 | 118.44 |
| | Amount used during the year | 17.93 | 155.43 |
| | CLOSING BALANCE | <u>2534.25</u> | <u>2512.18</u> |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|-------------------|--|---------------------------|---------------------------|
| Particulars | | As at 31st March, 2018 | As at 31st March, 2017 |
| Note No 11 | CURRENT FINANCIAL ASSETS - INVESTMENTS | | |
| | Investments in Mutual Fund (Maturity within 3 months from date of original investments) | | |
| | UTI MONEY MARKET - GROWTH | 1.01 | 0.05 |
| | SBI ULTRA SHORT TERM DEBT FUND - GROWTH | 5.08 | - |
| | CANARA REBECO LIQUID FUND - GROWTH | 0.82 | - |
| | IDBI LIQUID FUND - GROWTH | 1.27 | - |
| | TOTAL | 8.18 | 0.05 |
| | AGGREGATE BOOK VALUE - UNQUOTED | Nil | Nil |
| | AGGREGATE BOOK VALUE - QUOTED | 7.84 | 0.05 |
| | MARKET PRICE OF QUOTED INVESTMENT | 8.18 | 0.05 |
| Note No 12 | CURRENT FINANCIAL ASSETS - TRADE RECEIVABLES | | |
| | DEBTS OUTSTANDING | | |
| i) | - Secured - Considered good | 8157.36 | 16507.44 |
| ii) | - Unsecured - Considered good | - | - |
| iii) | - Considered doubtful and provided | 935.89 | 934.59 |
| | | 9093.25 | 17442.03 |
| | Less: Allowances for bad & doubtful debts * | 935.89 | 934.59 |
| | TOTAL | 8157.36 | 16507.44 |
| | ALLOWANCES FOR BAD & DOUBTFUL DEBTS * | | |
| | OPENING BALANCE | 934.59 | 932.62 |
| | Additions during the year | 1.30 | 1.97 |
| | Amount used during the year | - | - |
| | CLOSING BALANCE | 935.89 | 934.59 |
| | Explanatory Note: - | | |
| | 1) The amount shown under 'Debts Outstanding - Considered doubtful' are debts outstanding for a period exceeding 6 months from the date they became due for payment. | | |
| | 2) Debt due by Directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any Director of the Company is a partner or a Director or a member amounts to ₹ Nil (Previous year ₹ Nil). | | |
| Note No 13 | CURRENT FINANCIAL ASSETS - CASH & CASH EQUIVALENTS | | |
| I. | CASH AND CASH EQUIVALENTS | | |
| i. | Cheques, drafts on hand | - | - |
| ii. | Cash on hand | 0.25 | 0.25 |
| iii. | Balance with Banks | | |
| | -Current Account | 614.53 | 120.97 |
| | -Cash Credit Account | - | - |
| II. | OTHER BALANCES WITH BANK | | |
| | Bank deposits upto 3 months maturity from date of original investment | | |
| | - With scheduled banks | 264.89 | - |
| | - With other banks | - | - |
| | TOTAL | 879.67 | 121.22 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|--|---------------------------|---------------------------|---------|
| Particulars | As at 31st March, 2018 | As at 31st March, 2017 | |
| Note No 14 CURRENT FINANCIAL ASSETS - BANK BALANCE OTHER THAN ABOVE | | | |
| I. Other Balances with Bank | | | |
| - In Dividend Balance Account | 12.38 | 13.35 | |
| - As Margin money/under lien | - | 4.79 | |
| II. Bank deposits with more than 3 months and upto 12 months maturity | | | |
| - With scheduled banks | 379.16 | 5362.70 | |
| - With other banks | - | - | |
| | <u>391.54</u> | <u>5380.84</u> | |
| Note No 15 CURRENT FINANCIAL ASSETS - OTHERS | | | |
| a) ADVANCES* | | | |
| Employees | | | |
| - Secured (considered good) | 71.89 | 93.98 | |
| - Unsecured (considered doubtful) | 2.03 | 2.03 | |
| | <u>73.92</u> | <u>96.01</u> | |
| b) INTEREST ACCRUED ON | | | |
| i) LC from Customers | 6.38 | 24.82 | |
| ii) Investments | | | |
| iii) Deposits | 37.21 | 846.09 | |
| iv) Others | 72.07 | 5.99 | 876.90 |
| c) CLAIMS RECOVERABLE | | | |
| Claims recoverable from different agencies | 4649.14 | 1886.94 | |
| Less: Provision for Doubtful Claims * | 133.14 | 133.14 | 1753.80 |
| d) DEPOSITS | | | |
| Other Deposits | 8813.05 | 11689.44 | |
| Less : Provision for Doubtful Deposits ** | 75.56 | 75.56 | |
| | <u>8737.49</u> | <u>11613.88</u> | |
| TOTAL (a+b+c+d) | <u>13443.07</u> | <u>14340.59</u> | |
| <u>DETAILS OF PROVISIONS</u> | | | |
| PROVISION FOR DOUBTFUL CLAIMS * | | | |
| OPENING BALANCE | 133.14 | 174.80 | |
| Additions during the year | - | - | |
| Amount used during the year | - | 41.66 | |
| CLOSING BALANCE | <u>133.14</u> | <u>133.14</u> | |
| PROVISIONS FOR DEPOSITS ** | | | |
| OPENING BALANCE | 75.56 | 77.48 | |
| Additions during the year | - | 2.53 | |
| Amount used during the year | - | 4.45 | |
| CLOSING BALANCE | <u>75.56</u> | <u>75.56</u> | |
| Explanatory Note: - | | | |
| PARTICULARS OF LOANS AND ADVANCES DUE FROM DIRECTORS | | | |
| i) Amount due at the end of the year | ₹ Nil | ₹ Nil | |
| ii) Advance due by firms or private companies in which any Director of the Company is a Partner or a director or a member amounts to ₹ Nil (Previous year ₹ Nil) | | | |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

(₹ in lac)

| Particulars | As at 31st March, 2018 | As at 31st March, 2017 |
|--|---------------------------|---------------------------|
| Note No 16 CURRENT TAX ASSETS | | |
| Income Tax (including advance income tax, TDS) Unsecured - Considered good | 9768.59 | 8474.75 |
| | 9768.59 | 8474.75 |
| Note No 17 OTHER CURRENT ASSETS | | |
| a) Advances to contractors / suppliers | | |
| - Secured (considered good) | 695.91 | 461.99 |
| - Unsecured (considered good) | | |
| - Against Bank Guarantee | - | - |
| - Others | 967.26 | 1377.53 |
| - Unsecured (considered doubtful) | 714.71 | 66.05 |
| | 2377.88 | 1905.57 |
| b) Other Advances | | |
| - secured (considered good) | 41.07 | 861.32 |
| - Unsecured (considered doubtful) | 13.93 | 152.44 |
| | 55.00 | 1013.76 |
| | 2432.88 | 2919.33 |
| Less : Provision for Doubtful Loans and Advances * | 730.66 | 220.51 |
| | 1702.22 | 2698.82 |
| c) OTHER CURRENT ASSETS | | |
| i) Other Current Assets | 419.67 | 1318.00 |
| Less: Provision for Other Current Assets ** | 3.52 | 3.52 |
| | 416.15 | 1314.48 |
| d) OTHER RECOVERABLES | | |
| i) IGST/CGST & SGST | 11753.73 | - |
| e) Prepaid Expenses | | |
| Rent for Leasehold Land | 114.32 | 95.63 |
| TOTAL | 13986.42 | 4108.93 |
| <u>DETAILS OF PROVISIONS</u> | | |
| PROVISION FOR DOUBTFUL LOANS AND ADVANCES * | | |
| OPENING BALANCE | 220.51 | 324.41 |
| Additions during the year | 510.15 | 17.87 |
| Amount used during the year | - | 121.77 |
| CLOSING BALANCE | 730.66 | 220.51 |
| PROVISION FOR OTHER CURRENT ASSETS ** | | |
| OPENING BALANCE | 3.52 | 3.52 |
| Additions during the year | - | - |
| Amount used during the year | - | - |
| CLOSING BALANCE | 3.52 | 3.52 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | | | |
|--|---|---|-------------------|---------------------------|-------------------|
| Particulars | | As at 31st March, 2018 | | As at 31st March, 2017 | |
| | | In No. | (₹ in lac) | In No. | (₹ in lac) |
| Note No 18 EQUITY SHARE CAPITAL | | | | | |
| a) | AUTHORISED SHARE CAPITAL | | | | |
| | - Equity Share Capital | 1800000000 | 90000.00 | 1800000000 | 90000.00 |
| | - 7.50% Non-Cum. Redeemable Preference Shares | 2000000 | 20000.00 | 2000000 | 20000.00 |
| b) | PAR VALUE PER EQUITY SHARE (in ₹) | | 5.00 | | 5.00 |
| c) | PAR VALUE PER PREFERENCE SHARE (in ₹) | | 1000.00 | | 1000.00 |
| d) | NO. OF SHARES ISSUED, SUBSCRIBED AND FULLY PAID UP | | | | |
| | - Equity Share Capital | 925218000 | 46260.90 | 925218000 | 46260.90 |
| | - 7.50% Non-Cum. Redeemable Preference Shares | - | - | - | - |
| | TOTAL | | 46260.90 | | 46260.90 |
| e) | RECONCILIATION OF NO. OF SHARES & SHARE CAPITAL | | | | |
| | OUTSTANDING: | No. of Shares | (₹ in lac) | No. of Shares | (₹ in lac) |
| | OUTSTANDING AS ON 01.04.2017 | 925218000 | 46260.90 | 925218000 | 46260.90 |
| | Add: No. of shares/Share Capital issued/ subscribed during the year | - | - | - | - |
| | Less: Reduction in no. of shares/Share Capital | - | - | - | - |
| | OUTSTANDING AS ON 31.03.2018 | 925218000 | 46260.90 | 925218000 | 46260.90 |
| f) | TERMS/RIGHTS ATTACHED TO EQUITY SHARES | The Company has only one class of Equity Shares having par value of ₹ 5/- each and is entitled to one vote per share. The dividend proposed by Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. | | | |
| g) | SHARES IN THE COMPANY HELD BY EACH SHAREHOLDER | | | | |
| | HOLDING MORE THAN 5 PERCENT OF THE NUMBER OF SHARES | In No. | In (%) | In No. | In (%) |
| | - President of India | 703587852 | 76.05% | 766845176 | 82.88% |
| | - Life Insurance Corporation of India | 112338152 | 12.14% | 99033509 | 10.70% |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

(₹ in lac)

| Particulars | | As at 31st March, 2018 | As at 31st March, 2017 |
|--------------------------------|---|---------------------------|---------------------------|
| Note No 19 OTHER EQUITY | | | |
| a) | CAPITAL RESERVE * | | |
| | AS PER LAST BALANCE SHEET | 21166.24 | 21166.24 |
| b) | GENERAL RESERVE | | |
| | AS PER LAST BALANCE SHEET | 8965.97 | 8965.97 |
| c) | CORPORATE SOCIAL RESPONSIBILITY FUND | | |
| | AS PER LAST BALANCE SHEET | 222.90 | 366.58 |
| | Add: During the year | - | - |
| | Less: Amount reversed during the year | - | - |
| | Less: Amount used during the year | 200.12 | 22.78 |
| | AS AT BALANCE SHEET DATE | | 143.68 |
| d) | RETAINED EARNING ** | 76313.10 | 70080.18 |
| | TOTAL | 106468.09 | 100435.29 |
| | Details of Retained Earning ** | | |
| | Profit for the year as per Statement of Profit and Loss | 7960.53 | 6193.60 |
| | Other Comprehensive Income | 499.52 | (409.57) |
| | Balance brought forward | 70080.18 | 64296.15 |
| | BALANCE AVAILABLE FOR APPROPRIATION | 78540.23 | 70080.18 |
| i) | Less :Dividend | 1850.43 | - |
| ii) | Less :Tax on Dividend | 376.70 | - |
| | BALANCE CARRIED FORWARD | 76313.10 | 70080.18 |

* Capital Reserve is created from the Grant received from the Government of India during the approval of Financial Re-structuring proposal by Ministry of Mines and out of Capital Profits over the years. This Reserve is not created out of Revenue Profits of the Company.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|---|---|---------------------------|---------------------------|
| Particulars | | As at 31st March, 2018 | As at 31st March, 2017 |
| Note No 20 | NON-CURRENT FINANCIAL LIABILITIES - BORROWINGS | | |
| | TERM LOANS | | |
| | From Banks/ FIs | | |
| | - Secured | 15290.54 | 20497.95 |
| | TOTAL | 15290.54 | 20497.95 |
| Note : Refer Note No. 6 under 39 General Notes on Accounts. | | | |
| Note No 21 | NON-CURRENT FINANCIAL LIABILITIES - OTHERS | | |
| | OTHERS | 923.57 | 1035.82 |
| | TOTAL | 923.57 | 1035.82 |
| Note No 22 | NON - CURRENT - PROVISIONS | | |
| | PROVISION FOR EMPLOYEE BENEFITS | | |
| i) | PROVISION FOR LEAVE ENCASHMENT | | |
| | AS PER LAST BALANCE SHEET | 9499.65 | 9641.92 |
| | Additions during the year | 2430.54 | 200.00 |
| | Amount used during the year | - | 342.27 |
| | CLOSING BALANCE | 11930.19 | 9499.65 |
| ii) | PROVISION FOR GRATUITY | | |
| | AS PER LAST BALANCE SHEET | (1570.92) | (750.26) |
| | Additions during the year | (772.54) | 200.00 |
| | Amount used during the year | 1400.00 | 1020.66 |
| | CLOSING BALANCE | (3743.46) | (1570.92) |
| | TOTAL | 8186.73 | 7928.73 |
| Note No 23 | CURRENT FINANCIAL LIABILITIES - BORROWINGS | | |
| | SHORT TERM LOANS | | |
| | From Banks/ FIs | | |
| | - Secured (Secured by hypothecation of Stock-in-Trade, Stores & Spare Parts and Book Debts, both present and future of the Company) | 9480.56 | 6551.37 |
| | - Working Capital Term Loan | 33073.01 | - |
| | - Buyers' Credit | 7850.97 | 20157.70 |
| | TOTAL | 50404.54 | 26709.07 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|-------------------|--|---------------------------|---------------------------|
| Particulars | | As at 31st March, 2018 | As at 31st March, 2017 |
| Note No 24 | CURRENT FINANCIAL LIABILITIES - TRADE PAYABLE | | |
| i) | Total outstanding dues of micro enterprises and small enterprises | 596.98 | 450.73 |
| ii) | Total outstanding dues of creditors other than micro enterprises and small enterprises | 22016.37 | 15205.67 |
| | TOTAL | 22613.35 | 15656.40 |
| Note No 25 | CURRENT FINANCIAL LIABILITIES - OTHERS | | |
| i) | Interest accrued but not due on borrowings & term loans | 236.77 | 279.07 |
| ii) | Unpaid dividend | 12.38 | 13.35 |
| iii) | Deposits/ Retention money | 4718.95 | 3107.84 |
| iv) | Other liabilities | 641.22 | 652.18 |
| v) | Forward Cover Contract Liability | - | 596.44 |
| | | 5609.32 | 4648.88 |
| Note No 26 | OTHER CURRENT LIABILITIES | | |
| i) | Statutory dues payables | 3852.38 | 6169.34 |
| ii) | Advances from Customers | 4204.92 | 3514.47 |
| iii) | Sundry Creditors - Others | 8350.91 | 6603.14 |
| iv) | IGST/CGST & SGST | 742.43 | - |
| | TOTAL | 17150.64 | 16286.95 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) |
|-------------------|--|---------------------------|
| | As at 31st March, 2018 | As at 31st March, 2017 |
| Note No 27 | CURRENT - PROVISIONS | |
| a) | PROVISION FOR EMPLOYEE BENEFITS | |
| i) | PROVISION FOR LEAVE ENCASHMENT | |
| | AS PER LAST BALANCE SHEET | |
| | 2131.53 | 879.20 |
| | Additions during the year | 1252.33 |
| | Amount used during the year | - |
| | CLOSING BALANCE | 2131.53 |
| ii) | PROVISION FOR GRATUITY | |
| | AS PER LAST BALANCE SHEET | |
| | (4037.88) | (4081.89) |
| | Additions during the year | 44.01 |
| | Amount used during the year | - |
| | CLOSING BALANCE | (4037.88) |
| iii) | PROVISION FOR LEAVE TRAVEL CONCESSION (LTC) | |
| | AS PER LAST BALANCE SHEET | |
| | 103.63 | 96.90 |
| | Additions during the year | 6.73 |
| | Amount used during the year | - |
| | CLOSING BALANCE | 103.63 |
| iv) | PROVISION FOR PRP/INCENTIVE | |
| | AS PER LAST BALANCE SHEET | |
| | 375.00 | 150.00 |
| | Additions during the year | 300.00 |
| | Amount used during the year | 75.00 |
| | CLOSING BALANCE | 375.00 |
| v) | PROVISION FOR WAGE REVISION | |
| | AS PER LAST BALANCE SHEET | |
| | 5953.00 | 5953.00 |
| | Additions during the year | 720.00 |
| | Amount used during the year | 1051.83 |
| | CLOSING BALANCE | 5621.17 |
| b) | OTHERS | |
| i) | DIVIDEND | |
| | AS PER LAST BALANCE SHEET | |
| | - | - |
| | Additions during the year | - |
| | Amount used during the year | - |
| | CLOSING BALANCE | - |
| ii) | TAX ON DIVIDEND | |
| | AS PER LAST BALANCE SHEET | |
| | - | - |
| | Additions during the year | - |
| | Amount used during the year | - |
| | CLOSING BALANCE | - |
| iii) | PROVISION - OTHERS | |
| | AS PER LAST BALANCE SHEET | |
| | 2221.50 | 2370.08 |
| | Additions during the year | 8160.07 |
| | Amount used during the year | 8308.65 |
| | CLOSING BALANCE | 2221.50 |
| | TOTAL | 6746.78 |
| Note No 28 | CURRENT TAX LIABILITIES | |
| | PROVISION FOR CURRENT TAXATION | |
| | AS PER LAST BALANCE SHEET | |
| | 4760.99 | 2164.00 |
| | Additions during the year | 2596.99 |
| | Amount used during the year | - |
| | CLOSING BALANCE | 4760.99 |
| | TOTAL | 4760.99 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|-------------------|---|--|--|
| Particulars | | For the year ended 31st March, 2018 | For the year ended 31st March, 2017 |
| Note No 29 | REVENUE FROM OPERATIONS | | |
| | SALE OF PRODUCTS | | |
| | - Domestic | 130721.75 | 98515.99 |
| | - Export | 34068.94 | 23178.07 |
| | | 164790.69 | 121694.06 |
| | Less : Discount & Rebate | 1322.37 | 831.43 |
| | SALES (Net of Discounts) (A) | 163468.32 | 120862.63 |
| | SALE OF SERVICES (B) | 150.69 | 65.70 |
| | OTHER OPERATING INCOME (C) | | |
| | - Sale of Scrap | 1415.89 | 1111.25 |
| | - Interest received from Customers | 229.79 | 261.68 |
| | - Interest received from Contractors against mobilization advances for mining operations | 297.07 | 544.40 |
| | - Penalty & Liquidated Damages | 495.32 | 1640.43 |
| | Less : Refunded during the year | 584.72 | 36.20 |
| | - Excess Electricity Charges earlier paid adjusted by MPSEB against current Electricity bills | 4572.98 | 4946.33 |
| | - Provisions not required written back # | 1376.96 | 547.40 |
| | - Exchange Rate Variation | 545.54 | 1133.39 |
| | TOTAL (C) | 8348.83 | 10148.68 |
| | TOTAL (A+B+C) | 171967.84 | 131077.01 |
| | Details of Provisions not required written back # (Refer Note No. 13 of General Notes on Accounts) | | |
| | Bad and doubtful advances / deposits | 0.12 | 126.22 |
| | Bad and doubtful claims | - | 41.66 |
| | Provision for Obsolete Inventory | - | 0.20 |
| | Excess provision of non-moving stores | - | 151.80 |
| | Provision for Insurance spares written back | 16.17 | - |
| | Provision for shortage of stores & spares | 0.76 | - |
| | Provision for shortage of finished goods | 13.24 | - |
| | Provision of Fixed Assets | - | 8.98 |
| | Provision for Discarded Assets no longer required | 0.64 | - |
| | Provision for Interest on MSME | 143.45 | - |
| | Provision for MP Rural Infrastructure & Road Development Tax/ others | - | 146.32 |
| | Provision for CST on Anode slime | - | 64.72 |
| | Provision for Impairment Loss | 12.40 | 5.92 |
| | Liability for DMF & NMET on Royalty earlier provided no longer required | 1183.52 | - |
| | Old Liability no longer required | 6.66 | 1.58 |
| | TOTAL | 1376.96 | 547.40 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

(₹ in lac)

| Particulars | For the year ended 31st March, 2018 | For the year ended 31st March, 2017 |
|--|--|--|
| Note No 30 OTHER INCOME | | |
| - Claims | 28.32 | 3.56 |
| - Dividend income -Mutual Fund | - | 4.67 |
| - Interest from Term Deposits | 346.17 | 1434.98 |
| - Interest - Others | 833.71 | 180.20 |
| - Profit on sale of Assets | - | 28.73 |
| - Profit on Sale of Investment | 7.79 | 49.72 |
| - Profit on Fair Value of Investment | 0.34 | - |
| - Others | 1513.27 | 1043.38 |
| TOTAL | 2729.60 | 2745.24 |
| Note No 31 COST OF MATERIALS CONSUMED | | |
| Raw Materials Consumed | 41105.56 | 29359.16 |
| Value of Ore Raised During Mine Development | 32.45 | 33.78 |
| TOTAL | 41138.01 | 29392.94 |
| Note No 32 CHANGES IN INVENTORIES OF FINISHED GOODS, SEMI-FINISHED AND WORK- IN-PROCESS | | |
| A. OPENING STOCK: | | |
| Finished Goods | 6090.23 | 1650.89 |
| Semi-Finished and In-Process | 66947.31 | 44255.78 |
| TOTAL OPENING STOCK | 73037.54 | 45906.67 |
| B. CLOSING STOCK: | | |
| Finished Goods | 257.24 | 6090.23 |
| Semi-Finished and In-Process | 73504.95 | 66947.31 |
| TOTAL CLOSING STOCK | 73762.19 | 73037.54 |
| (INCREASE)/ DECREASE (A-B) | (724.65) | (27130.87) |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|-------------------|---|--|--|
| | Particulars | For the year ended 31st March, 2018 | For the year ended 31st March, 2017 |
| Note No 33 | EMPLOYEES' BENEFITS EXPENSE | | |
| | Salaries, Wages & Allowances | 27733.68 | 27633.13 |
| | Bonus/Ex-gratia/Performance Related Pay | 749.68 | 475.66 |
| | Contribution to Provident & Other Funds | 2337.91 | 2393.82 |
| | Workmen & Staff Welfare Expenses | 1710.95 | 1790.02 |
| | Gratuity | 256.62 | 744.55 |
| | Director Expenses | 3.60 | 9.04 |
| | TOTAL | 32792.44 | 33046.22 |
| | Explanatory Note: - | | |
| | The detail of Remuneration paid/payable to Directors as included in above payments are as follows: - | | |
| | (i) Salaries & Allowances | 123.20 | 173.79 |
| | (ii) Contribution to Provident & Other Funds | 10.70 | 13.19 |
| | (iii) Re-imbursement of Medical Expenses | 0.86 | 1.14 |
| | (iv) Leave Encashment | 24.09 | 12.44 |
| | (v) Gratuity | 14.42 | - |
| | TOTAL | 173.27 | 200.56 |
| | 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. | | |
| Note No 34 | FINANCE COST | | |
| | - Interest on Cash Credit | 533.62 | 252.08 |
| | - Others | 1595.03 | 649.39 |
| | TOTAL | 2128.65 | 901.47 |
| Note No 35 | DEPRECIATION AND AMORTISATION EXPENSE | | |
| A. | DEPRECIATION | | |
| | Depreciation for the year | 3864.34 | 3094.43 |
| | Less: Depreciation transferred to Mine Development Expenditure | 592.32 | 776.93 |
| | SUB TOTAL (A) | 3272.02 | 2317.50 |
| B. | AMORTISATION | | |
| | Amortisation during the year * | 13193.23 | 11872.77 |
| | SUB TOTAL (B) | 13193.23 | 11872.77 |
| | TOTAL (A+B) | 16465.25 | 14190.27 |

* Amortisation during the year is in relation to the expenses incurred on mines which are under operation/production and does not include expenditure on prospecting of minerals in new mines area.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|-------------------|---|--|--|
| | Particulars | For the year ended 31st March, 2018 | For the year ended 31st March, 2017 |
| Note No 36 | GENERAL, ADMINISTRATION AND OTHER EXPENSES | | |
| A. | OTHER MANUFACTURING EXPENSES | | |
| | - Stores ,Spares& Tools Consumed | 11594.58 | 9665.78 |
| | - Consumption of Power, Fuel & Water | 21120.53 | 20274.19 |
| | - Royalty, Cess & Decretal amount | 8766.16 | 10105.64 |
| | - Contractual Job for Process | 9287.06 | 6892.81 |
| | - Handling & Transportation | 7224.71 | 5625.20 |
| | - Tolling Charges | 82.71 | 1925.55 |
| | - Expenses for Leasehold Land | 114.32 | 95.63 |
| | SUB TOTAL (A) | 58190.07 | 54584.80 |
| B. | REPAIRS & MAINTENANCE | | |
| | - Building | 139.45 | 134.64 |
| | - Machinery | 2711.59 | 1854.05 |
| | - Others | 366.61 | 508.83 |
| | SUB TOTAL (B) | 3217.65 | 2497.52 |
| C. | ADMINISTRATION EXPENSES | | |
| | - Insurance | 131.91 | 142.22 |
| | - Rent | 180.50 | 207.92 |
| | - Rates and Taxes | 1176.06 | 249.89 |
| | - Security Expenses | 679.60 | 539.34 |
| | - Travelling and Conveyance | 405.71 | 327.99 |
| | - Telephone, Telex and Postage | 129.93 | 125.86 |
| | - Advertisement and Publicity | 100.89 | 125.49 |
| | - Printing and Stationery | 52.57 | 49.10 |
| | - Books & Periodicals | 9.40 | 7.22 |
| | - Consultancy Charges - Indigenous | 275.71 | 344.89 |
| | - Loss on Sale of Assets | 1.71 | - |
| | - Loss on Sale of Stores | - | 4.97 |
| | -Bad debts / advances/ claims written off | 56.83 | - |
| | - MTM Debit Foreign Exchange | 211.68 | 596.44 |
| | - MTM Debit/Credit & Hedging Expenses | 821.07 | 845.04 |
| | - Research & Development Expenses | 157.59 | 60.46 |
| | - Corporate Social Responsibility Expenses | 142.83 | 370.98 |
| | - Hire Charges | 286.81 | 250.21 |
| | - Audit Expenses (Refer detail below at SI 1) | 29.46 | 41.03 |
| | - Bank Charges | 229.38 | 194.86 |
| | - Other General Expenses | 1051.23 | 1298.49 |
| | SUB TOTAL (C) | 6130.87 | 5782.40 |
| D. | Excise Duty | 3542.72 | 10681.36 |
| | Net impact of Excise Duty on Closing Stock | (1409.25) | (3.85) |
| | SUB TOTAL (D) | 2133.47 | 10677.51 |
| E. | PROVISIONS (Refer detail below at SI 2) | 1022.14 | 425.74 |
| | TOTAL (A+B+C+D+E) | 70694.20 | 73967.97 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| | | (₹ in lac) | |
|-------------------|--|--|--|
| Particulars | | For the year ended 31st March, 2018 | For the year ended 31st March, 2017 |
| Note No 36 | GENERAL, ADMINISTRATION AND OTHER EXPENSES (Contd.) | | |
| | Explanatory Note: - | | |
| 1) | Detail of Audit Expenses are as under: - | | |
| i) | Statutory Auditors | | |
| | - Statutory Audit Fees | 8.35 | 8.35 |
| | - Tax Audit Fees | 0.89 | 0.89 |
| | - In Other Capacity | 8.01 | 9.90 |
| | - Reimbursement of Expenses | 8.27 | 10.35 |
| | | 25.52 | 29.49 |
| ii) | Cost Auditors | | |
| | - Cost Audit Fees | 0.61 | 0.55 |
| | - Reimbursement of Expenses | 0.78 | 1.29 |
| | | 1.39 | 1.84 |
| iii) | Internal Auditors | | |
| | - Audit Fees | 0.65 | 1.15 |
| | - Reimbursement of expenses | 1.90 | 8.55 |
| | | 2.55 | 9.70 |
| | TOTAL | 29.46 | 41.03 |
| 2) | Detail of Provisions are as under: - | | |
| | Doubtful debts | 1.30 | - |
| | Doubtful advances / deposits | 510.26 | 22.53 |
| | Prov. For Obsolete /Non-moving Stores | 7.85 | 2.70 |
| | Prov. For Discrepancy of Stores & Spares | 32.15 | 114.38 |
| | Prov. For Assets | 0.44 | - |
| | Interest on MSMED | 232.09 | 281.13 |
| | Provision for Others | 238.05 | 5.00 |
| | TOTAL | 1022.14 | 425.74 |
| Note No 37 | TAX EXPENSE | | |
| | CURRENT TAX | | |
| | Income Tax Provision | 4639.68 | 2609.00 |
| | Deferred Tax Account | (419.36) | 628.96 |
| | TOTAL | 4220.32 | 3237.96 |
| Note No 38 | OTHER COMPREHENSIVE INCOME | | |
| A (i) | Items that will not be reclassified to Profit/Loss | | |
| | Acturial gain/loss recognised in the year for employees : | | |
| | Gratuity | 499.52 | (409.57) |
| | TOTAL (A(i)) | 499.52 | (409.57) |
| A (ii) | Income Tax relating to items that will not be reclassified to Profit & Loss | | |
| | | - | - |
| | TOTAL (A(ii)) | - | - |
| B (i) | Items that will be reclassified to Profit/Loss | | |
| | | - | - |
| | TOTAL (B(i)) | - | - |
| B (ii) | Income Tax relating to items that will be reclassified to Profit & Loss | | |
| | | - | - |
| | TOTAL (B(ii)) | - | - |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

39 GENERAL NOTES ON ACCOUNTS

1. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

| | | (₹ in lac) | |
|------|--|------------------|------------------|
| (i) | Contingent Liabilities:- | | |
| a. | Claims against the company not acknowledged as debt : | 2017-18 | 2016-17 |
| i. | Disputed VAT / CST / Entry Tax | 2072.32 | 892.57 |
| ii. | Disputed Excise Duty | 4980.29 | 3833.68 |
| iii. | Disputed Income Tax | 10560.28 | 360.67 |
| iv. | Other Demand | 34152.67 | 33447.86 |
| | SUB-TOTAL (A) | 51765.56 | 38534.78 |
| b. | Other money for which the company is contingently liable : | | |
| i. | Interest liability for delayed payment of DMF & NMET for the period 12.01.2015 to 31.08.2016 pertaining to Malanjkhanda Copper Project (MCP) | - | 32.13 |
| | SUB-TOTAL (B) | - | 32.13 |
| | GRAND TOTAL (A+B) | 51765.56 | 38566.91 |
| (ii) | Commitments:- | | |
| | Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advance and deposit) | 125671.75 | 134902.42 |

Details of Claims against the Company not acknowledged as debt (of 1(i)(a) above)

VAT/CST/ENTRY TAX

There are demand notices totaling to Gross Demand of ₹ 2072.32 lac (Previous Year ₹ 892.57 lac) from various State Revenue Authorities regarding VAT/CST/Entry Tax. The company is contesting the demand and the management as well as the legal advisors/consultants are of the opinion that its contention will likely to be upheld by the Appellate Authorities. The company also believes that ultimate outcome of these proceedings will not have a material adverse impact on the financial position of the company.

EXCISE DUTY

There are demand notices totaling to Gross Demand of ₹ 4980.29 lac (Previous Year ₹ 3833.68 lac) from Central Excise Authorities regarding Excise Duty. The company is contesting the demand and the management as well as the legal advisors/consultants are of the opinion that its contention will likely to be upheld by the Appellate Authorities. The company also believes that ultimate outcome of these proceedings will not have a material adverse impact on the financial position of the company.

INCOME TAX

There are Income Tax demand notices totaling to Gross Demand of ₹ 10560.28 lac (Previous Year ₹ 360.67 lac). The company is contesting the said demands before the High Court and Appellate Authorities. The management as well as the income tax consultant are of the opinion that its contention will likely to be upheld by the Appellate Authorities. The company also believes that ultimate outcome of these proceedings will not have a material adverse impact on the financial position of the company.

OTHER DEMAND of ₹ 34152.67 lac (Previous Year ₹ 33447.86 lac)

The major pending litigation cases are as follows:

- The Municipal Council, Malanjkhanda, raised a demand on Malanjkhanda Copper Project (MCP) amounting to ₹ 7046.64 lac on account of penalty on Terminal Tax for the periods from financial year 2000-01 to 2005-06 on the ground of short payment of Terminal Tax by adopting higher assessable value as well as higher of Metal in Ore (MIO) produced and Metal in Concentrate (MIC) despatched. The matter was contested by the company before the Hon'ble High Court, Jabalpur, M.P. and the company paid ₹ 352.33 lac towards penalty Terminal Tax as per the order of Hon'ble High Court, Jabalpur, M.P. Subsequently the matter was turned down by the Hon'ble High Court, Jabalpur, M.P. The Company filed writ petition before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court vide its order dated 29.07.2011 directed the Company to deposit an ad-hoc amount of ₹ 1000.00 lac to Municipal Council, Malanjkhanda which has since been deposited by the company and shown as 'Deposits with Court' and also ordered that the matter may be heard on the ground of merit by the Civil Court, Baihar. Further a demand of ₹ 18867.56 lac for the periods from 2006-07 to 2011-12 was also raised on the above ground for which the appeal by the company is pending before the Hon'ble Supreme Court. Pending final decision, the full amount of ₹ 25914.20 lac has been disclosed under 'Contingent Liability'.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

- b. The Municipal Council, Malanjkhanda, Madhya Pradesh issued demands on MCP for ₹ 1253.32 lac on account of Property Tax for several years against which the company filed writ petitions before the Hon'ble Madhya Pradesh High Court, Jabalpur challenging the demand notice. Out of the above demand, a sum of ₹ 220.85 lac has been paid by the Company based on self assessment from time to time as per interim measure as directed by the Hon'ble Madhya Pradesh High Court, Jabalpur. The net amount of ₹ 1032.47 lac (₹ 1253.32 lac - ₹ 220.85 lac) has been included under 'Contingent Liability'.
- c. The State Deputy Registrar, Khetri, Rajasthan issued demands on KCC for ₹ 4423.22 lac on account of Property/Land Tax for the years 2006-07 to 2012-13 against which the company filed writ petitions before the Hon'ble Rajasthan High Court, Jaipur challenging the demand notice. Out of the above demand, a sum of ₹ 2211.61 lac has been paid by the Company as directed by the Hon'ble Rajasthan High Court, Jaipur. The Deputy Registrar, Khetri reduced the demand on the basis of order of DIG (S&R) Bikaner/Sikar from ₹ 2211.61 lac to ₹ 1655.16 lac during the years. Finally on remand of land tax matter by DIG (S&R) Bikaner/Sikar, the Dy. Registrar, Khetri vide order dated 06.11.2017 reduced the land tax demand from ₹ 1655.16 lac to ₹ 281.00 lac and the said amount of ₹ 281.00 lac has been included under 'Contingent Liability'.
- d. There was a trade dispute with M/S Bhagawati Gases Ltd (BGL) in connection with an agreement to supply of gaseous oxygen at Khetri Copper Complex. The dispute was referred to Arbitration. The claim of BGL is for an amount of ₹ 1079.80 lac with a corresponding counter claim of ₹ 534.62 lac by the company. The arbitral award went against the company. The company had filed an appeal before the Hon'ble High Court of Rajasthan and the same was admitted for hearing. The Company preferred appeal before the Hon'ble Rajasthan High Court regarding interim deposit of arbitral award pending disposal of original appeal, but the same was dismissed. Thereafter the Company had preferred appeal before Hon'ble Supreme Court and the Hon'ble Supreme Court passed the order directing the Company to deposit the entire decretal amount along with interest amounting to ₹ 1733.50 lac in the form of Fixed Deposit. The Company deposited the said amount and shown the same as Deposit in Current assets. Pending decision of the original appeal against arbitral award before the Hon'ble Rajasthan High Court, the said amount of ₹ 1733.50 lac has been disclosed under 'Contingent Liability'.
- e. There was a demand from M/S Uttkal Moulders amounting to ₹ 1684.98 lac regarding interest for delayed payment against supply of grinding media balls at Malanjkhanda Copper Project. The case is pending before the Sole Arbitrator. Pending final decision, the said amount of ₹ 1684.98 lac has been disclosed under 'Contingent Liability'.
- f. In addition there are number of pending litigation cases against the company claiming demand of ₹ 3506.52 lac by retired employees, third parties etc. which the company is contesting before different Legal Forums / Courts.
- The management as well as the legal advisors/consultants are of the opinion that its position will likely to be upheld in the appellate proceedings. The company also believes that ultimate outcome of these proceedings will not have a material adverse impact on the financial position of the company.
2. During the year, the company has made a provision amounting to ₹ 582.00 lac in terms of DPE guidelines towards Performance Related Pay payable to the executives for F.Y. 2017-18 which is shown under 'Employees' Benefit Expenses'.
3. In the absence of lease agreements with the State Government in respect of certain leasehold lands, the amortization has been made against 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 deeds etc. are not in the possession of the company.
4. Lease premium paid for land for mining purposes including payment for Net Present Value (NPV) of forest area paid to forest department is capitalized under the head Prepaid Expenses.
5. The commercial operation of Smelter, Refinery and Sulphuric Acid Plant at Khetri Copper Complex (KCC) were suspended since December 2008. The Company suffered loss on account of impairment of the said plants valued by an independent consultant and consequently a total sum of ₹ 482.97 lac was provided in the accounts in the preceding years for impairment loss in compliance with the guidelines of INDAS 36 on "Impairment of Assets". Total inventory valued ₹ 86.40 lac after provision of ₹ 4.55 lac which remained as process material in the above Plant is included in the Inventory of the company. The management is of the opinion that such inventories consisting mainly of metal content are realizable at least at the book value.
6. The title deeds in respect of office flat at SCOPE Complex, Delhi & Jaipur office with total book value of ₹ 62.88 lac (Previous year ₹ 68.06 lac). Further, the title deeds for Freehold and Leasehold Land and Building acquired in respect of Gujarat Copper Project (GCP) with book value of ₹ 6138.52 lac are yet to be executed (Previous year ₹ 6300.54 lac) and hence mortgage of the same could not be created in favour of EXIM Bank from whom a loan was taken for acquiring the secured assets of erstwhile Jhagadia Copper Project (now renamed as GCP). Pending the same, the title deeds of land of TCP has been submitted as alternate security to EXIM Bank over which no hypothecation has been created.
7. At ICC, Pollution Control Plant under Package I & III amounting to ₹ 2100.50 lac have not been capitalized for want of completion of trial / guarantee run as per terms of contract. As a matter of prudence, full provision for the same has been made in the accounts to take care of efflux of time over the years.
8. Confirmation letters of majority of balances under the heads Sundry Creditors, Claims Recoverable, Loans & Advances, Sundry Debtors and Deposits from and with various parties/ Government Departments have been sent but in number of cases such confirmation letters from the parties are yet to be received.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

9. Like last year, considering the present scenario of MCP mines and to sustain the planned production, management during the year also decided to process the lean ore along with the normal ore produced from the mine. At the end of the year, the value of closing lean ore was ₹ 3013.44 lac (Previous Year ₹ 4166.34 lac). The physical verification of lean ore has been conducted by the Malanjkhand Mining Department.
10. During the year, the company has spent a sum of ₹ 342.95 lac on account of Corporate Social Responsibility (CSR) expenses out of which ₹ 142.83 lac is charged to Statement of Profit & Loss and the balance amount of ₹ 200.12 lac has been utilized out of unspent balance of CSR Fund.

Amount spent during the year on:

| Srl. No. | Particulars in cash | In cash | Yet to be paid | Total |
|----------|---------------------------------------|--------------|----------------|--------------|
| (i) | Construction/acquisition of any asset | - | - | - |
| (ii) | On purposes other than (i)above | ₹ 342.95 lac | - | ₹ 342.95 lac |

11. Information related to Micro, Small and Medium Enterprises Development Act, 2006 is disclosed hereunder:

| | | |
|----|---|--------------|
| a) | i) Principal amount remaining unpaid to any supplier at the end of The accounting year | ₹ 596.98 lac |
| | ii) Interest due on above | ₹ 161.47 lac |
| b) | Amount of interest paid by the buyer in terms of Section 16 of the Act, along with amount of payment made beyond the appointed date during the year | ₹ NIL |
| c) | Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act | ₹ 637.75 lac |
| d) | Amount of interest accrued and remaining unpaid at the end of the financial year | ₹ 799.22 lac |
| e) | Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Act | ₹ NIL |

The information has been given of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available to the Company.

12. Consequent to the decision of the Hon'ble Supreme Court vide its order dated 10.11.2016 in favour of the Company in respect of appeal filed, a total amount of ₹ 12315.10 lac is receivable from M.P. State Electricity Board (now renamed as MPVVNL) on account of excess charge of electricity bills paid in earlier periods. However, on conservative basis, against such excess charge of electricity bills receivable, the Company has taken a credit of ₹ 4572.98 lac on the basis of adjustment against bills raised by MPVVNL from April 2017 till 31st March, 2018.
13. During the year the Company has written back old liabilities / provisions amounting to ₹ 1376.96 lac (Previous Year ₹ 547.40 lac) in the accounts, the details of which are as under :-

| Sl. No. | PARTICULARS | ₹ in lac | REASONS FOR REVERSAL |
|---------|---|----------------|--|
| 1. | Excess provision on account of shortage, non-moving and obsolete Stores & Spares/Work in Progress written back in respect of KCC ₹ 29.41 lac & ICC ₹ 0.76 lac | 30.17 | Consequent to physical verification conducted and on reconciliation with book records during the year, the excess provision at the end of the year has been written back to revenue. |
| 2. | Excess provision for doubtful advances no longer required is written back in KCC | 0.12 | The relevant amount of advances were recovered from the employees and hence the provision for advances created in earlier years has been written back. |
| 3. | Excess provision for impairment loss & discarded assets no longer required is written back in KCC - ₹ 12.40 lac & ICC ₹ 0.64 lac | 13.04 | Sale of assets during the year for which provision already existed has been written back. |
| 4. | Excess liability created for DMF & NMET on Royalty no longer required KCC ₹ 412.67 lac & MCP ₹ 770.85 | 1183.52 | The excess liability of DMF & NMET on Royalty has been written back as per the judgement of the Supreme Court |
| 5. | Excess provision for interest on MSME is written back in KCC ₹ 50.56 lac, MCP ₹ 85.77 lac, ICC ₹ 4.57 lac, TCP ₹ 2.47 lac & GCP ₹ 0.08 lac | 143.45 | Excess provision for interest on MSME created in earlier years has been written back. |
| 6. | Excess liability created during the earlier years in HO ₹ 6.12 lac & RSOW ₹ 0.54 lac | 6.66 | The excess liability created in earlier years has been written back. |
| | TOTAL | 1376.96 | |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

14. No fraud by the company or any fraud on the company by its officers and employees has been noticed or reported during the current financial year.
15. The Company has closed / suspended many of its mining operations located at various places, Fertilizer Plant at Khetri in different years due to their uneconomic operations. As per requirement of IND AS 105 on "Non-current Assets Held for Sale and Discontinued Operations" the following information for the year are furnished:

(₹ in lac)

(Previous year figures in brackets)

| | MSB GROUP OF MINES | RCP | CCP | DCP | Fertilizer Plant |
|---|--------------------------------|--------------------|------------------|----------------|------------------------------------|
| i) Initial disclosure event (Year of closure) | 1997 to 2003 | 2001 | 2002 | 1994 | 2001 |
| ii) Carrying amount of Assets | No separate records maintained | 538.59 (573.28) | - (-) | - (-) | No separate records are maintained |
| iii) Liabilities to be settled | | 137.17 (137.17) | 73.04 (73.04) | 3.38 (3.38) | |
| iv) Amount of income | - (-) | - (-) | - (-) | - (-) | |
| v) Amount of expenses | - (-) | 34.70* (34.70) | - (-) | - (-) | |
| vi) Gain on sale of assets (Included in iv above) | - (-) | - (-) | - (-) | - (-) | |

* This is included in cash generated from operations in the Cash Flow Statement.

16. 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 has been reported. As the Company operates predominantly within the geographical limits of India, no secondary segment reporting has been considered as per IND AS 108 "Operating Segments".
17. Sales for the period include FOB value of Export Sales:-

| | 2017-18 | | 2016-17 | |
|--------------------------|----------|-----------------|----------|-----------------|
| | Qty (MT) | ₹ in lac | Qty (MT) | ₹ in lac |
| Anode Slime | 61.800 | 5524.15 | 23.540 | 2898.00 |
| Copper Reverts | - | - | 335.026 | 907.41 |
| Copper Concentrate (CMT) | 7564.476 | 28544.79 | 6439.712 | 19372.66 |
| Total | | 34068.94 | | 23178.07 |

18. In terms of IND AS 24 on "Related Party Disclosures":

| Particulars | | Key Management Personnel | Total Remuneration (₹ in lac) | |
|---------------------------------|----|--|-------------------------------|-----------------------|
| | | | Year ended 2017-18 | Year ended 2016-17 |
| FUNCTIONAL DIRECTORS | | | | |
| Receiving of Services | 1. | Sri Santosh Sharma Chairman-cum-Managing Director | 25.61 (Part of the year) | - |
| | 2. | Sri K D Diwan Chairman-cum-Managing Director | 48.50 (Part of the year) | 54.53 |
| | 3. | Sri Anupam Anand Director (Personnel) | 48.07 | 40.51 |
| | 4. | Sri Subhendra Nanda Director (Operations) | 2.76 (Arrear Salary & PRP) | - |
| | 5. | Sri V V Venugopal Rao Director (Finance) | 12.42 (Part of the year) | 36.72 |
| | 6. | Sri S K Bhattacharya Director (Mining) | 38.38 | 34.36 |
| | 7. | Sri Santosh Sharma Director (Operations) | 15.47 (Part of the year) | 34.44 |
| | 8. | Sri Avijit Ghosh Director (Mining) | 10.47 (Terminal benefits) | - |
| OTHER THAN FUNCTIONAL DIRECTORS | | | | |
| | 9. | Sri C.S.Singhi Company Secretary | 34.53 | 29.32 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

19. In terms of INDAS 33 on “Earning per Share” :

(₹ in lac)

| | BASIC | DILUTED |
|---|--------------------------|--------------------------|
| Numerator used: Profit After Tax | 7960.53 (6193.60) | 7960.53 (6193.60) |
| Denominator used: Weighted average number of Equity Shares of ₹ 5/- (Previous year ₹ 5/- each) outstanding during the period. | 925218000 (925218000) | 925218000 (925218000) |
| Earning Per Share (₹) | 0. 861 (0.670) | 0.861 (0.670) |

20. The Company has accounted for Deferred Tax in accordance with the guidelines of INDAS 12 on “Income Taxes” issued by The Institute of Chartered Accountants of India. The Deferred tax balances are set out below:-

DEFERRED TAX ASSET (NET): -

(₹ in lac)

| Particulars | Deferred Tax Asset/ (Liability) as at 01.04.2017 | Adjustments | Credit/ (Charge) during 2017-18 | Deferred Tax Asset/ (Liability) as at 31.03.2018 |
|---|--|-------------|---------------------------------------|--|
| Deferred Tax Asset :- | | | | |
| Difference between provision made in accounts and claims made as per I. T Act | 8484.26 | (203.83) | 500.38 | 8780.81 |
| | 8484.26 | (203.83) | 500.38 | 8780.81 |
| Deferred Tax Liability :- | | | | |
| Difference between net book value of depreciable capital assets vis-a-vis WDV as per IT Act | (3325.91) | - | 122.81 | (3203.10) |
| Adjustment for fair value of Investment | - | - | - | - |
| | (3325.91) | - | 122.81 | (3203.10) |
| Deferred Tax Asset (Net) | 5158.35 | (203.83) | 623.19 | 5577.71 |

21. PROVISIONS FOR CONTINGENCIES: -

(₹ in lac)

| Particulars | Discarded Fixed Assets | Capital WIP & Advance | Mines Development Expenditure | Others | TOTAL |
|--|------------------------------|--------------------------|-------------------------------------|----------|----------|
| Carrying amount as at 01.04.2017 | 743.31 | 3392.91 | 4664.86 | 18697.03 | 27498.11 |
| Amount provided during the year | 0.44 | - | - | 9877.51 | 9877.95 |
| Amounts utilized against provision | 0.64 | - | - | 10614.07 | 10614.71 |
| Unused amounts released during the year. | - | - | - | - | - |
| Carrying amount as at 31.03.2018 | 743.11 | 3392.91 | 4664.86 | 17960.47 | 26761.35 |

22. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS IN TERMS OF INDAS 19 :

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded through Life Insurance Corporation of India and SBI Life Insurance Co. Ltd. and are managed by separate trust. During the year, the Company has also funded through Life Insurance Corporation of India and SBI Life Insurance Co. Ltd towards leave encashment. Expenses recognized in Statement of Profit & Loss, Other Comprehensive Income and Mine Development Expenditure amounting to ₹ 3794.58 lac in respect of Gratuity, Leave Encashment and Leave Travel Concession which have been provided for as stated below.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The following tables summarize the components of net benefit expense recognized in the Statement of Profit and Loss, Other Comprehensive Income and Mine Development Expenditure and the funded status and amounts recognized in the balance sheet for the respective plans.

(₹ in lac)

| | Gratuity (Funded plan) | Leave Encashment (Partially funded Plan) | Leave Travel Concession (Non- funded Plan) |
|---|---------------------------|--|--|
| (i) <u>Changes in Present Value of Obligation</u> | | | |
| Present Value of obligation as on last valuation | 17205.79 | 11631.18 | 103.63 |
| Current service cost | 844.71 | 1042.62 | |
| Interest cost | 1228.88 | 779.81 | |
| Total Actuarial gain/loss | (499.52) | 2225.54 | 193.40 |
| Benefits Paid | 2492.61 | 3007.37 | 157.92 |
| Present value of obligation as on valuation date | 16287.25 | 12671.78 | 139.11 |
| (ii) <u>Changes in Fair Value of Plan Assets</u> | | | |
| Fair value of Plan Assets at Beginning of period | 22814.59 | 2512.59 | |
| Interest Income | 1821.86 | 199.00 | |
| Employer Contributions | 1400.00 | 3206.97 | |
| Benefits paid | 2492.61 | 3007.37 | |
| Return on Plan Assets excluding Interest Income | - | - | |
| Fair value of Plan Assets at End of measurement period | 23543.84 | 2911.19 | |
| (iii) <u>Table Showing Reconciliation to Balance Sheet</u> | | | |
| Funded Status | 7256.59 | (9760.59) | |
| Fund Asset | 23543.84 | 2911.19 | |
| Fund Liability | 16287.25 | 12671.78 | |
| (iv) <u>Expenses recognized in the Statement of Profit & Loss Account</u> | | | |
| Current service cost | 844.71 | 1042.62 | |
| Net Interest cost | (592.99) | 580.82 | |
| Actuarial (gain)/loss | - | 2225.54 | 193.40 |
| Benefit Cost (Expense Recognized in Statement of Profit/loss) | 251.72 | 3848.98 | 193.40 |
| (v) <u>Other Comprehensive Income</u> | | | |
| Total Actuarial (gain)/loss | (499.52) | - | |
| Return on Plan Asset, Excluding Interest Income | - | - | |
| Balance at the end of the Period | (499.52) | - | |
| Net (Income)/Expense for the Period Recognized in OCI | (499.52) | - | |
| (vi) <u>Table Showing Plan Assumptions</u> | | | |
| Discount Rate | 7.70% p.a. | 7.70% p.a. | 7.70% p.a. |
| Expected Return on Plan Asset | 8.45%, 7.65% | 8.45%, 7.65% | |
| Rate of Compensation Increase (Salary Inflation) | 6.00% p.a. | 6.00% p.a. | |
| Average expected future service (Remaining working Life) | 9 years | 9 years | 9 years |
| Mortality Table | IALM 2006-2008 | IALM 2006-2008 | IALM 2006-2008 |
| | ULTIMATE | ULTIMATE | ULTIMATE |
| Superannuation at age-Male | 60 years | 60 years | 60 years |
| Superannuation at age-Female | 60 years | 60 years | 60 years |
| Early Retirement & Disablement (All Causes Combined) | 1% p.a | 1% p.a | 1% p.a. |

The details of the plan assets as on 31.03.2018 towards gratuity & leave encashment are as follows:

in ₹ lac

| | |
|---|-----------------|
| Investment in Life Insurance Corporation of India | 7011.83 |
| Investment in SBI Life Insurance Co. Ltd | 19438.61 |
| Fund with Gratuity Trust Savings Bank Accounts | 4.59 |
| Total | 26455.03 |

Actual Return on Plan Assets during the year - ₹ 2020.86 lac.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The estimates of future salary increases were considered in actuarial valuation after taking into account inflation, seniority, promotion and other relevant factors. Further, the expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management and historical returns from plan assets.

23. The physical verification of raw materials, WIP and finished goods have been conducted departmentally at reasonable intervals during the year. In respect of stores and spares, physical verification has been conducted by the external agencies once during the year. Shortages/ (Excesses) identified on such physical verification have been duly adjusted in the books of accounts.

24 Financial Instrument

1. Derivatives not designated as hedging instruments

The Company uses Commodity Futures Contracts to manage its commodity price risk. The Commodity Futures Contracts are not designated as hedging instruments and are entered into for periods consistent with commodity price risk exposure of the underlying transactions, generally from one to four months.

The Company uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to four months.

Commodity price risk

The Company purchases copper blister/ anode on an ongoing basis for its operating activities in its Gujarat Copper Project plant for the production of cathode. To hedge itself against the volatility in LME copper prices in the international market has led to the decision to enter into commodity future contracts.

These contracts, which commenced in August 2016, are expected to reduce the volatility attributable to price fluctuations of copper. Hedging the price volatility of copper purchases is in accordance with the Risk Management Policy approved by the Board of Directors. The hedging relationships are for a period between 1 and 4 months based on existing purchase agreements. The Company designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. It has been decided by the company not to follow the hedge accounting for these instruments.

As at 31 March 2018, the fair value of the open position of commodity future contracts is insignificant.

2. Financial Instruments by Categories

The carrying value and fair value of financial instruments by categories were as follows:

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(Amount in ₹ lac)

| Particulars | Total carrying value as at March 31,2018 | Total carrying value as at March 31,2017 | Fair Value as at March 31,2018 | Fair Value as at March 31,2017 |
|--|--|--|--------------------------------|--------------------------------|
| Financial Assets at FV through Statement of Profit & Loss | | | | |
| Mutual Funds | 7.84 | 0.05 | 8.18 | 0.05 |
| Derivatives not designated as hedges | | | | |
| Future Contract Receivable on commodity | - | - | - | - |
| Total of Financial Assets | 7.84 | 0.05 | 8.18 | 0.05 |
| Financial Liabilities | | | | |
| Derivatives not designated as hedges | | | | |
| Forward Cover Contract Liability | - | 596.44 | - | 596.44 |
| Total of Financial Liabilities | - | 596.44 | - | 596.44 |

3. The Management considers the Service fees of ₹ 200.00 lac paid on the Exim bank Term loan amounting to ₹ 20000.00 lac drawn in June 2015 as immaterial, as the amount of service fee was only 0.16% of the Turnover (FY 2016-17) of the company and hence the same was not considered as a transaction cost in terms of fair valuation at initial recognition under INDAS 109. Further, the Management assessed that for the purpose of INDAS 109, the carrying value of loan is considered as its fair value as no loan could be provided at a rate lower than the rate of interest of EXIM BANK loan for similar terms and conditions of the loan at that point of time.

The Management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The Company enters into derivative financial instruments with various counterparties, principally with financial institutions having Investment grade credit ratings. Foreign exchange forward contracts and commodity futures contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing.

4. Fair Value Hierarchy

Level 1 - Level 1 hierarchy includes financial instruments measured using quoted prices (unadjusted) in active markets.

Level 2 - Level 2 hierarchy includes financial instruments measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Level 3 hierarchy includes financial instruments measured using inputs that are not based on observable market data (unobservable inputs).

The following table presents fair value hierarchy of assets and liabilities measured at fair value

(Amount in ₹ lac)

| Particulars | Date of Valuation | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|---------|---------|---------|-------|
| Financial Assets at FV through Statement of Profit & Loss | | | | | |
| Non-derivative financial assets | | | | | |
| Mutual funds | 31-Mar-2018 | 8.18 | - | - | 8.18 |
| Derivative financial assets | | | | | |
| Future Contract Receivable on commodity | 31-Mar-2018 | - | - | - | - |
| Liabilities measured at fair value: | | | | | |
| Derivative financial liabilities | | | | | |
| Forward Cover Contract Liability | 31-Mar-2018 | - | - | - | - |
| Assets measured at FV through OCI | 31-Mar-2018 | - | - | - | - |

(Amount in ₹ lac)

| Particulars | Date of Valuation | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|---------|---------|---------|--------|
| Financial Assets at FV through Statement of Profit & Loss | | | | | |
| Non-derivative financial assets | | | | | |
| Mutual funds | 31-Mar-2017 | 0.05 | - | - | 0.05 |
| Derivative financial assets | | | | | |
| Future Contract Receivable on commodity | 31-Mar-2017 | - | - | - | - |
| Liabilities measured at fair value: | | | | | |
| Derivative financial liabilities | | | | | |
| Forward Cover Contract Liability | 31-Mar-2017 | - | 596.44 | - | 596.44 |
| Assets measured at FV through OCI | 31-Mar-2017 | - | - | - | - |

5. Financial Risk Management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance.

| Risk | Exposure arising from | Measurement | Management |
|-------------------------------|---|-----------------------------|--|
| Market risk- Foreign Exchange | Future commercial transactions, Recognised financial assets and financial liabilities | Sensitivity analysis | Forward foreign exchange contracts |
| Market-Commodity Price Risk | Purchase of Copper | Price Sensitivity | Commodity Futures Contract |
| Credit risk | Trade receivables | Ageing analysis | Sales are mainly done against Advance or Letters of Credit |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Cash flow management |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

a) Market Risk

i) Foreign Currency Risk

The Company operates at international level which exposes the company to foreign currency risk arising from foreign currency transaction primarily from Imports and foreign currency borrowing. Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency other than INR as on reporting date.

(As of March 31, 2018)

| Particulars | ₹ In lac |
|-----------------------------|-----------|
| Cash & cash equivalents | - |
| Trade Payables | - |
| Loans | 56214.52 |
| Others (if any) | - |
| Net Assets/ (-) Liabilities | -56214.52 |

(As of March 31, 2017)

| Particulars | ₹ In lac |
|-----------------------------|-----------|
| Cash & cash equivalents | - |
| Trade Payables | - |
| Loans | 40655.65 |
| Others (if any) | - |
| Net Assets/ (-) Liabilities | -40655.65 |

Sensitivity

The sensitivity of profit or loss to changes in exchange rate arises mainly from foreign currency denominated financial instrument.

| Particulars | Impact on profit before tax | |
|-----------------|-----------------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Increase by 5% | (2,810.73) | (2,032.78) |
| Decrease by 5 % | 2,810.73 | 2,032.78 |

ii) Commodity Price Risk

The company's exposure to security price from copper price fluctuation in international market does not arise as the company hedges all its imports through Future contracts at LME.

b) Credit Risk

Credit risk refers to the risk of default on its obligation by the Debtors resulting in a financial loss. The company sells majority of its products either against Advance from Customers or Letters of Credit. Accordingly, credit risk from Trade receivables has not been considered as credit risk.

Credit risk exposure

An analysis of age of Trade receivables at each reporting date is summarized as follows:

(Amount in ₹ lac)

| Particulars | 31-Mar-18 | 31-Mar-17 |
|--|-----------|-----------|
| | Gross | Gross |
| Not past due | - | - |
| Past due more than three months but not more than six months | 6452.99 | 16473.44 |
| Past due more than six months but not more than one year | 471.03 | - |
| More than one year | 2169.23 | 968.59 |
| Total | 9093.25 | 17442.03 |
| Less Allowances for Bad & Doubtful Debts | 935.89 | 934.59 |
| Net Debtors | 8157.36 | 16507.44 |

Customer credit risk is managed by each business unit subject to the Company's established Marketing policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The maximum exposure to credit risk at the reporting date is ₹ 935.89 lac for which full provision has been made in the accounts as disclosed in Note No 12.

Other financial assets

Credit risk relating to cash and cash equivalents is considered negligible because our counterparties are scheduled banks. We consider the credit quality of Term deposits with such banks as good as these banks are under the regulatory framework of Reserve Bank of India. We review these banking relationships on an ongoing basis.

c) Liquidity Risk

Our liquidity needs are monitored on the basis of monthly and yearly projections. The company's principal sources of liquidity are cash and cash equivalents, cash generated from operations.

We manage our liquidity needs by continuously monitoring cash inflows and by maintaining adequate cash and cash equivalents. Net cash requirements are compared to available cash in order to determine any shortfall.

Short term liquidity requirements consists mainly of Sundry creditors, Expense payable, Employee dues arising during the normal course of business as of each reporting date. We maintain a sufficient balance in cash and cash equivalents to meet our short term liquidity requirements.

The table below provides details regarding the contractual maturities of financial liabilities. The table has been drawn up based on the undiscovered cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

(As of March 31, 2018)

(₹ in lac)

| Particulars | On Demand | Less than 3 months | 3 months to 1 year | 1-3 years | 3-5 years | Total |
|-------------------------------------|----------------|--------------------|--------------------|-----------------|-----------|-----------------|
| Short term borrowings (cash credit) | 9480.56 | - | - | - | - | 9480.56 |
| Short term borrowings (Others) | - | 40923.98 | - | - | - | 40923.98 |
| Long Term Borrowings | - | - | 5082.27 | 10208.27 | - | 15290.54 |
| Forex forward Contract | - | - | - | - | - | - |
| Total | 9480.56 | 40923.98 | 5082.27 | 10208.27 | - | 65695.08 |

(As of March 31, 2017)

(₹ in lac)

| Particulars | On Demand | Less than 3 months | 3 months to 1 year | 1-3 years | 3-5 years | Total |
|-------------------------------------|----------------|--------------------|--------------------|-----------------|----------------|-----------------|
| Short term borrowings (cash credit) | 6551.37 | - | - | - | - | 6551.37 |
| Short term borrowings (Others) | - | 15284.50 | 4873.20 | - | - | 20157.70 |
| Long Term Borrowings | - | - | 5124.49 | 10248.97 | 5124.49 | 20497.95 |
| Forex forward Contract | - | 576.42 | 20.02 | - | - | 596.44 |
| Total | 6551.37 | 15860.92 | 10017.71 | 10248.97 | 5124.49 | 47803.46 |

6. Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

25. Excise duty deducted from Gross Sales is the excise duty on Gross Turnover for the year under review. However, the excise duty related to the difference between the closing stock and opening stock is recognized separately in the statement of Profit & Loss as follows:

₹ in lac

| | As on 31.03.2018 | As on 31.03.2017 |
|------------------------------------|------------------|------------------|
| Excise Duty on Closing Stock | - | 1409.25 |
| Less: Excise Duty on Opening Stock | 1409.25 | 1413.10 |
| Net Excise Duty | (1409.25) | (3.85) |

26. The physical verification of fixed assets which is required to be conducted every year so that all the units/offices are covered once in every three years interval. Physical verification of fixed assets has been conducted by external agencies in ICC, RCP, MCP, GCP, Bangalore Sales Office & H.O. during FY 2016-17 and in KCC & Delhi Sales Office during the year. Shortages/(Excesses) identified on such physical verification have been duly adjusted in the books of accounts.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

27. The movement of Non-current assets classified as held for sale during the year is as follows:

₹ in lac

| Description | Opening Balance as on 01.04.2017 | Additions during the year | Disposals during the year | Closing Balance as on 31.03.2018 |
|-------------------------------------|----------------------------------|---------------------------|---------------------------|----------------------------------|
| Plant, Machinery & Mining Equipment | 4799.04 | 27.69 | 24.55 | 4802.18 |
| Other Items | 1317.27 | - | - | 1317.27 |
| Gross Block | 6116.31 | 27.69 | 24.55 | 6119.45 |
| Plant, Machinery & Mining Equipment | 4425.90 | 26.31 | 22.97 | 4429.24 |
| Other Items | 947.10 | - | - | 947.10 |
| Cummulative Depreciation | 5373.00 | 26.31 | 22.97 | 5376.34 |

The details of other items not shown since there is no movement during the year.

28. The income tax expense for the year can be reconciled to the accounting profit as follows :

₹ in lac

| | Year ended 31.03.2018 | Year ended 31.03.2017 |
|---|-----------------------|-----------------------|
| Profit / (Loss) before Tax | 12203.54 | 9454.25 |
| Income Tax expense calculated at 34.608% | 4223.40 | 3271.93 |
| Effect of Deferred Tax balances due to the change in income tax rates | - | (20.22) |
| Others (net) | (3.08) | (13.75) |
| Income Tax expense recognized in profit or loss | 4220.32 | 3237.96 |

29. The Auditor has made various observations which is annexed at Annexure-A. The management prima facie do not agree with the Auditor's observations. However, the same will be reviewed within ensuing financial year.
30. The previous year's figures have been regrouped / rearranged, wherever necessary.

NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

39. GENERAL NOTES ON ACCOUNTS :

Additional information forming part of accounts for year ended March 31, 2018

39.1 Capacities, production, stocks and sales

(Figures in brackets pertain to those of previous year)

| Class of goods | Unit | Licensed capacity | Installed capacity (As certified by management) | Actual production | Opening Stock Quantity | Opening Stock Value ₹ in lac | Closing Stock Quantity | Closing Stock Value ₹ in lac | Sales Quantity | Sales Value ₹ in lac | Issued for internal consumption/intermediate Products and others Quantity |
|--|------|-------------------|---|-------------------|------------------------|------------------------------|------------------------|------------------------------|----------------|----------------------|---|
| Manufacturing Activities | | | | | | | | | | | |
| a : Main products | | | | | | | | | | | |
| 1 Wire bar * | MT | 39400 (39400) | 39400 (39400) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) |
| 2 Wire rod | MT | 60000 (60000) | 60000 (60000) | 22185 (17005) | 678 (434) | 2930.22 (1600.42) | 51 (678) | 226.02 (2930.22) | 22812 (16761) | 103438.80 (73520.16) | - (-) |
| 3 Cathode including Toll Smelted Cathode | MT | 99500 (99500) | 68500** (68500) | 25949 (18602) | 2116 (2234) | 8496.28 (7443.83) | 440 (2116) | 1648.41 (8496.28) | 4490 (1562) | 19908.94 (7155.09) | 23135 (17158) |
| b : By products | | | | | | | | | | | |
| 1 Gold | KG | 264 (264) | 698 (698) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) |
| 2 Silver | KG | 4763 (4763) | 9868 (9868) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) |
| 3 Nickel sulphate | MT | 250 (250) | 390 (390) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) |
| 4 Selenium | KG | 10000 (10000) | 14600 (14600) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) |
| 5 Sulphuric acid | MT | 236000 (236000) | 236000 (236000) | 10256 (8389) | 2417 (5162) | 116.91 (290.38) | 1696 (2417) | 82.16 (116.91) | 9306 (10254) | 378.40 (281.62) | 1671 (880) |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

39. GENERAL NOTES ON ACCOUNTS :

Additional information forming part of accounts for year ended March 31, 2018

39.1 Capacities, production, stocks and sales

(Figures in brackets pertain to those of previous year)

| Class of goods | Unit | Licensed capacity | Installed capacity (As certified by management) | Actual production | Opening Stock Quantity | Opening Stock Value ₹ in lac | Closing Stock Quantity | Closing Stock Value ₹ in lac | Sales Quantity | Sales Value ₹ in lac | Issued for internal consumption/intermediate Products and others Quantity |
|---|------|-------------------|---|-------------------|------------------------|------------------------------|------------------------|------------------------------|----------------|------------------------------|---|
| c : Allied and semi- Finished products | | | | | | | | | | | |
| 1 Anode slime | MT | NA (NA) | - (-) | 60 (31) | 8 (1) | 722.55 (166.52) | 6 (8) | 289.27 (722.55) | 62 (24) | 5524.15 (2898.00) | - (-) |
| 2 Copper mould | MT | NA (NA) | - (-) | - (-) | 19 (19) | 21.34 (21.34) | - (19) | - (21.34) | - (-) | - (-) | 19 (-) |
| 3 Kyanite | MT | NA (NA) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) |
| 4 Others | MT | NA (NA) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | - (-) | 35540.40 (37839.19) | - (-) |
| d : Work in progress | | | | | | | | | | | |
| | | | | | | 60750.24 *** (36384.19) | | 71516.33 ***** (60750.24) | | | |
| GRAND TOTAL | | | | | | 73037.54 (45906.68) | | 73762.19 (73037.54) | | 164790.69 (121694.06) | |

Note :

* Due to change in product demand, the Company is no longer making this product.

** Although the Installed Capacity of Cathode is shown as 99500 MT (KCC - 31000 MT & ICC - 18500 MT, GCP - 50000 MT), due to economic consideration the Company suspended KCC Smelter & Refinery from December 2008.

*** Opening Work in progress includes

| | | | | | | | | | | | | | | | |
|---------------|----------|---------|----------|--------|--------|---------|------|-------|---------|--------|-------|----------|---------|----------|-----------------|
| Current year | 15899.56 | 6157.86 | 13897.17 | 696.69 | 170.01 | 1197.36 | 2.96 | 8.03 | 1005.84 | 0.36 | 10.81 | 10189.50 | 1263.46 | 10250.63 | 60750.24 |
| Previous year | 13209.21 | 7638.14 | 13108.64 | 649.57 | 85.78 | 14.08 | 1.04 | 55.43 | 17.32 | 117.37 | 40.26 | - | 413.69 | 1033.66 | 36384.19 |

**** Closing Work in progress includes

| | | | | | | | | | | | | | | | |
|---------------|----------|---------|----------|--------|--------|---------|------|------|---------|------|-------|----------|---------|----------|-----------------|
| Current year | 25814.48 | 6395.06 | 23619.82 | 814.42 | 178.97 | 2076.64 | 9.35 | 4.93 | 1743.48 | - | 84.86 | 2577.63 | 1304.64 | 6892.05 | 71516.33 |
| Previous year | 15899.56 | 6157.86 | 13897.17 | 696.69 | 170.01 | 1197.36 | 2.96 | 8.03 | 1005.84 | 0.36 | 10.81 | 10189.50 | 1263.46 | 10250.63 | 60750.24 |

***** Other Sales value includes

| | | | | | | | | | | | | | | | |
|---------------|---------|----------|--------|--------|---------|--------|--------|--------|-------|--------|--------|--------|----------|--|--|
| Current year | 3.59 | 34302.18 | 99.12 | - | (37.88) | 78.58 | 325.32 | 113.00 | 30.18 | 266.08 | - | 360.23 | 35540.40 | | |
| Previous Year | 9770.23 | 25568.37 | 253.41 | 907.41 | - | 194.75 | 186.57 | 122.76 | 37.54 | 10.50 | 254.13 | 533.52 | 37839.19 | | |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

39. GENERAL NOTES ON ACCOUNTS (Contd.)

Additional information forming part of accounts for year ended March 31, 2018

39.2 Raw materials consumed

| | Quantity | | Value | |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| | Year ended 2017-2018 MT | Year ended 2016-2017 MT | Year ended 2017-2018 ₹ in Lac | Year ended 2016-2017 ₹ in Lac |
| Concentrate own production | 59648 | 78481 | 31502.76 | 39851.08 |
| Concentrate excluding own production | - | - | - | - |
| Cathode | - | - | - | - |

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

| <u>RAW MATERIALS:</u> | % | % | | |
|-----------------------|---------------|---------------|-----------------|-----------------|
| Imported | 95 | 75 | 38950.22 | 21966.13 |
| Indigenous | 5 | 25 | 2155.34 | 7393.03 |
| | 100.00 | 100.00 | 41105.56 | 29359.16 |

STORES & SPARES:

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

| | | | | |
|------------|---------------|---------------|-----------------|-----------------|
| Imported | 0.27 | 0.30 | 59.93 | 59.20 |
| Indigenous | 99.73 | 99.70 | 22179.54 | 20007.39 |
| | 100.00 | 100.00 | 22239.47 | 20066.59 |

39.4 C.I.F. value of imports

| | | |
|-------------------------|-----------------|-----------------|
| Raw Material | 33578.95 | 28966.77 |
| Components, spare parts | 210.08 | 41.23 |
| Capital goods | - | 910.59 |
| | 33789.03 | 29918.59 |

39.5 Expenditure in foreign currency

| | | |
|------------|-----------------|-----------------|
| Travelling | 41.94 | 19.53 |
| Others | 33698.78 | 29981.72 |
| | 33740.72 | 30001.25 |

39.6 Earning in foreign Exchange

| | | |
|-----------------------|-----------------|-----------------|
| Export of Goods (FOB) | 34068.94 | 23178.07 |
| | 34068.94 | 23178.07 |

39.7 Payment to Whole Time Directors

| | | |
|---|---------------|---------------|
| Salaries and allowances | 123.20 | 173.79 |
| Company's contribution to provident and other funds | 10.70 | 13.19 |
| Re-imbursement of Medical expenses | 0.86 | 1.14 |
| Leave Encashment | 24.09 | 12.44 |
| Gratuity | 14.42 | - |
| | 173.27 | 200.56 |

Note :

In addition, the Whole Time Directors are allowed the use of company car for private purpose and have been provided with residential accommodation as per terms of their appointment/Government guidelines



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Annexure - A

1.00 The Company has overstated the Mine Development Expenditure by ₹13570 Lacs (₹10170 Lacs in respect of Malanjkhanda Copper Project and ₹3433 Lacs in respect of Khetri Copper Complex) appearing as Non-Current Assets.

1.01 Malanjkhanda Copper Project

As per letter dated 13.04.2017 of DGM (Mines), as on 01.04.2015, the net reserve for excavation for open pit mining was 13.811 million Cubic Meters, equivalent to 37.152 Million Ton. Out of this quantity, ore was estimated at 12.568 million tonnes and overburden (OB) was estimated at 24.583 million Ton. Stripping ratio on the basis of such estimation comes to 1.96 in respect of OB: Ore. From 01.04.2015 to 31.03.2018, ₹ 53319 lakhs was incurred for excavation (including unamortised opening balance as on 01.04.2015). From 01.04.2015 to 31.03.2018, 10.096 million Cubic Meters was excavated, representing 73% of the estimated excavation during the balance period of MCP mine. Against this, the ore production was recorded at 7.291 million Ton representing 58% of the estimated ore to be mined. Therefore, proportionate amount representing 58% out of ₹ 53319 lakhs, amounting to ₹ 42312 lakhs was required to be amortised, leaving the balance of ₹ 11007 lakhs as unamortised amount to be amortised against future production. However, during the financial years ended 31.03.2016 to 31.03.2018, only ₹ 32142 lakhs (including ₹ 11998 lakhs during the current year) has been amortised. Therefore, ₹ 10170 lakhs has been short amortised as on 31.03.2018. Therefore, the Unamortised Mine Development Expenditure has been overstated by ₹ 10170 lakhs.

Our attention has been invited by the management to the Mine Development Expenditure under Significant Accounting Policies. As per the policy, in respect of open cast mines, "The expenditure on removal of waste and overburden, is capitalized, and the "same is depleted 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. The management has interpreted that the expenditure during year on overburden is to be amortised on the basis of standard stripping ratio arrived at at the time of revised estimation of reserve although the actual stripping ratio varies with the originally estimated stripping ratio. This gives absurd results as is evident from the following table:

| Computation of Unamortised Expenditure | Reserve Estimates | Amount (Rs/Cr) | MT (Mill.) | Amount (Rs/Cr) | MT (Mill.) | Amount (Rs/Cr) | MT (Mill.) | Amount (Rs/Cr) | MT (Mill.) |
|--|-------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| Years ended 31st March | 01.04.2015 | 2016 | 2016 | 2017 | 2017 | 2018 | 2018 | In Future | In Future |
| Opening Balance | | 500.86* | 48.49 | 85.28 | 4.52 | 150.50 | 6.62 | 211.27 | 8.11 |
| Add: MDE during the year | | 152.73 | 6.95 | 173.02 | 6.84 | 180.48 | 6.08 | 143.01 | 4.82 |
| Sub Total | | 653.60 | 55.44 | 258.30 | 11.37 | 330.98 | 12.70 | 354.29 | 12.93 |
| Less: Amortisation | | | | | | | | | |
| Ore Production | 12.568 | | 2.54 | | 2.42 | | 2.34 | | 5.28 |
| Actual Stripping ratio | 1.96 | | 2.74 | | 2.83 | | 2.60 | | 0.91 |
| Stripping Ratio applied | 1.96 | | 3.14 | | 1.96 | | 1.96 | | 1.40 |
| Overburden amortised | 24.686 | 93.90 | 7.96 | 107.80 | 4.74 | 119.70 | 4.59 | 202.35 | 7.38 |
| Closing Balance | | 559.70 | 55.44 | 150.50 | 6.62 | 211.27 | 8.11 | 151.94 | 5.54 |
| Todate Ore Production Achieved | | | 2.54 | | 4.95 | | 7.29 | | 12.57 |
| Todate Overburden removal Achieved | | | 6.95 | | 13.79 | | 19.87 | | 24.69 |
| Todate Excavation Achieved | | | 9.48 | | 18.74 | | 27.16 | | 37.25 |
| % of Ore achieved | | | 20% | | 39% | | 58% | | 100% |
| % of Overburden achieved | | | 28% | | 56% | | 80% | | 100% |
| Total Exhivation achieved | | | 25% | | 50% | | 73% | | 100% |

* before write off of ₹474.41 crores in the accounts for the year ended 31.03.17 with effect from 01.04.2015.

From the above table, it would be evident that in future, actual stripping ratio would be 0.91 ratio of overburden amortisation would be 1.40. Apart from that, there would still be ₹151.94 Cr on overburden of 5.54 million MT of overburden. All these point out the major fallacy in the computation of amortisation of mine development expenditure appearing in Balance Sheet and Profit & Loss Account.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Moreover, in the audited accounts for the year ended 31.03.2017, item 16 of Note 39 states, "It implies that as against an amount of ₹47441.27 lac pertaining to OB quantity there is no identifiable component of the ore body to which that predecessor stripping asset related. In the given circumstances and in compliance with the mandatory accounting standards Ind AS coupled with the fact that the company has already initiated development activity for underground mining and the life of the open cast mine is limited to 6-7 years, the Company has written off an amount of ₹47441.27 lac relating to OB quantity against Retained Earnings as on 01.04.2015 in order to give effect to Ind AS. Accordingly, the stripping rate of open cast (surface) mine has been re-assessed with reference to identifiable component of the ore body."

In the above Note, the Company had written off ₹ 47441.27 lacs on the pretext of IndAS Implementation and Underground Mines Development Activities. The actual fact was that the Mine Development Activity was overstated by ₹47441.27 lacs as on 31.03.2015. Therefore, in order to give a comparative previous years' figures, these are required to be disclosed in Profit & Loss Account so that previous years' figures will also result in Loss for the Year.

1.02. Khetri Copper Complex

The expenses incurred upto the point of reaching the mineable ore are capitalised to be amortised when the ore body is reached. The amount to be amortised is the ratio of ore extracted in relation to the total ore reserves at that level. Thus, unamortised amount is required to be related to the mineable ore reserves in different levels of underground mine and the extent of extraction of ore in each level in order to attribute the expenses incurred to ore body. On the basis of the details of the mineable ore reserves in different levels of underground mine, the expenses incurred at each level and the extent of extraction of ore in each level, the unamortised amount is estimated to be overstated by ₹ 3433 Lacs in respect of two mines, namely Koliha Mines and Khetri Mines as below:

| Sl. No. | Level | UOM | Khetri Mines | | | | Khollian Mines | |
|---------|--|---------|--------------|--------|--------|-------|----------------|--------|
| | | | 240 ml | 180 ml | 120 ml | 60 ml | 306ML | 184ML |
| 1 | Ore Production upto 31.03.2017 | MT/Lakh | 43 | 64 | 50 | 9 | 61 | 33 |
| 2 | KCM Geological Reserve | MT/Lakh | 0 | 11 | 42 | 84 | 0 | 14 |
| 3 | Mineable Ore | MT/Lakh | 0 | 7 | 29 | 58 | 0 | 10 |
| 4 | Total Mineable Ore Since Inception | MT/Lakh | 43 | 71 | 79 | 68 | 61 | 43 |
| 5 | Balance Lying as on 01-04-2017 | MT/Lakh | 0 | 7 | 29 | 58 | 0 | 10 |
| 6 | % Completion | % | 100% | 90% | 63% | 14% | 100% | 77% |
| 7 | Mines Development Expenses | ₹/Lakh | 1425 | 3482 | 4367 | 6589 | 635 | 6807 |
| 8 | Mines Development Amortised | ₹/Lakh | 1152 | 1972 | 1862 | 544 | 214 | 3739 |
| 9 | Incidental ores raised | ₹/Lakh | 133 | 155 | 29 | 7 | 215 | 621 |
| 10 | Percentage of Mines Development Expenses and Incidental raised | % | 12% | 8% | 2% | 1% | 100% | 16.60% |
| 11 | Mines Development Amortisation as per Completion | ₹/Lakh | 1425 | 3120 | 2748 | 897 | 635 | 5251 |
| 12 | Difference of 9-12 | ₹/Lakh | 274 | 1148 | 886 | 353 | 421 | 1512 |
| 13 | Extra Provision to be made | ₹/Lakh | 141 | 993 | 857 | 345 | 207 | 891 |
| | Total Khetri+Khollian Mines Extra Amortisation to be Provided | | | | | | ₹/Lakh | 3433 |

As per significant Accounting Policies, in case of underground mines, the expenditure on development of a new mine in all cases and on subsequent development of a working mine is capitalised and depleted on the basis of ore raised during the year and the mineable ore reserves estimated from time to time.

2.00 The Company has overstated the inventory of Semi-Finished and In-Process material by valuing non-moving/ slow moving/ defective/ old/ unusable/ redundant inventory, the evidence of the existence whereof has also not been furnished to us. The existence of such non-moving/ slow moving/ defective/ old/ unusable/ redundant inventory has been determined by us on the basis of trends of daily production and daily dispatches, whereby it is evident that the current production is being dispatched,



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

while there is negligible movement of brought forward inventory. The value of such stock is estimated to be not less than ₹ 37408 lakhs as summarised below. Book stock in respect of such stocks was not available and/or the book stock was taken to be the physical stock, thereby no discrepancy between book stock and physical stock was determined. Even volumetric measurements forming the basis of physical stock was changed so that the weight thereof comes to a predetermined quantity by weight. Apparently, the stock level of MIC is 7 month's production, which is unrealistic that such a voluminous material would remain unsold or unconsumed for a such a long time.

| Details | Inventory Overstated (₹/Lakh) |
|---|-------------------------------|
| Effect of taking ore stock at Kolihan Mines: At KCC, the closing stock of ore at Kolihan Mines has been valued at ₹ 714 lakhs. The metal content of the ore has been taken to be 6.5% of the ore, while the average metal content throughout the year has been 0.985%. However, there is NIL stock of ore at Khetri Mines. We were explained that the ore which is brought to the Plant Stock Pile is only considered for stock. As such, the stock of Semi Finished Stock and in-Process is inflated by ₹ 714 lakhs. There is corresponding opening stock of ₹ 685 lakhs. Therefore, the previous years' stock of Semi Finished Stock and in-Process is also inflated by ₹ 685 lakhs. | 714 |
| Overstatement of KCC concentrate stock due to variation of copper percentage: Ore concentrate produced during the year at KCC has average metal content 17.137% while for closing stock, metal content has been taken 17.803%. Due to this, stock has been overstated by ₹ 517 lakhs. | 517 |
| Over statement of KCC metal in concentrate stock: At KCC, there is closing stock of Concentrate with Metal content of 4946 MT valued at ₹ 13425 lakhs, which is the production of 176 days. It is practically not possible to retain the Concentrate for so many days without its consumption/ dispatch. A reasonable estimate may be 2 month's consumption as inventory, which may amount to 1646 MT. The Therefore, stock of 3300 MT valued at about ₹ 8950 lakhs seems to be redundant stock and needs to be provided for. This is also corroborated with another fact. The stock of MIC at KCC as on 23.10.17 was 15000 MT as per Note Sheet of DGM(F) in the Tender file of Trafigura. After that upto 31.03.18, the estimated production was about 28000 MT, thus totaling 43000 MT, i.e, metal content of about 6800 MT. Dispatch from 17.11.17 to 31.03.18 was metal content of 5100 MT, leaving closing stock of 1700 MT only. Therefore, the Semi Finished Stock and in-Process is overstated by ₹ 8950 lakhs. There is corresponding opening stock of ₹ 15172 lakhs. We were also informed by the DGM (Mines) that 4459 CMT (Gross MIC 25027 MT) was old stock. Therefore, the previous years' stock of Semi Finished Stock and in-Process is also inflated by ₹ 8950 lakhs. | 8950 |
| Over statement of KCC slag concentrate stock: In KCC, there was op stock of slag concentrate with 37% metal content of 460 CMT valued at ₹ 992 lakhs. During the year, slag has been mopped, having 4.60% metal content 1717 CMT, out of this, 78% recovery has been done by producing 1355 cmt of slag concentrate with 32% metal content, which has been sold to Hindalco at ₹ 5756 lakhs. Therefore, op stock of inventory understated by ₹ 4400 lakhs after deducting the estimated conversion cost. Thus, the profit attributable for the year has been overstated by ₹ 4400 lakhs. | 4400 |
| Over statement of KCC stock due to non-inclusion of scrap sales & ore transport cost: In KCC, sale of scrap for ₹ 1089 lakhs has not been considered as cost element by netting off the cost elements from which these have arisen. Further, ₹ 282 lakhs has been considered for transportation of ore by road, which does not appear in accounts. Due to this, the cost of ore has been taken higher by 4%. Therefore the inventory of ₹ 14326 lakhs at KCC has been overvalued by ₹ 580 lakhs. | 580 |
| Overstatement of Stock of Metal in Ore & Metal in Concentrate at MCP : At MCP, the closing stock of ore at Mines has been estimated at metal content of 6126 CMT valued at ₹ 6395 lakhs (i.e. metal in crusher ore stock 1771 CMT valued at ₹ 2073 lakhs and metal in lean ore 4355 CMT valued at ₹ 4322 lakhs) and concentrate at the plant has been estimated at metal content of 3754 MT valued at ₹ 6923 lakhs, totaling ₹ 13318 lakhs. However, the derived quantity of metal content based on the volumetric measurement of stock as on 01.04.18 shows the stock of crusher ore at Mines as the metal content of 788 MT valued at ₹ 923 lakhs and concentrate at the plant has been estimated at metal content of 621 MT valued at ₹ 1146 lakhs, totaling ₹ 6391 lakhs including metal in lean ore value ₹ 4322 lakhs. Therefore, the stock of Semi Finished Stock and in-Process has been overstated by ₹ 6927 lakhs. Surprisingly, this physical stock report was replaced by another report by inflating the volumetric measurements in an attempt to match the metal content taken in the stock and to justify the valuation based on book stock. However, even on the basis of such physical stock report, the stock is ₹ 12168 lakhs only. | 6927 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| Details | Inventory Overstated (₹/Lakh) |
|---|-------------------------------|
| Overstatement of Metal in Concentrate of MCP at ICC Plant: We have not been furnished the details of volumetric measurements of the stock in spite of our repeated requests and we have also been denied to recheck the stock of concentrate supplied by MCP in presence of us. At ICC, there is closing stock of Concentrate from MCP with Metal content of 8759 MT valued at ₹17400 lakhs, which is the consumption of 227 days. It is practically not possible to retain the Concentrate for so many days without its consumption/despatch. A reasonable estimate may be 1-2 month's consumption as inventory, which may amount to 1759 MT. Stock of 7000 MT valued at about ₹13900 lakhs seems to be redundant stock and needs to be provided for. Therefore, the stock of Semi Finished Stock and in-Process has been overstated by ₹13900 lakhs. | 13900 |
| FILTER CONCENTRATE KCC: There was opening stock of 117 CMT of Filter Concentrate KCC valued to ₹386 lakhs, only 32 CMT was consumed, leaving closing stock of 85 CMT valued at ₹258 lakhs. The stock is slow-moving inspite of the fact that the same constitutes the primary raw material and needs to be provided for. Therefore, the stock of Semi Finished Stock and in-Process has been overstated by ₹258 lakhs. | 258 |
| COOLING ELEMENT ICC: There was opening stock of 177 CMT of Cooling Element, valued at ₹643 lakhs. 49 CMT was received during the year, out of which 74 CMT was consumed, leaving closing stock of 152 CMT valued at ₹ 513 lakhs. Since there was sufficient stock for the consumption during the year, the consumption seems to be out of fresh receipt and the closing stock seems to be not usable. Therefore, the stock of Semi Finished Stock and in-Process has been overstated by ₹ 513 lakhs. | 513 |
| LIQUID METAL IN F.F. WIP ICC and LIQUID METAL IN SCF ICC: There was no movement in Liquid metal in FF and SCF valued at ₹ 463 lakhs and ₹ 186 lakhs respectively against opening stock valued at ₹ 428 lakhs and ₹ 172lakhs respectively. The reason for increase in valuation was not explained to us. In view of the Nil consumption during the year, these stock seem to be unusable. For these items of stock, same qty 147.191 CMT & 59.136 CMT respectively is continuing for past few years. Hence this stock seems to be unusable and stock is overstated by ₹ 649 Lakhs (i.e. 463+186) | 649 |
| Total | 37408 |

3.00 The Company has not complied with several IndAS Accounting Standards as below.

3.01 As per paragraph 51(b) of IndAS-1 on Presentation of Financial Statements, an entity shall display whether the financial statements are of an individual entity or a group of entities. The Financial Statements do not disclose this information. Thus, this IndAS has not been complied.

3.02 As per paragraph 138(a) of IndAS-1 on Presentation of Financial Statements, an entity shall disclose legal form of the entity, its country of incorporation, if not disclosed elsewhere in information published with the financial statements. This information has not been disclosed. Thus, this IndAS has not been complied.

3.03 As per paragraph 17 of IndAS-10 on Events after Reporting Period, an entity shall disclose the date when the financial statements were approved for issue and who gave that approval. The entity shall also disclose if the entity's owners or others have the power to amend the financial statements after issue. This has not been disclosed. Thus, this IndAS has not been complied.

3.04 As per paragraph 54(j) of IndAS-1 on Presentation of Financial Statements, " the balance sheet shall include line items that present the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Ind AS 105 as Non-current Assets Held for Sale and Discontinued Operations". As at the year end, there were fixed assets and stores and spares etc. lying at KCC and RCP Units, namely, Sulphuric Acid Plant, Smelter, Refinery, CCR Plant etc..These have not been disclosed as such. Thus, this IndAS has not been complied.

3.05 As per paragraph 54(o) of IndAS-1 on Presentation of Financial Statements, the balance sheet shall include line items that present the deferred tax liabilities and deferred tax assets, as defined in Ind AS 12 on Income Taxes. The gross amount of liabilities and assets are required to be disclosed separately instead on netting off. This has resulted in the non-compliance of the IndAS-1. Paragraph 74 of IndAS-12 states that an entity shall offset deferred tax assets and deferred tax liabilities if, and only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities. These have not been disclosed as such. Thus this IndAS has not been complied.

3.06 The cost may be treated as part of the Purchase Value of the Inventory in accordance with paragraph 6.5.11 (d)(i) of IndAS-109 on Financial Instruments. As long as a cash flow hedge meets the qualifying criteria in paragraph 6.4.1, the amount that has been accumulated in the cash flow hedge



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

reserve shall be accounted by removing that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability since the hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied. This is not a reclassification adjustment (IndAS 1) and hence it does not affect other comprehensive income.

Paragraph B6.5.34 of Appendix B of the IndAS-109 clarifies the point as below:

A forward contract can be considered as being related to a time period because its forward element represents charges for a period of time (which is the tenor for which it is determined). However, the relevant aspect for the purpose of assessing whether a hedging instrument hedges a transaction or time-period related hedged item are the characteristics of that hedged item, including how and when it affects profit or loss. Hence, an entity shall assess the type of hedged item (see paragraphs 6.5.16 and 6.5.15(a)) on the basis of the nature of the hedged item (regardless of whether the hedging relationship is a cash flow hedge or a fair value hedge):

(a) the forward element of a forward contract relates to a transaction related hedged item if the nature of the hedged item is a transaction for which the forward element has the character of costs of that transaction. An example is when the forward element relates to a hedged item that results in the recognition of an item whose initial measurement includes transaction costs (for example, an entity hedges an inventory purchase denominated in a foreign currency, whether it is a forecast transaction or a firm commitment, against foreign currency risk and includes the transaction costs in the initial measurement of the inventory). As a consequence of including the forward element in the initial measurement of the particular hedged item, the forward element affects profit or loss at the same time as that hedged item. Similarly, an entity that hedges a sale of a commodity denominated in a foreign currency against foreign currency risk, whether it is a forecast transaction or a firm commitment, would include the forward element as part of the cost that is related to that sale (hence, the forward element would be recognised in profit or loss in the same period as the revenue from the hedged sale).

Therefore, it should be disclosed as part of the cost of that material. Thus this IndAS has not been complied.

3.07 As per paragraph 14 of IndAS-18 on Revenue, revenue from the sale of goods shall be recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods. Therefore, sales to customers on FOR Destination basis are required to be recognised on the basis of delivery. However, the sale is recognised on the basis of dispatch. We have not been informed the extent of such goods dispatched upto the year end but delivered after the year end. Similar information for previous year is also not available. Hence, the requirement of the aforesaid Ind-AS 18 has not been complied.

3.08 As per paragraph 8 of IndAS-16 on Property, Plant and Equipment, spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Therefore major spare parts need to be classified as PPE and accordingly need to be depreciated. We have not been informed about the amount of such major spare parts identified by the management and the depreciation to be provided thereon and no adjustment has been made for the same. Therefore, there is non-compliance of IndAS-16.

3.09 As per paragraph 106(d)(ii) of IndAS-1 on Presentation of Financial Statements, an entity shall present a statement of changes in equity as a part of balance sheet as required by paragraph 10 of that Standard. The statement of changes in equity includes, reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each changes resulting from, inter alia, each item of other comprehensive income. For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. This has not been complied with.

3.10 As per paragraph 16(e) and 16(f) of IndAS-7 on Statement of Cash Flows, "expenditures that result in a recognized asset in the balance sheet are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

- (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);

Therefore, loans to employees and repayment of loans from employees needs to be separately disclosed, which has not been done. Thus, this IndAS has not been complied.

3.11 As per paragraph 35(a) of IndAS-18 on Revenue, an entity shall disclose the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions. This has not been disclosed in case of sale of Wire Rod and Cathode, which constitutes the major part of the revenue. Thus this IndAS has not been complied.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

3.12 As per paragraph 41 of IndAS-105 on Non-Current Assets held for sale and discontinued Operations, an entity shall disclose a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal.

This has not been disclosed. Thus this IndAS has not been complied.

3.13 As per paragraph 113 of IndAS-1 on Presentation of Financial Statements, an entity shall present notes in a systematic manner. An entity shall cross-reference each item in the balance sheet, in the statement of changes in equity which is a part of the balance sheet and in the statement of profit and loss, and statement of cash flows to any related information in the notes. This has not been done. Thus, this IndAS has not been complied.

3.14 As per paragraph 29 of IndAS-1 on Presentation of Financial Statements, an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law. The company has some major items of its products, namely MIO, MIC, Anode and Cathode, which are classified as Semi Finished and In-Process material. Some of these materials, viz., Anode, are classified as Raw Material when the same is purchased from third parties instead of own production. Further, each of these products has independent market and these can be freely traded. More than 80% of the Inventory of the Company is constituted by these Semi Finished and In-Process material. In Schedule 39 to the Accounts, quantitative details of production and consumption of MIO has not been disclosed, which forms single largest item of Inventory. Thus, this IndAS has not been complied.

3.15 The Company is engaged in two distinct activities, namely Mining and Processing. Mining constitutes more than 50% of the activities of the Company. The outcome of the mining activities is the extraction of copper ore from the mines. Since the ore cannot be transported too far from the mines in its original form just because of sheer volume of the product compared to the metal content therein, the ore is processed to reduce the volume of the ore by increasing the metal content in the processed ore to make the same transportable and such processed ore is called Metal in Concentrate (MIC) and as such, Concentrator Plant is integral part of mining activities. There is ready market for MIC. During the year, sale of MIC constitutes substantial part of the revenue from operations. The asset deployed for MIC also constitutes substantial part of the total assets deployed by the Company.

Paragraph 5 of IndAS-108 on Operating Segments describes three characteristics of Operating segments, namely, (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. As such the production of MIC fulfils all the three characteristics of Operating segments.

Paragraph 11 of IndAS-108 states that Reportable Segments are (a) identified in accordance with paragraphs 5 and (b) exceeds the quantitative thresholds in paragraph 13. As per paragraph 13, an entity shall report separately information about an operating segment that meets any of the following quantitative thresholds, namely, (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, (b) the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, and (c) Its assets are 10 per cent or more of the combined assets of all operating segments. As such the production of MIC fulfils all the three characteristics of Operating segments.

As such, the company is obliged to disclose the segment information in respect of two distinct activities, viz., mining and processing. Thus, this IndAS has not been complied.

3.16 During the previous year, the company adopted IndAS. The company made a write off of ₹ 47441 lakhs from the Mine Development Expenditure of ₹ 81188 lakhs appearing in Note 16. to the audited accounts for the year ended 31.03.2016. In Item 16 of Note No.39 of the audited accounts for the year ended 31.03.2017, the company stated that, "It implies that as against an amount of ₹ 47441 lakhs pertaining to OB quantity, there is no identifiable component of the ore body to which that predecessor stripping ratio related."

Paragraph 14 & 15 prescribes the exceptions to the retrospective application of other Ind-ASs. Paragraph 14 states that the estimates in accordance with Ind-ASs at the date of transition to Ind-ASs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. In case, there was an error in estimates as per previous GAAP, paragraph 15, such information shall be treated in the same way as non-adjusting events after the reporting period in accordance with Ind



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

AS 10 Events after the Reporting Period. The paragraph claries with an example stating that, "assume that an entity's date of transition to Ind-ASs is 1 April 2011 and new information on 15 May 2011 requires the revision of an estimate made in accordance with previous GAAP at 31 March 2011. The entity shall not reflect that new information in its opening Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the entity shall reflect that new information in profit or loss (or, if appropriate, other comprehensive income) for the year ended 31 March 2012."

Therefore, there was revision of estimation and the change in estimation was not necessitated to write off solely because of transition to IndAS. The adjustment due to revision of estimation cannot be retrospectively. This write off was not done to comply with the mandatory accounting standards IndAS. There was consistency with estimates, both under IndAS and previous GAAP and the revision will be non-adjusting retrospectively in accordance with IndAS10 Events after the Reporting Period. As such, the write could not be adjusted retrospectively and it was to be reflected in profit or loss (or, if appropriate, other comprehensive income). Even in the reconciliation to provide the effect of transition to IndAS from IGAAP, adjustment Therefore, the profit appearing in the previous has been overstated by Rs. 47441 lakhs and therefore, not comparable with the results this year.

As per paragraph 36 of the IndAS 8 on Accounting Policies, Changes in Accounting Estimates and Errors, "the effect of change in an accounting estimate, other than a change to which paragraph 37 applies, shall be recognised prospectively by including it in profit or loss in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both." We presume that the write off was due to changes in estimates. In any case, the write off cannot be termed as error since the Company has not complied with the disclosure requirements of paragraph 49 of the IndAS 8, which reads as below:

"In applying paragraph 42, an entity shall disclose, if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected."

The Company has not disclosed as provided above. Thus, this IndAS has not been complied.

3.17 The Company is obliged to assess the impairment in respect of the carrying amount of its Gujarat Copper Project in terms of paragraph 9 Na d12 of the IndAS-36 on Impairment of Assets. The carrying cost of a newly acquired manufacturing Unit at Gujarat has not been tested for impairment in view of the significant variation of actual performance (loss) compared to the projected performance (ROI of 15%), on the basis of which the same was acquired at a cost of ₹ 210 Cr with additional capital cost incurred/committed for ₹ 110 Cr., totaling ₹ 320 Cr.

4.00 We were denied independent access to the books of account maintained on ERP package based on Oracle by not providing the VIEW authorisation of different modules, like Material, Marketing, Production etc. except providing limited access only to some portion of Finance Module Only limited access to Finance Module, e.g, the list of Receivables etc. was not available in auditors' authorisation although the Finance Department personnel had access to the same. In respect of other modues, the same was accessed through the ID and Password of an employee who did not make himself available frequently. We were informed that the VIEW option was not available in Oracle based ERP.

5.00 There were several old receivables, payables, unused stores and spares, Capital Work in Progress. We are unaware about the status as to how those would be adjusted. As such, we have not verified whether carrying amount thereof is correct or not.

6.00 CWIP includes items amounting to at least ₹ 2557 lakhs lying since long without any activity. We have not been provided the agewise and contractwise details. Therefore, these assets should be fully provided for. Therefore, the CWIP has been overstated by at least ₹ 2557 lakhs.

7.00 Agewise details and the list of balances circularised for confirmation in respect of receivables and payables have not been furnished to us. In view of negligible response received from parties in respect of confirmation of balances, it seems that the balances have not been circularised in all the cases.

8.00 All the activities are undertaken based on POs, whether it is acquisition of assets or disposal of assets etc. However, we have not been provided the value of work done and the value of work accounted for upto the year end against each POs. As such, we are unaware if any liability has been omitted to have been provided for or the pending commitments for sale of goods at the already contracted prices.

9.00 Reasons for variation exceeding 10% as compared to previous year, in respect of various accounts appearing in the financial statements have not been informed to us.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

10.00 The stock of stores and spares includes 44 items with aggregate negative balances of Rs.111.65 lakhs and netting the same from other items having positive values. Therefore, the stock of stores and spares has been overstated by Rs.111.65 lakhs.

11.00 Discarded fixed assets of KCC Units have been disclosed as Fixed Assets instead of Items for disposal in Other Non-Current Assets. These are detailed below:

| Nature of Assets | No. of Items | WDV (Rs/Lakhs) |
|------------------|--------------|----------------|
| CCR | 12 | 8 |
| Refinery | 303 | 232 |
| Smelter | 631 | 519 |
| Total | 946 | 759 |

Therefore, the Fixed Assets has been overstated by Rs.759 lakhs and the Assets awaiting disposal has been understated by similar amount.

12.00 Sale of Finished Goods are sold on FOR Destination basis, i.e., sale is required to be recognised when the goods are delivered to the customers. Liability for transportation cost is borne by the Company. In case, the customer lifts the goods from the premises of the Company, a discount is allowed to the customer for freight at a predetermined rate. However, the invoices raised for the goods dispatched during the year but delivered to the customer are not required to be reversed as per IndAS since the risks and rewards till the delivery of the goods lies with the Company. We have not been informed the quantum of such sales.

13.00 There has been refund of penalty and liquidated damages realised more than the realisation thereof.

14.00 Depreciation on fixed assets has not been calculated as per Schedule II to the Companies Act 2013 since fixed asset register showing full particulars of assets is not maintained by the company. In absence thereof, correctness of book balances and charge of depreciation remains unascertained with consequential impact on the loss for the year as well as fixed assets as on 31-03-2018. Further, there are apparent anomalies in the charge of depreciation, which has not been explained to us. The details are as below:

| Accode | Account_Desc | Op Bal (Rs/Cr) | Debit (Rs/Cr) | Credit (Rs/Cr) | Cl Bal (Rs/Cr) | WDV/ % of Gross-18 - HCL | WDV/ % of Gross-17 - HCL | Depn/ % Inc/ Decr-18 - HCL | Depn % on Gross-18 - HCL | Depn % on Gross-17 - HCL |
|--------|-------------------------------------|-------------------|------------------|-------------------|-------------------|-----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| 20372 | Furniture & fixtures - Township | 0.04 | | | 0.04 | 19.8% | 23.7% | -77.6% | 1.5% | 6.5% |
| 20325 | Mining Equip.- Compressor | 3.78 | | | 3.78 | 7.3% | 10.4% | -63.0% | 2.2% | 5.8% |
| 20210 | Building-Tailing Disposal | 7.36 | | | 7.36 | 88.6% | 88.9% | -44.4% | 0.3% | 0.6% |
| 20324 | Mining Equip.- Ventilation | 1.76 | | | 1.76 | 25.5% | 26.7% | -34.4% | 1.1% | 1.7% |
| 20382 | Office Equipments- Electricals | 2.26 | | 0.00 | 2.26 | -23.3% | -21.7% | -26.8% | 1.4% | 2.0% |
| 20330 | Mining Equip.- Earth Movers | 129.49 | | | 129.49 | 13.0% | 16.2% | -22.0% | 1.2% | 1.6% |
| 20333 | Mining Equip.- Mining Equip. others | 11.30 | 0.00 | | 11.30 | 12.5% | 12.9% | -21.0% | 0.2% | 0.3% |
| 20371 | Furniture & fixtures - Guest House | 0.37 | 0.00 | | 0.37 | 45.2% | 51.2% | -19.2% | 2.9% | 3.6% |
| 20381 | Office Equipments - Office | 1.07 | 0.11 | | 1.18 | 17.8% | 14.9% | -18.9% | 3.7% | 4.6% |
| 20403 | Vehicles - Fire Van & Trailers | 0.69 | | | 0.69 | 58.1% | 67.7% | 19.6% | 8.6% | 7.2% |
| 20373 | Furniture & fixtures- Office | 4.89 | 0.09 | 0.04 | 4.94 | 13.0% | 15.4% | 39.9% | 3.0% | 2.1% |
| 20203 | Building - Hospital | 1.01 | | | 1.01 | 41.1% | 45.6% | 41.2% | 4.5% | 3.2% |
| 20388 | Office Equipments - Others | 1.86 | 0.01 | 0.00 | 1.86 | 82.4% | 83.0% | 51.2% | 0.5% | 0.4% |
| 20251 | Road, Bridges & Culvert- Road Plant | 8.45 | 0.07 | | 8.52 | 54.5% | 60.2% | 79.6% | 6.0% | 3.4% |



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| Accode | Account_Desc | Op Bal (Rs/Cr) | Debit (Rs/Cr) | Credit (Rs/Cr) | Cl Bal (Rs/Cr) | WDV/ % of Gross-18 - HCL | WDV/ % of Gross-17 - HCL | Depn/ % Inc/ Decr-18 - HCL | Depn % on Gross-18 - HCL | Depn % on Gross-17 - HCL |
|--------|--|-------------------|------------------|-------------------|-------------------|-----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| 20202 | Building-Guest House | 3.96 | 0.01 | 0.01 | 3.96 | 72.6% | 78.5% | 82.0% | 5.4% | 3.0% |
| 20205 | Building Others | 9.17 | | | 9.17 | 56.2% | 64.4% | 83.4% | 31.4% | 17.1% |
| 20377 | Furniture & Fixtures-Others | 1.03 | 0.00 | | 1.03 | 32.3% | 74.6% | 93.7% | 42.3% | 21.8% |
| 20106 | Land-Leasehold Others-Discarded | 0.19 | | | 0.19 | 14.9% | 14.9% | No Depn | 0.0% | 0.0% |
| 20252 | Road, Bridges & Culvert-Road Mines | 0.58 | | | 0.58 | 43.5% | 43.5% | No Depn | 0.0% | 0.0% |
| 20256 | Road, Bridges & Culvert-Bridges Township | 0.01 | | | 0.01 | 26.7% | 26.7% | No Depn | 0.0% | 0.0% |
| 20259 | Road, Bridges & Culvert-Culvert Others | 0.13 | | | 0.13 | 12.0% | 12.0% | No Depn | 0.0% | 0.0% |
| 20328 | Mining Equip.-Hoist & Winches | 0.73 | | | 0.73 | 11.4% | 11.4% | No Depn | 0.0% | 0.0% |
| 20329 | Mining Equip.-Sand Filling | 0.04 | | | 0.04 | 100.0% | 100.0% | No Depn | 0.0% | 0.0% |
| 20331 | Mining Equip.-Locomotives | 3.30 | | | 3.30 | 6.4% | 6.4% | No Depn | 0.0% | 0.0% |

15.00 50 Nos. of items of Freehold and leasehold Land with WDV of ₹35.36 lakhs pertain to Land Development Expenses incurred for building, which needs to be classified as Building. Further, Leasehold Land at Taloja, Mumbai on which the Taloja Copper Project is locate, was purchased from MIDC vide Lease Deed dated 14.02.2001 for 95 years starting from 01.09.87 for ₹47.51 lakhs. This does not appear in the Fixed Assets.

16.00 Conversion of third party scrap into finished product at TCP has not been accounted for as production although the product attracted excise duty.

17.00 Reasons for not modifying the previous year's figures since those are not comparable with current year as there were material discrepancies, write off of ₹475 Cr. in respect of Mine Development Expenditure was debited directly to Retained Earnings instead of Profit & Loss Account or Other Comprehensive income as required by paragraph 14 of Appendix B to the IndAS 101 and also IndAS-8.

18.00 Current Tax Assets

We have not been furnished the year wise breakup of the payments and their status. Further, except for the current year, advances pertain to earlier years and as such, should be disclosed as Non-Current Assets. Therefore, the Non-Current Tax Assets/ Non-Current Tax Liabilities and Current Tax Assets/ Current Tax Liabilities have been understated and overstated respectively by approximately ₹4639.68 lakhs.

19.00 Partywise and agewise list and details have not been provided except for ICC Unit in respect of all the Debit and Credit balances in respect of Receivables and Payables (including Advances, Deposits, SD, EMD etc.)

20.00 Advance from Customers includes the following amounts lying unadjusted since last year.

| Sl. No. | Unit | Unapplied Receipts | Unidentified Receipts |
|---------|-------|--------------------|-----------------------|
| 1 | ICC | -393042 | |
| 2 | MCP | -32405941 | |
| 3 | ROSE | | -1796191 |
| 4 | ROSN | -21469052 | |
| 5 | TCP | -2484927 | |
| | Total | -56752962 | -1796191 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Item 2 represents the balance of ₹ 2168 lakhs received from Hindalco on 28.01.2017 out of which ₹ 1844 lakhs had been adjusted and the remaining amount is still lying unadjusted even after a year. It seems that the additional amount received might be on account of unrecorded supplies and the same needs to be charged to revenue. Therefore, the Advances from Customers is overstated by at least ₹ 224 lakhs. For the remaining items the partywise details and reasons for non-adjustment has not been furnished to us.

21.00 Revenue from Operations

22.01 Credit for sale return has been given during the year by reducing the revenue from operations by ₹ 192 lakh, which includes ₹ 179 lakhs to a single customer. However, the quantity thereof has not been reduced from the total sold quantity during the year.

22.02 There has been negative sales revenue of ₹ 38 lakhs from the sale of Anode Slime from KCC against positive sales revenue of ₹ 717 lakhs last year, reasons for such variation has not been explained to us.

22.03 Apart from the quantity discount to customers of ₹ 1035 lakhs (Previous year 414 lakhs), there was additional discount of ₹ 487 lakhs which has been netted from the revenue from operations (sales).

22.04 Discount and Rebate includes ₹ 184 lakhs (Previous Year ₹ 253 lakhs) being Sales Tax Rebate. It should be adjusted with the Sales Tax Liability.

22.05 ₹ 169 lakhs has been debited to Sales by crediting Transamine Trading SA, to whom material was sold in earlier years. The reasons for such adjustment has not been explained.

22.06 In the Significant Accounting Policies on Revenue Recognition, it has been stated that the sale of Copper Concentrate, Copper Reverts, Anode Slime etc. and tolling of Copper Concentrate of Khetri and Malanjkhanda origin at the end of the accounting period are recorded on provisional basis as per standard parameters for want of actual specifications and differential sales value are recorded only on receipt of actual as per consistent practice followed by the Company. However, the extent of such provisional recognition and the actual and resulting adjustment has not been informed to us.

22.07 The Company has entered into a contract for barter exchange of its KCC MIC with Anode to be supplied by the that party. The exchange ratio has been worked out on the basis of tolling charges quoted by the party and the contract was executed with the L1 bidder. Therefore, the transaction is in the nature of tolling. However, both the legs of transaction have been accounted for separately as Export and Import of Raw Material. During the year, export to the said party was for ₹ 39397 lakhs. The Company incurred ₹ 3262 lakh on transportation of MIC. Against this, the import from that party has been for ₹ 38950 lakhs. Therefore, the revenue from operations and raw material consumption, both are overstated by approximately ₹ 39397 lakhs and ₹ 38950 lakhs respectively.

23.00 Other Income

23.01 ₹ 166 lakhs being the liquidated damages imposed on Shriram EPC Ltd has not been accounted for as Income (Account Code 34448) for the year. Due to this profit for the year has be understated by ₹ 166 lakhs and Creditors-Expenses (Account Code 15127) has been overstated by similar amount.

23.02 We have not been given the details of interest from customers during the year, i.e., name, period, amount, rate of interest etc.

23.03 We have not been furnished with the details of dividend and interest from and Profit/Loss on sale of Investments.

24.00 The Company has not disclosed the outstanding Bank Guarantee, Letter of Credit, Letter of Undertaking against Buyers' Credit and Bill Discounting as on 31.03.18 amounting to ₹ 16112.57 lakhs as below:

| Bank name | Instrument | Currency | Outstanding in Currency (in Lakhs) | Equivalent INR (in Lakhs) |
|------------|------------------|----------|------------------------------------|---------------------------|
| Axis Bank | Bank Guarantee | INR | 16.58 | 16.58 |
| Axis Bank | Bank Guarantee | INR | 3.87 | 3.87 |
| ICICI Bank | Letter of Credit | EUR | 6.62 | 532.55 |
| ICICI Bank | Letter of Credit | JPY | 41.43 | 25.39 |
| ICICI Bank | Letter of Credit | USD | 1.04 | 67.37 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| Bank name | Instrument | Currency | Outstanding in Currency (in Lakhs) | Equivalent INR (in Lakhs) |
|------------|--|----------|------------------------------------|---------------------------|
| ICICI Bank | Letter of Credit | USD | 3.14 | 204.32 |
| ICICI Bank | Letter of Credit | USD | 0.11 | 7.02 |
| ICICI Bank | Letter of Credit | INR | 82.13 | 82.13 |
| ICICI Bank | Bank Guarantee | INR | 33.00 | 33.00 |
| ICICI Bank | Bank Guarantee | INR | 293.52 | 293.52 |
| Kotak Bank | Letter of Undertaking/ Buyers' Credit | INR | 3895.48 | 3895.48 |
| PNB Bank | Bank Guarantee | INR | 6.25 | 6.25 |
| SBI Bank | Letter of Credit | INR | 8806.00 | 8806.00 |
| SBI Bank | Bank Guarantee | INR | 2318.00 | 2318.00 |
| ICICI Bank | Bill Discounting | INR | 200.24 | 200.24 |
| | | | Total | 16491.73 |
| | | | Less:FD | 379.16 |
| | | | Net | 16112.57 |

In view of the substantial information not available, which will have material impact on the accounts, in addition to the adjustments identified by us as to various understatements and overstatements stated above, we are not in the position to quantify the cumulative effect of the adjustment required to be made to make the accounts to present true and fair view of the state of affairs of the Company as on 31.03.2018.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

EXPLANATIONS TO AUDIT OBSERVATIONS ON ANNUAL ACCOUNTS OF THE COMPANY FOR FY 2017-18

A Committee has been constituted vide Office Order No. SCY/BM(378)/2018 dated 07.06.2018 from the office of Company Secretary, the terms of reference of which is to finalize Management reply to the Audit observations as given by the Statutory Auditors in their Report dated 30.05.2018 on Annual Accounts 2017-18 for incorporation in Annual Report 2017-18 and to address the post audit observations and recommend needful actions.

The Committee observed that point No. 29 of Note No. 39 'General Notes on Accounts' forming part of the Accounts approved by the Board of Directors of HCL in their 378TH meeting held on 30.05.2018 states that 'The Auditor has made various observations which is annexed at Annexure-A. The management prima facie do not agree with the Auditor's observations. However, the same will be reviewed within ensuing financial year'.

The Committee has also observed the following from the 'Independent Auditor's Report' dated 30.05.2018 to the Members of Hindustan Copper Ltd that:

- (a) At point 4 Opinion, while giving an unqualified report, it is stated that "In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements, give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS of the :
 - (i) The state of affairs (financial position) of the Company as at 31st March 2018, and
 - (ii) Its profit (financial performance including other comprehensive income),
 - (iii) Its cash flows and changes in equity for the year ended on that date.
- (b) At point 5 - Under 'Emphasis of Matter' while referred to his Observations, but in the end of the para stated that their opinion is not modified in respect of those matters.
- (c) At point 6 'Report on other Legal and Regulatory Requirements', it is inter-alia stated at point 3 that "as required by section 143(3) of the Act, we report, to the extent applicable, that :
 - (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, in so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Change in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, to the extent applicable.

The management replies on the observations of Auditors on accounts for the year 2017-18 based on inputs received from various units and offices are as follows:

ANNEXURE A TO NOTE 39 GENERAL NOTES ON ACCOUNTS AS COMMENTED BY INDEPENDENT AUDITORS

Auditor's Observation

- 1.0 The Company has overstated the Mine Development Expenditure by ₹13570 Lakh (₹10170 Lakh in respect of Malanjkhand Copper Project and ₹3433 Lakh in respect of Khetri Copper Complex) appearing as Non-Current Assets.

1.01 Malanjkhand Copper Project

As per letter dated 13.04.2017 of DGM (Mines), as on 01.04.2015, the net reserve for excavation for open pit mining was 13.811 million Cubic Meters, equivalent to 37.152 Million Ton. Out of this quantity, ore was estimated at 12.568 million tonnes and overburden (OB) was estimated at 24.583 million Ton. Stripping ratio on the basis of such estimation comes to 1.96 in respect of OB: Ore. From 01.04.2015 to 31.03.2018, ₹ 53319 lakh was incurred for excavation (including unamortized opening balance as on 01.04.2015). From 01.04.2015 to 31.03.2018, 10.096 million Cubic Meters was excavated, representing 73% of the estimated excavation during the balance period of MCP mine. Against this, the ore production was recorded at 7.291 million Ton representing 58% of the estimated ore to be mined. Therefore, proportionate amount representing 58% out of ₹ 53319 lakh, amounting to ₹42312 lakh was required to be amortized, leaving the balance of ₹11007 lakh as unamortized amount to be amortized against future production. However, during the financial years ended 31.03.2016 to 31.03.2018, only ₹ 32142 lakh (including ₹ 11998 lakh during the current year) has been amortized. Therefore, ₹ 10170 lakh has been short amortized as on 31.03.2018. Therefore, the Unamortized Mine Development Expenditure has been overstated by ₹10170 lakh.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Our attention has been invited by the management to the Mine Development Expenditure under Significant Accounting Policies. As per the policy, in respect of open cast mines, "The expenditure on removal of waste and overburden, is capitalized, and the "same is depleted 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. The management has interpreted that the expenditure during year on overburden is to be amortized on the basis of standard stripping ratio arrived at the time of revised estimation of reserve although the actual stripping ratio varies with the originally estimated stripping ratio. This gives absurd results as is evident from the following table:

| Computation of Unamortized Expenditure | Reserve Estimates | Amount (Rs/Cr) | MT (Mill.) | Amount (Rs/Cr) | MT (Mill.) | Amount (Rs/Cr) | MT (Mill.) | Amount (Rs/Cr) | MT (Mill.) |
|--|-------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| Years ended 31st March | 01.04.2015 | 2016 | 2016 | 2017 | 2017 | 2018 | 2018 | In Future | In Future |
| Opening | | 500.86* | 48.49 | 85.28 | 4.52 | 150.50 | 6.62 | 211.27 | 8.11 |
| Balance | | | | | | | | | |
| Add: MDE during the year | | 152.73 | 6.95 | 173.02 | 6.84 | 180.48 | 6.08 | 143.01 | 4.82 |
| Sub Total | | 653.60 | 55.44 | 258.30 | 11.37 | 330.98 | 12.70 | 354.29 | 12.93 |
| Less: Amortisation | | | | | | | | | |
| Ore Production | 12.568 | | 2.54 | | 2.42 | | 2.34 | | 5.28 |
| Actual Stripping ratio | 1.96 | | 2.74 | | 2.83 | | 2.60 | | 0.91 |
| Stripping Ratio applied | 1.96 | | 3.14 | | 1.96 | | 1.96 | | 1.40 |
| Overburden amortized | 24.686 | 93.90 | 7.96 | 107.80 | 4.74 | 119.70 | 4.59 | 202.35 | 7.38 |
| Closing Balance | | 559.70 | 55.44 | 150.50 | 6.62 | 211.27 | 8.11 | 151.94 | 5.54 |
| To date Ore Production Achieved | | | 2.54 | | 4.95 | | 7.29 | | 12.57 |
| To date Overburden removal Achieved | | | 6.95 | | 13.79 | | 19.87 | | 24.69 |
| To date Excavation Achieved | | | 9.48 | | 18.74 | | 27.16 | | 37.25 |
| % of Ore achieved | | | 20% | | 39% | | 58% | | 100% |
| % of Overburden achieved | | | 28% | | 56% | | 80% | | 100% |
| Total Excavation achieved | | | 25% | | 50% | | 73% | | 100% |

* before write off of 474.41 crores in the accounts for the year ended 31.03.17 with effect from 01.04.2015.

From the above table, it would be evident that in future, actual stripping ratio would be 0.91 ratio of overburden amortisation would be 1.40. Apart from that, there would still be ₹151.94 Cr on overburden of 5.54 million MT of overburden. All these point out the major fallacy in the computation of amortisation of mine development expenditure appearing in Balance Sheet and Profit & Loss Account.

Moreover, in the audited accounts for the year ended 31.03.2017, item 16 of Note 39 states, "It implies that as against an amount of ₹47441.27 lakh pertaining to OB quantity there is no identifiable component of the ore body to which that predecessor stripping asset related. In the given circumstances and in compliance with the mandatory accounting standards Ind AS coupled with the fact that the company has already initiated development activity for underground mining and the life of the open cast mine is limited to 6-7 years, the Company has written off an amount of ₹47441.27 lakh relating to OB quantity against Retained Earnings as on 01.04.2015 in order to give effect to Ind AS. Accordingly, the stripping rate of open cast (surface) mine has been re-assessed with reference to identifiable component of the ore body."

In the above Note, the Company had written off ₹47441.27 lakh on the pretext of Ind AS Implementation and Underground Mines Development Activities. The actual fact was that the Mine Development Activity was overstated by ₹47441.27 lakh as on 31.03.2015. Therefore, in order to give a comparative previous year's figures, these are required to be disclosed in Profit & Loss Account so that previous years' figures will also result in Loss for the Year.

Company's views on Auditor's observations

The Accounting Policy in respect of open cast mines read as follows:

"The expenditure on removal of waste and overburden, is capitalized and the same is depleted in relation to actual ore production during the year on the stripping ratio which is re-assessed periodically based on the estimated ore reserve as well as the quantity of waste excavation in respect of open cast mines."



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The Accounting Policy adopted by the company is being consistently followed for calculation of amortisation. Moreover, it is strictly according to the guidelines prescribed as per Appendix B to IND AS 16.

Para 15 of IND AS 16 (Appendix B)

The stripping activity asset shall be depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

Para 15 clearly emphasizes on extraction of ore rather than overburden. The reserve position of ore is subject to technical assessment, depending on the reserves produced and / or to be produced based on the assessment. The estimated reserve also keeps on changing when further advancement is made in mother earth in due course of mining. Accordingly, stripping ratio is re-assessed and adjusted periodically which is properly disclosed in the Accounting Policy duly approved by Board.

Para 16 of IND AS 16 (Appendix B)

The expected useful life of the identified component of the ore body that is used to depreciate or amortize the stripping activity asset will differ from the expected useful life that is used to depreciate or amortize the mine itself and the related life of mine assets. The exception to this are those limited circumstances when the stripping activity provides improved access to the whole of the remaining ore body. For example, this might occur towards the end of a mine's useful life when the identified component represents the final part of the ore body to be extracted.

Para 16 clearly states that stripping cost needs to be expensed more towards the end when the access to ore is more improved, which is similar to the case of HCL. Also as per our past experience, the ore estimated always increases substantially.

Therefore, it may be concluded that our accounting treatment is strictly in accordance with Appendix B of IND AS 16 and also consistent with our Accounting Policy.

As per the calculation sheet attached by the Independent Auditor, it is observed that amortisation has to be charged based on the percentage of production of ore, excavation achieved and Mine Development Expenditure during the year. From the Auditor's view, it may be inferred that charging of amortisation amount will be more in the current period and it will gradually decrease towards the end of the life of the mine i.e. when the mine development expenditure will be minimum and production of ore will be maximum, then charging of amortisation amount will be less. In our case, it is just reverse i.e. charging of amortisation amount will be more when the mine development expenditure will be minimum since the stripping activity provides improved access to the whole of the remaining ore body. This will occur towards the end of the mine's useful life when the identified component represents the final part of the ore body to be extracted. Thus the Independent Auditor's observation is in contravention of Appendix-B of Ind AS 16.

Therefore, the Auditor's comments that Unamortized Mine Development Expenditure has been overstated by ₹ 10170 lakh is incorrect.

It is evident that time to time ore reserve calculation and redesigning of mine has been done based on certain technical assumptions. As per the accounting records as on 01.04.2015, the Unamortized Mine Development Expenditure (MDE) of MCP open cast (surface) mine was ₹ 50086.41 lakh. The company capitalizes the total mining cost under the head MDE and annual amortization amount is derived by applying the stripping rate with the ore produced at average annual rate/ MT at the end of the year.

Meanwhile Accounting Standards - Ind AS had become mandatory for the company from the FY 2016-17. It provides that a first-time adopter of Indian Accounting Standards (Ind AS) may apply the Appendix B of Ind AS 16 Stripping Costs in the Production Phase of a Surface Mine (Para D32 of Appendix D of Ind AS 101) from the date of transition to Ind ASs i.e. as on 01.04.2015. It further provides that at the transition date to Ind ASs, any previously recognized asset balance that resulted from stripping activity undertaken during the production phase ('predecessor stripping asset') shall be reclassified as a part of an existing asset to which the stripping activity related to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be depreciated or amortized over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates. And if there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognized in opening retained earnings at the transition date to Ind ASs as per exemption from other Ind ASs Appendix D of First-time adoption of Indian Accounting Standards (Ind AS-101).

So working as per provisions of Ind AS on the issue of Unamortized Mine Development Expenditure at MCP it was evident from the accounting records as on 01.04.2015 that Unamortized MDE of MCP open cast (surface) mine was ₹ 50086.41 lakh with Overburden (OB) quantity of 48493188.79 MT. On further examination it was observed that the opening OB quantity of 48493188.79 MT consists of 45932188.79 MT of OB quantity valuing Rs 47441.27 lakh and 2561000.00 MT of Lean Ore valuing ₹ 2645.14. It implied that for an amount of ₹ 47441.27 lakh pertaining to OB quantity there was no identifiable component of the ore body to which that predecessor stripping asset related.

In the given circumstances and in compliance with the mandatory new accounting standards Ind AS and also the fact that as the company had already initiated development activity for underground mining and the life of the open cast mine is limited to 6-7 years, it was proposed to account for the amount of ₹ 47441.27 lakh relating to OB quantity with Retained Earnings as on 01.04.2015 as per provision of Ind AS and the same was adjusted as such.

However, the present Auditor has not taken up the issue with the previous Auditor (FY 2016-17) in commenting on issue relating to previous year. The comments without consulting the previous Auditor on issues relating to previous audited accounts is not desirable and hence unethical too.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Therefore, the Auditor's comments that in order to give a comparative previous year's figures, these are required to be disclosed in Profit & Loss Account for the year is not justifiable.

Auditor's Observation

1.02. Khetri Copper Complex

The expenses incurred upto the point of reaching the mineable ore are capitalized to be amortized when the ore body is reached. The amount to be amortized is the ratio of ore extracted in relation to the total ore reserves at that level. Thus, unamortized amount is required to be related to the mineable ore reserves in different levels of underground mine and the extent of extraction of ore in each level in order to attribute the expenses incurred to ore body. On the basis of the details of the mineable ore reserves in different levels of underground mine, the expenses incurred at each level and the extent of extraction of ore in each level, the unamortized amount is estimated to be overstated by ₹3433 Lakh in respect of two mines, namely Kolihan Mines and Khetri Mines as below:

| Sl. No. | Level | UOM | Khetri Mines | | | | Khollian Mines | |
|---------|--|----------|--------------|--------|--------|-------|----------------|--------|
| | | | 240 ml | 180 ml | 120 ml | 60 ml | 306ML | 184ML |
| 1 | Ore Production upto 31.03.2017 | MT/Lakh | 43 | 64 | 50 | 9 | 61 | 33 |
| 2 | KCM Geological Reserve | MT/Lakh | 0 | 11 | 42 | 84 | 0 | 14 |
| 3 | Mineable Ore | MT/Lakh | 0 | 7 | 29 | 58 | 0 | 10 |
| 4 | Total Mineable Ore Since Inception | MT/Lakh | 43 | 71 | 79 | 68 | 61 | 43 |
| 5 | Balance Lying as on 01-04-2017 | MT/Lakh | 0 | 7 | 29 | 58 | 0 | 10 |
| 6 | % Completion | % | 100% | 90% | 63% | 14% | 100% | 77% |
| 7 | Mines Development Expenses | Rs./Lakh | 1425 | 3482 | 4367 | 6589 | 635 | 6807 |
| 8 | Mines Development Amortized | Rs./Lakh | 1152 | 1972 | 1862 | 544 | 214 | 3739 |
| 9 | Incidental ores raised | Rs./Lakh | 133 | 155 | 29 | 7 | 215 | 621 |
| 10 | Percentage of Mines Development Expenses and Incidental raised | % | 12% | 8% | 2% | 1% | 100% | 16.60% |
| 11 | Mines Development Amortisation as per Completion | Rs./Lakh | 1425 | 3120 | 2748 | 897 | 635 | 5251 |
| 12 | Difference of 9-12 | Rs./Lakh | 274 | 1148 | 886 | 353 | 421 | 1512 |
| 13 | Extra Provision to be made | Rs./Lakh | 141 | 993 | 857 | 345 | 207 | 891 |
| | Total Khetri+Khollian Mines Extra Amortisation to be Provided | | | | | | Rs/Lakh | 3433 |

As per significant Accounting Policies, in case of underground mines, the expenditure on development of a new mine in all cases and on subsequent development of a working mine is capitalized and depleted on the basis of ore raised during the year and the mineable ore reserves estimated from time to time.

Company's views on Auditor's observations

In case of underground Mines, the expenditure on development of new mine in all cases and on subsequent development of a working mine is capitalized and depleted on the basis of ORE raised during the year and the mineable ore reserve estimated from time to time.

At Khetri Copper Complex (KCC), copper ore reserve is calculated in 05 different categories as per level of confidence by geological experts as shown below:

| Category of reserves | Level of confidence (%) |
|----------------------|-------------------------|
| Fully Blocked | 100% |
| Partly Blocked "A" | 90% |
| Partly Blocked "B" | 80% |
| Drill Indicated | 70% |
| Drill Inferred | 60% |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The mineable reserves are calculated on the basis of level of confidence i.e. by applying the percentage of level of confidence. The average mineable reserves of the total ore reserves of the mine varies from 65 to 75% depending on the quantity of reserves available on that particular day in the above mentioned categories. The percentage of average mineable reserves varies month to month / year to year even day to day. To avoid all those fluctuations, at KCC as per geological experts, mineable reserves is calculated taking 70% on an average of the total reserves.

The geological ore reserve is reviewed, estimated, updated and revised every year (as on 1st of April) by taking into account all changes in different categories of ore reserves, effected due to mine development, ore depleted and production during the previous year.

Both the mines at Khetri & Kolihan have main levels at 60 mtrs vertical intervals, for example, 180 m Level represents the ore reserves of upper 60 mtrs. i.e. between 240 & 180 m Levels. Mining of 240 m Level is completed means ore reserves between 300 & 240 m Levels is exhausted but to mine ore of 180 m Levels (between 240 & 180 m Levels), mine development at 240 m Level is required to make drill level for blasting the ore below (between 240 & 180 m Levels).

In underground mines, all open levels play very vital / crucial role in day to day production, hence all the levels are required to be maintained properly. If required for the safety / production of below levels ore, mine development need to be taken even in exhausted level. As long as, mine is under production, it is considered as one unit for all purposes.

In view of above, for amortization also, entire mine should be considered as a one unit and the amortization rate of the mine development expenditure is arrived at by dividing the total mine development expenditure by the mineable ore reserves.

It is very clear from the technical write up of Mine development activity at KCC that the entire Mine Development Expenditure for Khetri and Kolihan mines are to be considered as mines as a whole.

Therefore, the Auditor's comments that overstatement of the Unamortized Mine Development Expenditure by ₹ 3433 lakh due to calculation of level wise amortisation is not acceptable and is not correct.

Auditor's Observation

2.00 The Company has overstated the inventory of Semi-Finished and In-Process material by valuing non-moving/ slow moving/ defective/ old/ unusable/ redundant inventory, the evidence of the existence whereof has also not been furnished to us. The existence of such non-moving/ slow moving/ defective/ old/ unusable/ redundant inventory has been determined by us on the basis of trends of daily production and daily dispatches, whereby it is evident that the current production is being dispatched, while there is negligible movement of brought forward inventory. The value of such stock is estimated to be not less than ₹37408 lakh as summarized below. Book stock in respect of such stocks was not available and/or the book stock was taken to be the physical stock, thereby no discrepancy between book stock and physical stock was determined. Even volumetric measurements forming the basis of physical stock was changed so that the weight thereof comes to a predetermined quantity by weight. Apparently, the stock level of MIC is 7 month's production, which is unrealistic that such a voluminous material would remain unsold or unconsumed for such a long time.

| Details | Inventory Overstated (₹/Lakh) |
|--|-------------------------------|
| Effect of taking ore stock at Kolihan Mines: At KCC, the closing stock of ore at Kolihan Mines has been valued at ₹ 714 lakh. The metal content of the ore has been taken to be 6.5% of the ore, while the average metal content throughout the year has been 0.985%. However, there is NIL stock of ore at Khetri Mines. We were explained that the ore which is brought to the Plant Stock Pile is only considered for stock. As such, the stock of Semi-Finished Stock and in-Process is inflated by ₹ 714 lakh. There is corresponding opening stock of ₹ 685 lakh. Therefore, the previous years' stock of Semi-Finished Stock and in-Process is also inflated by ₹ 685 lakh. | 714 |
| Overstatement of KCC concentrate stock due to variation of copper percentage: Ore concentrate produced during the year at KCC has average metal content 17.137% while for closing stock, metal content has been taken 17.803%. Due to this, stock has been overstated by ₹ 517 lakh. | 517 |
| Over statement of KCC metal in concentrate stock: At KCC, there is closing stock of Concentrate with Metal content of 4946 MT valued at ₹13425 lakh, which is the production of 176 days. It is practically not possible to retain the Concentrate for so many days without its consumption/ dispatch. A reasonable estimate may be 2 month's consumption as inventory, which may amount to 1646 MT. The Therefore, stock of 3300 MT valued at about ₹8950 lakh seems to be redundant stock and needs to be provided for. This is also corroborated with another fact. The stock of MIC at KCC as on 23.10.17 was 15000 MT as per Note Sheet of DGM(F) in the Tender file of Trafigura. After that upto 31.03.18, the estimated production was about 28000 MT, thus totaling 43000 MT, i.e., metal content of about 6800 MT. Dispatch from 17.11.17 to 31.03.18 was metal content of 5100 MT, leaving closing stock of 1700 MT only. Therefore, the Semi-Finished Stock and in-Process is overstated by ₹ 8950 lakh. There is corresponding opening stock of ₹15172 lakh. We were also informed by the DGM (Mines) that 4459 CMT (Gross MIC 25027 MT) was old stock. Therefore, the previous years' stock of Semi-Finished Stock and in-Process is also inflated by ₹ 8950 lakh. | 8950 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| Details | Inventory Overstated (₹/Lakh) |
|---|-------------------------------|
| Over statement of KCC slag concentrate stock: In KCC, there was op stock of slag concentrate with 37% metal content of 460 CMT valued at ₹ 992 lakh. During the year, slag has been mopped, having 4.60% metal content 1717 CMT, out of this, 78% recovery has been done by producing 1355 CMT of slag concentrate with 32% metal content, which has been sold to Hindalco at ₹ 5756 lakh. Therefore, op stock of inventory understated by ₹ 4400 lakh after deducting the estimated conversion cost. Thus, the profit attributable for the year has been overstated by ₹ 4400 lakh. | 4400 |
| Over statement of KCC stock due to non-inclusion of scrap sales & ore transport cost: In KCC, sale of scrap for ₹ 1089 lakh has not been considered as cost element by netting off the cost elements from which these have arisen. Further, ₹282 lakh has been considered for transportation of ore by road, which does not appear in accounts. Due to this, the cost of ore has been taken higher by 4%. Therefore the inventory of ₹14326 lakh at KCC has been overvalued by ₹580 lakh. | 580 |
| Overstatement of Stock of Metal in Ore & Metal in Concentrate at MCP : At MCP, the closing stock of ore at Mines has been estimated at metal content of 6126 CMT valued at ₹6395 lakh (i.e. metal in crusher ore stock 1771 CMT valued at ₹ 2073 lakh and metal in lean ore 4355 CMT valued at ₹ 4322 lakh) and concentrate at the plant has been estimated at metal content of 3754 MT valued at ₹6923 lakh, totaling ₹ 13318 lakh . However, the derived quantity of metal content based on the volumetric measurement of stock as on 01.04.18 shows the stock of crusher ore at Mines as the metal content of 788 MT valued at ₹923 lakh and concentrate at the plant has been estimated at metal content of 621 MT valued at ₹1146 lakh, totaling ₹6391 lakh including metal in lean ore value ₹ 4322 lakh. Therefore, the stock of Semi-Finished Stock and in-Process has been overstated by ₹6927 lakh. Surprisingly, this physical stock report was replaced by another report by inflating the volumetric measurements in an attempt to match the metal content taken in the stock and to justify the valuation based on book stock. However, even on the basis of such physical stock report, the stock is ₹12168 lakh only. | 6927 |
| Overstatement of Metal in Concentrate of MCP at ICC Plant: We have not been furnished the details of volumetric measurements of the stock in spite of our repeated requests and we have also been denied to recheck the stock of concentrate supplied by MCP in presence of us. At ICC, there is closing stock of Concentrate from MCP with Metal content of 8759 MT valued at ₹17400 lakh, which is the consumption of 227 days. It is practically not possible to retain the Concentrate for so many days without its consumption/ dispatch. A reasonable estimate may be 1-2 month's consumption as inventory, which may amount to 1759 MT. Stock of 7000 MT valued at about ₹13900 lakh seems to be redundant stock and needs to be provided for. Therefore, the stock of Semi-Finished Stock and in-Process has been overstated by ₹13900 lakh. | 13900 |
| FILTER CONCENTRATE KCC: There was opening stock of 117 CMT of Filter Concentrate KCC valued to ₹386 lakh, only 32 CMT was consumed, leaving closing stock of 85 CMT valued at ₹258 lakh. The stock is slow-moving in spite of the fact that the same constitutes the primary raw material and needs to be provided for. Therefore, the stock of Semi-Finished Stock and in-Process has been overstated by ₹258 lakh. | 258 |
| COOLING ELEMENT ICC: There was opening stock of 177 CMT of Cooling Element, valued at ₹643 lakh. 49 CMT was received during the year, out of which 74 CMT was consumed, leaving closing stock of 152 CMT valued at ₹ 513 lakh. Since there was sufficient stock for the consumption during the year, the consumption seems to be out of fresh receipt and the closing stock seems to be not usable. Therefore, the stock of Semi- Finished Stock and in-Process has been overstated by ₹513 lakh. | 513 |
| LIQUID METAL IN F.F. WIP ICC and LIQUID METAL IN SCF ICC: There was no movement in Liquid metal in FF and SCF valued at ₹463 lakh and ₹ 186 lakh respectively against opening stock valued at ₹428 lakh and ₹172lakh respectively. The reason for increase in valuation was not explained to us. In view of the Nil consumption during the year, these stock seem to be unusable. For these items of stock, same qty 147.191 CMT & 59.136 CMT respectively is continuing for past few years. Hence this stock seems to be unusable and stock is overstated by ₹ 649 Lakh (i.e. 463+186) | 649 |
| Total | 37408 |

Company's views on Auditor's observations

Para 1: Inventory overstated by ₹ 714 Lakh

The physical verification report of the stock of ore at Kolihan Mines Stockpile has been provided to the Auditors. The contention of the Auditor that only plant stockpile is considered for stock valuation is wrong. The status of stock pile of copper ore at Kolihan Mines as on 31.03.2018 is 5661 Tonnes @ 0.99% : 56.05 CMT @ ₹ 196256 = ₹ 110 Lakh. As stated by the Auditor, the value of such copper ore has been taken as ₹ 714 Lakh. But adjustment of grade difference in concentrate stock amounting to ₹ 1121 Lakh which has already been accounted for in the closing stock valuation sheet has not been considered by the Auditors.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Therefore, the contention of the Auditor that inventory is overstated by ₹ 714 lakh is incorrect.

Para 2: Inventory overstated by ₹ 517 Lakh

In Para 1 & Para 2, it has been stated by Auditor that stock is overstated by (₹ 714 Lakh + ₹ 517 Lakh) = ₹ 1231 Lakh. It may be observed that stock of ore at Kolihan Mines Stockpile is valued at ₹ 110 Lakh as per Para 1. Adjustment of grade difference in concentrate stock amounting to ₹ 1121 Lakh which has already been accounted for in the closing stock valuation sheet has not been considered by the Auditors. Thus it may be inferred that (₹ 110 Lakh + ₹ 1121 Lakh) = ₹ 1231 Lakh has been duly considered in the closing stock valuation as on 31.03.2018.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 517 lakh is incorrect.

Para 3: Inventory overstated by ₹ 8950 Lakh

At the end of the accounting year 2017-18, physical verification of WIP and finished goods has been conducted at all the units by a committee nominated by competent authority who also consider the stock that is available in different process streams and outside the mines and concentrator plant. It is confirmed by the unit that this stock is regularly consumed and also sold to outside parties at current prevailing rates.

Auditor has stated that the estimated production for the period Oct'17 to Mar'18 is 28000 MT. Together with opening stock of 15000 MT as on 23.10.17, the total comes to 43000 MT equivalent to 6800 CMT which implies 15.81% Copper Content. But in Para 2 of the Auditor's observation it is clearly stated that "Ore concentrate produced during the year at KCC has average metal content 17.137%". Also it is stated that dispatch from 17.11.2017 to 31.03.2018 is 5100 CMT. But the actual dispatch/sales quantity is 2546 CMT as per dispatch records instead of 5100 CMT as stated by the Auditor. Thus the inference drawn by the Auditor based on his estimated figures is incorrect.

However, physical stock verification of WIP and finished goods as on 31.03.2019 shall be undertaken by an independent agency in addition to the committee of the company.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 8950 lakh is incorrect.

Para 4: Inventory overstated by ₹ 4400 Lakh

There was no opening stock of Slag Concentrate as on 01.04.2017.

Therefore, the contention of the Auditor that opening inventory is understated by ₹ 4400 lakh is incorrect.

Para 5: Inventory overstated by ₹ 580 Lakh

The income from sale of scrap is non-cost item and as such the same is not considered in Cost Sheet. Also, the transportation cost of ore, i.e., ₹ 282 lakh has been considered in the cost sheet for closing stock valuation purpose and is also reflected in accounts.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 580 lakh is incorrect.

Para 6: Inventory overstated by ₹ 6927 Lakh

The visiting statutory audit team to Malanjkhanda Copper Project (MCP) was requested to physically verify the Closing Stock of WIP at MCP on 24.04.2018 by the unit which they refused to do and instead insisted on making accounting provision for reduction of stock valuation in MCP books of accounts based on an incomplete physical verification statement which they came across during the course of their statutory audit. The statement was incomplete to the extent that lean ore stock quantity was totally not included within the statement as well as crusher ore stock at a particular stock yard was also not included therein. MCP Finance Department after receiving the full physically verified stock statement from the approved committee members had finally forwarded the physically completed stock statement as on 31.03.2018 to the Auditors, based on which the closing stock valuation sheet at MCP was prepared.

However, physical stock verification of WIP and finished goods shall be undertaken by an independent agency as on 31.03.2019 for better acceptability of physical stock quantity as well as quality.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 6927 lakh is incorrect.

Para 7: Inventory overstated by ₹ 13900 Lakh

Monthly 2200 MT of MIC is consumed to produce 2000 MT of fresh anode with 100% capacity utilization of Flash smelter. Due to some unavoidable circumstances (JSEB power failure, Boiler tube leakage and uptake shaft roof failure), concentrate stock transferred from MCP to ICC was not consumed resulting accumulation of concentrate stock. As per ICC's consumption pattern with 100% capacity utilization the accumulated concentrate will be consumed in next 4 (four) months after major overhauling of flash smelter which is expected to be completed by end of July 2018.

Further volumetric measurement record is not maintained at ICC since ICC is not producing copper concentrate from mining operation. Detailed records are maintained on Copper Metric Tonne (CMT) basis based on receipts either from MCP or KCC and consumption thereon at ICC.

However, physical stock verification of WIP and finished goods as on 31.03.2019 shall be undertaken by an independent agency in addition to the committee of the company.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Therefore, the contention of the Auditor that inventory is overstated by ₹ 13900 lakh is incorrect.

Para 8: Inventory overstated by ₹ 258 Lakh

KCC concentrate is not non-moving stock. 32 CMT was consumed in the accounting year 2017-18. It is around 27.35% of opening stock. No KCC concentrate has been received during 2017-18 at ICC.

Consumption of KCC concentrate is low due its chemical properties and more fineness. It is blended with the other concentrate considering the health of furnace. Balance concentrate will be consumed shortly.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 258 lakh is incorrect.

Para 9: Inventory overstated by ₹ 513 Lakh

Closing stock of cooling element approximately between 150 to 170 CMT always remains inside the furnace to increase the life of refractory and smooth operation of furnace. During the operation some cooling elements were damaged and replaced with new ones. Damaged cooling elements are melted inside the furnace during operation.

Cooling element is fixed inside the furnace for cooling purpose. Its life is limited and got damaged due to continuous heating. Melted and damaged cooling elements are considered as consumption during the year.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 513 lakh is incorrect.

Para 10: Inventory overstated by ₹ 649 Lakh

As per operation of Flash Furnace and Slag Cleaning Furnace some metal always remains inside the furnace. It is not possible to drain out complete liquid metal from furnace during normal operation. Metal remains inside furnace is considered as WIP, quantity of this liquid metal is based on estimation by technical experts.

Therefore, the contention of the Auditor that inventory is overstated by ₹ 649 lakh is incorrect.

Auditor's Observation

3.00 The Company has not complied with several Ind AS Accounting Standards as below.

3.01 As per paragraph 51(b) of IndAS-1 on Presentation of Financial Statements, an entity shall display whether the financial statements are of an individual entity or a group of entities. The Financial Statements do not disclose this information. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

HCL has no other entity as subsidiary or holding and hence the word 'standalone' was not used in the financial statement. There is no obligatory requirement in Ind AS to disclose the information separately if the financial statements is of an individual entity.

Thus the contention of audit is incorrect.

Auditor's Observation

3.02 As per paragraph 138(a) of IndAS-1 on Presentation of Financial Statements, an entity shall disclose legal form of the entity, its country of incorporation, if not disclosed elsewhere in information published with the financial statements. This information has not been disclosed. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

The above information is adequately disclosed in Note No. 1 as Corporate Information which states:

Established in 1967 and domiciled in India, Hindustan Copper Limited is a Central public sector undertaking under the administrative control of Ministry of Mines, Government of India. The registered office of the company is situated at Kolkata. The principal activities of the company are exploration, exploitation, mining of copper and copper ore including beneficiation of minerals, smelting and refining. The Company is listed with BSE Ltd. and National Stock Exchange of India Ltd.

Thus the contention of audit is incorrect.

Auditor's Observation

3.03 As per paragraph 17 of IndAS-10 on Events after Reporting Period, an entity shall disclose the date when the financial statements were approved for issue and who gave that approval. The entity shall also disclose if the entity's owners or others have the power to amend the financial statements after issue. This has not been disclosed. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

Disclosure as per said Para of Ind AS 10 is applicable only when there is adjusting events after the reporting period. No such event occurred after the end of the reporting period. Hence paragraph 17 of IndAS 10 on Events after Reporting Period is not applicable.

Thus the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

3.04 As per paragraph 54(j) of IndAS-1 on Presentation of Financial Statements, "the balance sheet shall include line items that present the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Ind AS 105 as Non-current Assets Held for Sale and Discontinued Operations". As at the year end, there were fixed assets and stores and spares etc. lying at KCC and RCP Units, namely, Sulphuric Acid Plant, Smelter, Refinery, CCR Plant etc. These have not been disclosed as such. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

All the assets at RCP unit are treated as Non-current Assets Held for Sale. Further, the company has no CCR plant at KCC or RCP and no CCR plant has been classified as held for sale.

However, during FY 2017-18 Sulphuric Acid Plant, Smelter and Refinery at KCC unit for which full residual amount has been provided as impairment loss has been clubbed under Property, Plant & Equipment instead of Non-current Assets Held for Sale. There is no financial impact on the accounts of the company for such classification. The same has been reclassified subsequently.

Auditor's Observation

3.05 As per paragraph 54(o) of IndAS-1 on Presentation of Financial Statements, the balance sheet shall include line items that present the deferred tax liabilities and deferred tax assets, as defined in Ind AS 12 on Income Taxes. The gross amount of liabilities and assets are required to be disclosed separately instead on netting off. This has resulted in the non-compliance of the IndAS-1. Paragraph 74 of IndAS-12 states that an entity shall offset deferred tax assets and deferred tax liabilities if, and only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities. These have not been disclosed as such. Thus this Ind AS has not been complied.

Company's views on Auditor's observations

The Company has off set the direct tax assets and current tax liabilities as it has legally enforceable rights since all such items are arising out of assessments made under the Indian Income Tax Act. Accordingly, the net presentation of deferred tax liabilities and deferred tax assets has been done and disclosed in Note No. 7 and note No. 20 in General Notes on Accounts.

Thus the contention of audit is incorrect.

Auditor's Observation

3.06 The cost may be treated as part of the Purchase Value of the Inventory in accordance with paragraph 6.5.11 (d)(i) of IndAS-109 on Financial Instruments. As long as a cash flow hedge meets the qualifying criteria in paragraph 6.4.1, the amount that has been accumulated in the cash flow hedge reserve shall be accounted by removing that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability since the hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a nonfinancial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied. This is not a reclassification adjustment (Ind AS 1) and hence it does not affect other comprehensive income.

Paragraph B6.5.34 of Appendix B of the IndAS-109 clarifies the point as below:

A forward contract can be considered as being related to a time period because its forward element represents charges for a period of time (which is the tenor for which it is determined). However, the relevant aspect for the purpose of assessing whether a hedging instrument hedges a transaction or time-period related hedged item are the characteristics of that hedged item, including how and when it affects profit or loss. Hence, an entity shall assess the type of hedged item (see paragraphs 6.5.16 and 6.5.15(a)) on the basis of the nature of the hedged item (regardless of whether the hedging relationship is a cash flow hedge or a fair value hedge):

(a) the forward element of a forward contract relates to a transaction related hedged item if the nature of the hedged item is a transaction for which the forward element has the character of costs of that transaction. An example is when the forward element relates to a hedged item that results in the recognition of an item whose initial measurement includes transaction costs (for example, an entity hedges an inventory purchase denominated in a foreign currency, whether it is a forecast transaction or a firm commitment, against foreign currency risk and includes the transaction costs in the initial measurement of the inventory). As a consequence of including the forward element in the initial measurement of the particular hedged item, the forward element affects profit or loss at the same time as that hedged item. Similarly, an entity that hedges a sale of a commodity denominated in a foreign currency against foreign currency risk, whether it is a forecast transaction or a firm commitment, would include the forward element as part of the cost that is related to that sale (hence, the forward element would be recognized in profit or loss in the same period as the revenue from the hedged sale).

Therefore, it should be disclosed as part of the cost of that material. Thus this Ind AS has not been complied.

Company's views on Auditor's observations

Paragraph 6.5.11 (d) (i) of Ind AS-109 on Financial Instruments is not applicable to the company since qualifying criteria for hedge accounting are not met by the company.

Further, Note No. 24.1 in General Notes on Accounts clearly states that Commodity Contracts are never designated as hedging instruments. Hence Paragraph B6.5.34 of Appendix B of the IndAS-109 is not applicable.

Thus the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

3.07 As per paragraph 14 of IndAS-18 on Revenue, revenue from the sale of goods shall be recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods. Therefore, sales to customers on FOR Destination basis are required to be recognized on the basis of delivery. However, the sale is recognized on the basis of dispatch. We have not been informed the extent of such goods dispatched upto the year end but delivered after the year end. Similar information for previous year is also not available. Hence, the requirement of the aforesaid Ind-AS 18 has not been complied.

Company's views on Auditor's observations

Sale transactions have been recorded based on the passing of risks and rewards at the time of handling over the title documents to the transporter. However, FOR Destination basis sales executed at the year-end amounting to ₹ 1505.74 Lakh has been delivered to the customers' godown within a period of 1 to 2 days which is only 0.91% of the total turnover of the company which has no significant material effect on the financial statements of the company.

However, the requirement of Ind AS 18 as regards FOR sales will duly be followed by the company henceforth.

Auditor's Observation

3.08 As per paragraph 8 of IndAS-16 on Property, Plant and Equipment, spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Therefore major spare parts need to be classified as PPE and accordingly need to be depreciated. We have not been informed about the amount of such major spare parts identified by the management and the depreciation to be provided thereon and no adjustment has been made for the same. Therefore, there is non-compliance of IndAS-16.

Company's views on Auditor's observations

There are no such major spare parts, insurance parts or stand-by equipment qualify as property, plant and equipment. However, the matter will be reviewed for further action accordingly.

Auditor's Observation

3.09 As per paragraph 106(d)(ii) of IndAS-1 on Presentation of Financial Statements, an entity shall present a statement of changes in equity as a part of balance sheet as required by paragraph 10 of that Standard. The statement of changes in equity includes, reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each changes resulting from, inter alia, each item of other comprehensive income. For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. This has not been complied with.

Company's views on Auditor's observations

The minor changes in Statement of Changes in Equity, which do not have any material effect on the financial statements of the company, has been incorporated for presentation purpose, with the approval of Board of Directors.

Auditor's Observation

3.10 As per paragraph 16(e) and 16(f) of IndAS-7 on Statement of Cash Flows, "expenditures that result in a recognized asset in the balance sheet are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

- (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);

Therefore, loans to employees and repayment of loans from employees needs to be separately disclosed, which has not been done. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

There is no such instance of loans to employees and repayment of loans from employees and hence no separate disclosure is required.

Thus the contention of audit is incorrect.

Auditor's Observation

3.11 As per paragraph 35(a) of IndAS-18 on Revenue, an entity shall disclose the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions. This has not been disclosed in case of sale of Wire Rod and Cathode, which constitutes the major part of the revenue. Thus this Ind AS has not been complied.

Company's views on Auditor's observations

This said para relates to rendering of services only and the Company does not provide any such service involving much time for completion except that the company does some job work of third party material where revenue is recognized on full completion of the job. Thus paragraph 35(a) of IndAS-18 is not applicable.

Thus the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

3.12 As per paragraph 41 of IndAS-105 on Non-Current Assets held for sale and discontinued Operations, an entity shall disclose a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal.

This has not been disclosed. Thus this Ind AS has not been complied.

Company's views on Auditor's observations

The above has been adequately disclosed in point No. 27 under Note 39 - General Notes on Accounts.

Thus the contention of audit is incorrect.

Auditor's Observation

3.13 As per paragraph 113 of IndAS-1 on Presentation of Financial Statements, an entity shall present notes in a systematic manner. An entity shall cross-reference each item in the balance sheet, in the statement of changes in equity which is a part of the balance sheet and in the statement of profit and loss, and statement of cash flows to any related information in the notes. This has not been done. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

The financial statement is presented in a systematic manner and cross references have been made wherever necessary.

Thus the contention of audit is incorrect.

Auditor's Observation

3.14 As per paragraph 29 of IndAS-1 on Presentation of Financial Statements, an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law. The company has some major items of its products, namely MIO, MIC, Anode and Cathode, which are classified as Semi Finished and In-Process material. Some of these materials, viz., Anode, are classified as Raw Material when the same is purchased from third parties instead of own production. Further, each of these products has independent market and these can be freely traded. More than 80% of the Inventory of the Company is constituted by these Semi Finished and In-Process material. In Schedule 39 to the Accounts, quantitative details of production and consumption of MIO has not been disclosed, which forms single largest item of Inventory. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

Required Disclosure is present w.r.t. Opening and Closing Stock under Additional Information Note No. 39-General Notes on Accounts. However, action has been initiated for inclusion of details of production and consumption of Metal-in-Ore (MIO).

Auditor's Observation

3.15 The Company is engaged in two distinct activities, namely Mining and Processing. Mining constitutes more than 50% of the activities of the Company. The outcome of the mining activities is the extraction of copper ore from the mines. Since the ore cannot be transported too far from the mines in its original form just because of sheer volume of the product compared to the metal content therein, the ore is processed to reduce the volume of the ore by increasing the metal content in the processed ore to make the same transportable and such processed ore is called Metal in Concentrate (MIC) and as such, Concentrator Plant is integral part of mining activities. There is ready market for MIC. During the year, sale of MIC constitutes substantial part of the revenue from operations. The asset deployed for MIC also constitutes substantial part of the total assets deployed by the Company.

Paragraph 5 of IndAS-108 on Operating Segments describes three characteristics of Operating segments, namely, (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. As such the production of MIC fulfils all the three characteristics of Operating segments.

Paragraph 11 of IndAS-108 states that Reportable Segments are (a) identified in accordance with paragraphs 5 and (b) exceeds the quantitative thresholds in paragraph 13. As per paragraph 13, an entity shall report separately information about an operating segment that meets any of the following quantitative thresholds, namely, (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, (b) the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, and (c) Its assets are 10 per cent or more of the combined assets of all operating segments. As such the production of MIC fulfils all the three characteristics of Operating segments.

As such, the company is obliged to disclose the segment information in respect of two distinct activities, viz., mining and processing. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

Note No.16 of General Notes on Accounts states that:

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 has been reported. As the Company operates predominantly within the geographical limits of India, no secondary segment reporting has been considered as per INDAS 108 "Operating Segments".



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The company along with its copper mining activities has got vertical forwarding integration for processing of copper and considered it as one segment in view of their interdependence and more so discrete financial information was not available, being impracticable.

Thus the contention of audit is incorrect.

Auditor's Observation

3.16 During the previous year, the company adopted Ind AS. The company made a write off of ₹ 47441 lakh from the Mine Development Expenditure of ₹ 81188 lakh appearing in Note 16 to the audited accounts for the year ended 31.03.2016. In Item 16 of Note No.39 of the audited accounts for the year ended 31.03.2017, the company stated that, "It implies that as against an amount of ₹ 47441 lakh pertaining to OB quantity, there is no identifiable component of the ore body to which that predecessor stripping ratio related."

Paragraph 14 & 15 prescribes the exceptions to the retrospective application of other Ind-ASs. Paragraph 14 states that the estimates in accordance with Ind-ASs at the date of transition to Ind-ASs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. In case, there was an error in estimates as per previous GAAP, paragraph 15, such information shall be treated in the same way as non-adjusting events after the reporting period in accordance with Ind AS 10 Events after the Reporting Period. The paragraph clarifies with an example stating that, "assume that an entity's date of transition to Ind-ASs is 1 April 2011 and new information on 15 May 2011 requires the revision of an estimate made in accordance with previous GAAP at 31 March 2011. The entity shall not reflect that new information in its opening Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the entity shall reflect that new information in profit or loss (or, if appropriate, other comprehensive income) for the year ended 31 March 2012."

Therefore, there was revision of estimation and the change in estimation was not necessitated to write off solely because of transition to Ind AS. The adjustment due to revision of estimation cannot be retrospectively. This write off was not done to comply with the mandatory accounting standards Ind AS. There was consistency with estimates, both under Ind AS and previous GAAP and the revision will be non-adjusting retrospectively in accordance with IndAS10 Events after the Reporting Period. As such, the write could not be adjusted retrospectively and it was to be reflected in profit or loss (or, if appropriate, other comprehensive income). Even in the reconciliation to provide the effect of transition to Ind AS from IGAAP, adjustment Therefore, the profit appearing in the previous has been overstated by ₹. 47441 lakh and therefore, not comparable with the results this year.

As per paragraph 36 of the IndAS8 on Accounting Policies, Changes in Accounting Estimates and Errors, "the effect of change in an accounting estimate, other than a change to which paragraph 37 applies, shall be recognized prospectively by including it in profit or loss in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both." We presume that the write off was due to changes in estimates. In any case, the write off cannot be termed as error since the Company has not complied with the disclosure requirements of paragraph 49 of the IndAS8, which reads as below:

"In applying paragraph 42, an entity shall disclose, if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected."

The Company has not disclosed as provided above. Thus, this Ind AS has not been complied.

Company's views on Auditor's observations

It is evident that time to time ore reserve calculation and redesigning of mine has been done based on certain technical assumptions. As per the accounting records as on 01.04.2015, the Unamortized Mine Development Expenditure (MDE) of MCP open cast (surface) mine was ₹ 50086.41 lakh. The company capitalizes the total mining cost under the head MDE and annual amortization amount is derived by applying the stripping rate with the ore produced at average annual rate/ MT at the end of the year.

Meanwhile Accounting Standards - Ind AS had become mandatory for the company from the FY 2016-17. It provides that a first-time adopter of Indian Accounting Standards (Ind AS) may apply the Appendix B of Ind AS 16 Stripping Costs in the Production Phase of a Surface Mine (Para D32 of Appendix D of Ind AS 101) from the date of transition to Ind ASs i.e. as on 01.04.2015. It further provides that at the transition date to Ind ASs, any previously recognized asset balance that resulted from stripping activity undertaken during the production phase ('predecessor stripping asset') shall be reclassified as a part of an existing asset to which the stripping activity related to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be depreciated or amortized over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates. And if there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognized in opening retained earnings at the transition date to Ind ASs as per exemption from other Ind ASs Appendix D of First-time adoption of Indian Accounting Standards (Ind AS-101).

So working as per provisions of Ind AS on the issue of Unamortized Mine Development Expenditure at MCP it was evident from the accounting records as on 01.04.2015 that Unamortized MDE of MCP open cast (surface) mine was ₹ 50086.41 lakh with Overburden (OB) quantity of 48493188.79 MT. On further examination it was observed that the opening OB quantity of 48493188.79 MT consists of 45932188.79 MT of OB quantity valuing ₹ 47441.27 lakh and 2561000.00 MT of Lean Ore valuing ₹ 2645.14. It implied that for an amount of ₹ 47441.27 lakh pertaining to OB quantity there was no identifiable component of the ore body to which that predecessor stripping asset related.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

In the given circumstances and in compliance with the mandatory new accounting standards Ind AS and also the fact that as the company had already initiated development activity for underground mining and the life of the open cast mine is limited to 6-7 years, it was proposed to account for the amount of ₹ 47441.27 lakh relating to OB quantity with Retained Earnings as on 01.04.2015 as per provision of Ind AS and the same was adjusted as such.

However, the present Auditor has not taken up the issue with the previous Auditor (FY 2016-17) in commenting on issue relating to previous year. The comments without consulting the previous Auditor on issues relating to previous audited accounts is not desirable and hence unethical too.

Thus the contention of audit is incorrect.

Auditor's Observation

3.17 The Company is obliged to assess the impairment in respect of the carrying amount of its Gujarat Copper Project in terms of paragraph 9 Na d12 of the IndASA-36 on Impairment of Assets. The carrying cost of a newly acquired manufacturing Unit at Gujarat has not been tested for impairment in view of the significant variation of actual performance (loss) compared to the projected performance (ROI of 15%), on the basis of which the same was acquired at a cost of ₹210 Cr with additional capital cost incurred/committed for ₹110 Cr., totaling ₹ 320 Cr.

Company's views on Auditor's observations

It is to inform that refurbishment of GCP was planned to be undertaken in two phases. As per plan, in the first phase from 01.10.2016 Anode Furnace and Refinery Plant was commissioned. In the second phase, Kaldo furnace and its associated system are to be commissioned. The profit margin of GCP will essentially come from the operation of Kaldo furnace which has the ability to process all types of secondary copper material including scrap.

First phase of plant refurbishment included Anode Furnace, Anode Casting Machine, Refinery and Utility plants. Anode furnace route produces anode in GCP itself by using high grade blister copper or high grade scrap copper.

Second phase of refurbishment is underway. This phase includes Kaldo furnace, converter, slag granulation, ETP, etc. and is scheduled to start its production soon. Once second phase is refurbished and commissioned, plant will be ready to operate with the low quality raw material copper content as low as 40% copper. Once the full plant is commissioned the plant is projected to perform to the standards envisaged during the feasibility.

The test for impairment of assets at GCP will be conducted only after the plant starts its operation in full capacity in the coming financial years. Therefore it is not a situation where GCP impairment is required. Hence testing of impairment at this juncture is unrealistic.

Thus the contention of audit is not correct.

Auditor's Observation

4.00 We were denied independent access to the books of account maintained on ERP package based on Oracle by not providing the VIEW authorisation of different modules, like Material, Marketing, Production etc. except providing limited access only to some portion of Finance Module Only limited access to Finance Module, e.g. the list of Receivables etc. was not available in auditors' authorisation although the Finance Department personnel had access to the same. In respect of other modules, the same was accessed through the ID and Password of an employee who did not make himself available frequently. We were informed that the VIEW option was not available in Oracle based ERP.

Company's views on Auditor's observations

The full access to Finance Module was provided to the Auditors. Moreover, for other Modules also, the Auditors were given all the reports and information which they have asked for.

Further, it is also submitted that In Oracle EBiz Suite R12 there is no View rights concept in apps user. All have full user rights. View rights concept is in SAP (Power User, Normal User and View User). Also it is pertinent to mention that ERP was implemented in HCL in October-2008 and subsequently at least nine Annual Audits are completed and several quarterly statutory audits have been done with the same ID and Password provided to the present auditor with the same sets of Responsibility as attached from 2008 or asked by the Auditors from time to time.

Even CAG has done full IT System Audit of the company in FY 2015-16 from the same user id. It is pertinent to mention that when CAG required more data which was not available in the provided user id screen or report, they had interacted with the users and mentioned the table names to get the data from backend through Database Administrator. If Auditors require any data in a particular format then they have to give time to develop/customize the same and attach in their responsibility.

Thus the contention of audit is incorrect.

Auditor's Observation

5.00 There were several old receivables, payables, unused stores and spares, Capital Work in Progress. We are unaware about the status as to how those would be adjusted. As such, we have not verified whether carrying amount thereof is correct or not.

Company's views on Auditor's observations

The company has detailed records of old receivables, payables, unused stores and spares, CWIP, etc. Further, periodical review is done and provisions on case to case basis, wherever required, have been made in the books of account to make the carrying amount as fair value as on the reporting date.

Thus the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

6.00 CWIP includes items amounting to at least ₹2557 lakh lying since long without any activity. We have not been provided the age wise and contract wise details. Therefore, these assets should be fully provided for. Therefore, the CWIP has been overstated by at least ₹2557 lakh.

Company's views on Auditor's observations

The detailed list of CWIP is being maintained by the company. Provision as and when arises has been duly considered and provided for in the books of account. However, as on 31.03.2018 total provision against old CWIP stood at ₹ 3392.91 Lakh which includes the CWIP as reported by the Auditor. Management justifies the carrying amount of CWIP after provision as fair and correct.

Hence, it is concluded that Auditor's observation is based without considering the actual provision already made.

Auditor's Observation

7.00 Age wise details and the list of balances circularized for confirmation in respect of receivables and payables have not been furnished to us. In view of negligible response received from parties in respect of confirmation of balances, it seems that the balances have not been circularized in all the cases.

Company's views on Auditor's observations

This is adequately disclosed in General Notes on Accounts Point No. 8 which states that:

Confirmation letters of majority of balances under the heads Sundry Creditors, Claims Recoverable, Loans & Advances, Sundry Debtors and Deposits from and with various parties/ Government Departments have been sent but in number of cases such confirmation letters from the parties are yet to be received.

Thus the contention of audit is incorrect.

Auditor's Observation

8.00 All the activities are undertaken based on POs, whether it is acquisition of assets or disposal of assets etc. However, we have not been provided the value of work done and the value of work accounted for upto the year end against each POs. As such, we are unaware if any liability has been omitted to have been provided for or the pending commitments for sale of goods at the already contracted prices.

Company's views on Auditor's observations

The list of all the POs of all the units have been provided to the Auditors. The Auditors have also test checked the files according to their choice. Also the value of work done against each PO's are available in ERP system. Accounting for value of work done against each PO's are captured automatically from the ERP system.

Hence, this type of comment at this point is not desirable from the Auditor.

Auditor's Observation

9.00 Reasons for variation exceeding 10% as compared to previous year, in respect of various accounts appearing in the financial statements have not been informed to us.

Company's views on Auditor's observations

Limited review for the quarter ended 30th September 2017 and 31st December 2017 was conducted by the same firm. As per SRE 2410 issued by ICAI, the firm was required to carry out such variance analysis as part of Limited Review exercise.

The reasons for variation exceeding 10% for each and every item in the Statement of Profit & Loss for the current year as compared to the previous year had been provided to the Auditors.

Hence, this type of comment at this point is not desirable from the Auditor.

Auditor's Observation

10.00 The stock of stores and spares includes 44 items with aggregate negative balances of ₹111.65 lakh and netting the same from other items having positive values. Therefore, the stock of stores and spares has been overstated by ₹ 111.65 lakh.

Company's views on Auditor's observations

It may be noted that in ERP System for "Process ORG" items, a particular item received in one "ORG" may be transacted in different "ORG" due to which negative value may appear in the transferor "ORG". However, the cumulative closing value of the item from the receiving "ORG" group will be zero or will have a positive balance.

We have reviewed all the negative balances pointed out by the Auditor and found that cumulative closing balance of a group of "ORG" is either zero or have positive balance.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

For example: (for five highest negative value items)

| Sl. No. | Unit | Item Code | Item description | Cl. Value (Rs Lakh) | ORG | Cum. Cl. Value (Rs Lakh) | ORG |
|---------|------|-----------|--------------------------|---------------------|-----|--------------------------|-----------------|
| 1 | ICC | 200200007 | Middling Coal, Grade-E | (52.55) | I20 | 276.80 | I20,I05,I08 |
| 2 | MCP | 181500020 | High Chrome GM Ball 90mm | (11.11) | M04 | Nil | M04,M08 |
| 3 | KCC | 70900036 | Prilled Ammonium Nitrate | (7.83) | K02 | 30.45 | K01,K02,K10 |
| 4 | KCC | 200300002 | Oil Furnace | (5.14) | K05 | Nil | K05,K07,K08,K20 |
| 5 | GCP | 200300006 | Oil Light Diesel | (4.89) | G08 | 24.13 | G05,G08,G20 |

Hence Auditor's observation that the stock of stores and spares is overstated by ₹ 111.65 lakh is incorrect.

Auditor's Observation

11.00 Discarded fixed assets of KCC Units have been disclosed as Fixed Assets instead of Items for disposal in Other Non-Current Assets. These are detailed below:

| Nature of Assets | No. of Items | WDV (Rs/Lakh) |
|------------------|--------------|---------------|
| CCR | 12 | 8 |
| Refinery | 303 | 232 |
| Smelter | 631 | 519 |
| Total | 946 | 759 |

Therefore, the Fixed Assets has been overstated by ₹759 lakh and the Assets awaiting disposal has been understated by similar amount.

Company's views on Auditor's observations

Regarding first asset, it may be noted that the company has no CCR plant at KCC unit.

Regarding the remaining assets, Sulphuric Acid Plant, Smelter and Refinery at KCC unit for which full residual amount has been provided as impairment loss with carrying amount as 'zero' has been clubbed under Property, Plant & Equipment instead of Non-current Assets Held for Sale. There is no financial impact on the accounts of the company for such classification. The same has been reclassified subsequently.

Auditor's Observation

12.00 Sale of Finished Goods are sold on FOR Destination basis, i.e., sale is required to be recognized when the goods are delivered to the customers. Liability for transportation cost is borne by the Company. In case, the customer lifts the goods from the premises of the Company, a discount is allowed to the customer for freight at a predetermined rate. However, the invoices raised for the goods dispatched during the year but delivered to the customer are not required to be reversed as per Ind AS since the risks and rewards till the delivery of the goods lies with the Company. We have not been informed the quantum of such sales.

Company's views on Auditor's observations

Sale transactions have been recorded based on the passing of risks and rewards at the time of handling over the title documents to the transporter. However, FOR Destination basis sales executed at the year- end amounting to ₹ 1505.74 Lakh has been delivered to the customers' godown within a period of 1 to 2 days which is only 0.91% of the total turnover of the company which has no significant material effect on the financial statements of the company.

Thus the contention of audit is incorrect.

Auditor's Observation

13.00 There has been refund of penalty and liquidated damages realized more than the realization thereof.

Company's views on Auditor's observations

Penalty and liquidated damages are usual transactions as per the terms of the contract. Refund of penalty and realization of penalty are not pertaining to the same contract but related to different contracts. This has occurred mainly due to refund of liquidated damages (LD) deducted and accounted for in earlier years. The matter was clarified to the Auditors during the course of audit.

Thus the contention of audit is incorrect.

Auditor's Observation

14.00 Depreciation on fixed assets has not been calculated as per Schedule II to the Companies Act 2013 since fixed asset register showing full particulars of assets is not maintained by the company. In absence thereof, correctness of book balances and charge of depreciation remains



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

unascertained with consequential impact on the loss for the year as well as fixed assets as on 31-03-2018. Further, there are apparent anomalies in the charge of depreciation, which has not been explained to us. The details are as below:

| Accode | Account_Desc | Op Bal (Rs/Cr) | Debit (Rs/Cr) | Credit (Rs/Cr) | Cl Bal (Rs/Cr) | WDV/ % of Gross-18 - HCL | WDV/ % of Gross-17 - HCL | Depn/ % Inc/ Decr-18 - HCL | Depn % on Gross-18 - HCL | Depn % on Gross-17 - HCL |
|--------|---|-------------------|------------------|-------------------|-------------------|-----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| 20372 | Furniture & fixtures - Township | 0.04 | | | 0.04 | 19.8% | 23.7% | -77.6% | 1.5% | 6.5% |
| 20325 | Mining Equip.- Compressor | 3.78 | | | 3.78 | 7.3% | 10.4% | -63.0% | 2.2% | 5.8% |
| 20210 | Building- Tailing Disposal | 7.36 | | | 7.36 | 88.6% | 88.9% | -44.4% | 0.3% | 0.6% |
| 20324 | Mining Equip.- Ventilation | 1.76 | | | 1.76 | 25.5% | 26.7% | -34.4% | 1.1% | 1.7% |
| 20382 | Office Equipments- Electricals | 2.26 | | 0.00 | 2.26 | -23.3% | -21.7% | -26.8% | 1.4% | 2.0% |
| 20330 | Mining Equip.- Earth Movers | 129.49 | | | 129.49 | 13.0% | 16.2% | -22.0% | 1.2% | 1.6% |
| 20333 | Mining Equip.- Mining Equip. others | 11.30 | 0.00 | | 11.30 | 12.5% | 12.9% | -21.0% | 0.2% | 0.3% |
| 20371 | Furniture & fixtures - Guest House | 0.37 | 0.00 | | 0.37 | 45.2% | 51.2% | -19.2% | 2.9% | 3.6% |
| 20381 | Office Equipments- Office | 1.07 | 0.11 | | 1.18 | 17.8% | 14.9% | -18.9% | 3.7% | 4.6% |
| 20403 | Vehicles- Fire Van & Trailers | 0.69 | | | 0.69 | 58.1% | 67.7% | 19.6% | 8.6% | 7.2% |
| 20373 | Furniture & fixtures - Office | 4.89 | 0.09 | 0.04 | 4.94 | 13.0% | 15.4% | 39.9% | 3.0% | 2.1% |
| 20203 | Building- Hospital | 1.01 | | | 1.01 | 41.1% | 45.6% | 41.2% | 4.5% | 3.2% |
| 20388 | Office Equipments- Others | 1.86 | 0.01 | 0.00 | 1.86 | 82.4% | 83.0% | 51.2% | 0.5% | 0.4% |
| 20251 | Road, Bridges & Culvert- Road Plant | 8.45 | 0.07 | | 8.52 | 54.5% | 60.2% | 79.6% | 6.0% | 3.4% |
| 20202 | Building- Guest House | 3.96 | 0.01 | 0.01 | 3.96 | 72.6% | 78.5% | 82.0% | 5.4% | 3.0% |
| 20205 | Building Others | 9.17 | | | 9.17 | 56.2% | 64.4% | 83.4% | 31.4% | 17.1% |
| 20377 | Furniture & Fixtures- Others | 1.03 | 0.00 | | 1.03 | 32.3% | 74.6% | 93.7% | 42.3% | 21.8% |
| 20106 | Land-Leasehold Others- Discarded | 0.19 | | | 0.19 | 14.9% | 14.9% | No Depn | 0.0% | 0.0% |
| 20252 | Road, Bridges & Culvert- Road Mines | 0.58 | | | 0.58 | 43.5% | 43.5% | No Depn | 0.0% | 0.0% |
| 20256 | Road, Bridges & Culvert- Bridges Township | 0.01 | | | 0.01 | 26.7% | 26.7% | No Depn | 0.0% | 0.0% |
| 20259 | Road, Bridges & Culvert- Culvert Others | 0.13 | | | 0.13 | 12.0% | 12.0% | No Depn | 0.0% | 0.0% |
| 20328 | Mining Equip.- Hoist & Winches | 0.73 | | | 0.73 | 11.4% | 11.4% | No Depn | 0.0% | 0.0% |
| 20329 | Mining Equip.- Sand Filling | 0.04 | | | 0.04 | 100.0% | 100.0% | No Depn | 0.0% | 0.0% |
| 20331 | Mining Equip.- Locomotives | 3.30 | | | 3.30 | 6.4% | 6.4% | No Depn | 0.0% | 0.0% |

Company's views on Auditor's observations

Depreciation on fixed assets has been calculated as per Schedule II to the Companies Act 2013 and also Fixed Asset Register showing full particulars of assets is maintained by the company. However, there may be few old cases where the description of the asset is not recorded properly. Action has already been initiated to rectify the same.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The depreciation apportioned to the head Mine Development Expenditure as per accounting guidelines in MCP and KCC unit has not been considered by Audit. Moreover, the items which have already attained 5% of the original cost as Written Down Value (WDV) during FY 2016-17 will not be further depreciated during the current year 2017-18 resulting in less depreciation for the current period.

Hence there is no anomaly in charging depreciation as per Schedule II to the Companies Act 2013.

Auditor's Observation

15.00 50 Nos. of items of Freehold and leasehold Land with WDV of ₹35.36 lakh pertain to Land Development Expenses incurred for building, which needs to be classified as Building. Further, Leasehold Land at Taloja, Mumbai on which the Taloja Copper Project is located, was purchased from MIDC vide Lease Deed dated 14.02.2001 for 95 years starting from 01.09.87 for ₹47.51 lakh. This does not appear in the Fixed Assets.

Company's views on Auditor's observations

Land Development Expenses incurred for building is correctly shown under Land Expenses in books of account.

As per Ind AS, Leasehold Land is correctly shown under Prepaid Expenses Current and Non-Current Assets, instead of Fixed Assets (Property, Plant & Equipment).

Thus the contention of audit is incorrect.

Auditor's Observation

16.00 Conversion of third party scrap into finished product at TCP has not been accounted for as production although the product attracted excise duty.

Company's views on Auditor's observations

Notification 214/86 of the Central Excise (Job Work) Rules, 2004 provides for exemption of payment of excise duty for the goods manufactured on job work basis.

Thus the contention of audit is not correct.

Auditor's Observation

17.00 Reasons for not modifying the previous year's figures since those are not comparable with current year as there were material discrepancies, write off of Rs.475 Cr. in respect of Mine Development Expenditure was debited directly to Retained Earnings instead of Profit & Loss Account or Other Comprehensive income as required by paragraph 14 of Appendix B to the IndAS101 and also IndAS-8.

Company's views on Auditor's observations

It is evident that time to time ore reserve calculation and redesigning of mine has been done based on certain technical assumptions. As per the accounting records as on 01.04.2015, the Unamortized Mine Development Expenditure (MDE) of MCP open cast (surface) mine was ₹ 50086.41 lakh. The company capitalizes the total mining cost under the head MDE and annual amortization amount is derived by applying the stripping rate with the ore produced at average annual rate/ MT at the end of the year.

Meanwhile Accounting Standards - Ind AS had become mandatory for the company from the FY 2016-17. It provides that a first-time adopter of Indian Accounting Standards (Ind AS) may apply the Appendix B of Ind AS 16 Stripping Costs in the Production Phase of a Surface Mine (Para D32 of Appendix D of Ind AS 101) from the date of transition to Ind ASs i.e. as on 01.04.2015. It further provides that at the transition date to Ind ASs, any previously recognized asset balance that resulted from stripping activity undertaken during the production phase ('predecessor stripping asset') shall be reclassified as a part of an existing asset to which the stripping activity related to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be depreciated or amortized over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates. And if there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognized in opening retained earnings at the transition date to Ind ASs as per exemption from other Ind ASs Appendix D of First-time adoption of Indian Accounting Standards (Ind AS-101).

So working as per provisions of Ind AS on the issue of Unamortized Mine Development Expenditure at MCP it was evident from the accounting records as on 01.04.2015 that Unamortized MDE of MCP open cast (surface) mine was ₹ 50086.41 lakh with Overburden (OB) quantity of 48493188.79 MT. On further examination it was observed that the opening OB quantity of 48493188.79 MT consists of 45932188.79 MT of OB quantity valuing ₹ 47441.27 lakh and 2561000.00 MT of Lean Ore valuing ₹ 2645.14. It implied that for an amount of ₹ 47441.27 lakh pertaining to OB quantity there was no identifiable component of the ore body to which that predecessor stripping asset related.

In the given circumstances and in compliance with the mandatory new accounting standards Ind AS and also the fact that as the company had already initiated development activity for underground mining and the life of the open cast mine is limited to 6-7 years, it was proposed to account for the amount of ₹ 47441.27 lakh relating to OB quantity with Retained Earnings as on 01.04.2015 as per provision of Ind AS and the same was adjusted as such.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

However, the present Auditor has not taken up the issue with the previous Auditor (FY 2016-17) in commenting on issue relating to previous year. The comments without consulting the previous Auditor on issues relating to previous audited accounts is not desirable and hence unethical too.

Thus the contention of audit is incorrect.

Auditor's Observation

18.00 Current Tax Assets

We have not been furnished the year wise breakup of the payments and their status. Further, except for the current year, advances pertain to earlier years and as such, should be disclosed as Non-Current Assets. Therefore, the Non-Current Tax Assets/ Non-Current Tax Liabilities and Current Tax Assets/ Current Tax Liabilities have been understated and overstated respectively by approximately ₹ 4639.68 lakh.

Company's views on Auditor's observations

The year wise breakup of the payments and their status have been provided to the Auditors.

As per provision of Ind AS, current year tax provision (net of advance tax) will generally be treated as current tax liability, as this will become due in the short term. Current year advance tax (net of provision) as well as past year's advance tax (net of provision) shall generally be classified as non-current as these are not likely to arise in the short term. Advance tax against which refund orders have been passed, and if not adjusted towards other liabilities, will only be treated as a current asset.

Thus the contention of Auditor that except for the current year, advances pertain to earlier years and as such, should be disclosed as Non-Current Assets is not tenable.

However, the correct disclosure for reclassification of current tax liability and current tax asset as per Ind AS will be done in the ensuing financial year.

Auditor's Observation

19.00 Partywise and agewise list and details have not been provided except for ICC Unit in respect of all the Debit and Credit balances in respect of Receivables and Payables (including Advances, Deposits, SD, EMD etc.)

Company's views on Auditor's observations

Partywise and agewise list and details have been provided for all the units to Auditor in respect of all the Debit and Credit balances in respect of Receivables and Payables (including Advances, Deposits, SD, EMD etc.).

Hence, this type of comment at this point is not desirable from the Auditor.

Auditor's Observation

20.00 Advance from Customers includes the following amounts lying unadjusted since last year.

| Sl. No. | Unit | Unapplied Receipts | Unidentified Receipts |
|---------|-------|--------------------|-----------------------|
| 1 | ICC | -393042 | |
| 2 | MCP | -32405941 | |
| 3 | ROSE | | -1796191 |
| 4 | ROSN | -21469052 | |
| 5 | TCP | -2484927 | |
| | Total | -56752962 | -1796191 |

Item 2 represents the balance of ₹2168 lakh received from Hindalco on 28.01.2017 out of which ₹ 1844 lakh had been adjusted and the remaining amount is still lying unadjusted even after a year. It seems that the additional amount received might be on account of unrecorded supplies and the same needs to be charged to revenue. Therefore, the Advances from Customers is overstated by at least ₹224 lakh. For the remaining items the party wise details and reasons for non-adjustment has not been furnished to us.

Company's views on Auditor's observations

There are some cases of unapplied/ unidentified receipts from customers which will be reviewed and necessary adjustments, if necessary, will be carried out in the books of account in the ensuing financial year.

There are also cases where the unapplied receipts are applied in the subsequent months against invoices raised on the customers and this being continuous process there will always be some amount lying as unapplied receipts.

In case of unapplied receipts pertaining to MCP unit, it is clarified that the entire amount has been adjusted during the current period.

Thus the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

21.00 Revenue from Operations

Company's views on Auditor's observations

No observation on the above point was found remaining blank and hence no clarification given.

Auditor's Observation

22.01 Credit for sale return has been given during the year by reducing the revenue from operations by ₹192 lakh, which includes ₹179 lakh to a single customer. However, the quantity thereof has not been reduced from the total sold quantity during the year.

Company's views on Auditor's observations

The quantity of sale return has been reduced from the total sold quantity during the year.

Thus the contention of audit is incorrect.

Auditor's Observation

22.02 There has been negative sales revenue of ₹38 lakh from the sale of Anode Slime from KCC against positive sales revenue of ₹717 lakh last year, reasons for such variation has not been explained to us.

Company's views on Auditor's observations

In case of tolling of Copper Concentrate of Khetri and Malanjkhand origin, sales / tolling at the end of the accounting period are recorded on provisional basis as per standard parameters in line with contract terms for want of actual specifications. Differential sales value are recorded only on receipt of actual specifications after the final assay of the material is known. This is as per consistent practice followed by the company.

There was no tolling contract with 3rd parties for tolling of Khetri and Malanjkhand origin for the year under review. Hence there is no income from sale of Anode Slime. The debit balance has arisen in the current year since final sale value of anode slime based on final quotational period and actual content of gold and silver is less than the provisional value of sales recorded in earlier years. This was explained to the Auditors during their audit for the period.

Thus the contention of audit is incorrect.

Auditor's Observation

22.03 Apart from the quantity discount to customers of ₹1035 lakh (Previous year ₹414 lakh), there was additional discount of ₹487 lakh which has been netted from the revenue from operations (sales).

Company's views on Auditor's observations

The discount and rebate figure for FY 2017-18 is ₹ 1322.37 Lakh and not ₹ 1522 Lakh (₹ 1035 Lakh plus ₹ 487 Lakh) as pointed out by the Auditor. Moreover, apart from quantity discount, other discounts like freight rebate and sales tax rebate are also netted from revenue from operations as per acceptable accounting principles since the nature of all the discounts are same.

Thus the contention of audit is incorrect.

Auditor's Observation

22.04 Discount and Rebate includes ₹184 lakh (Previous Year ₹253 lakh) being Sales Tax Rebate. It should be adjusted with the Sales Tax Liability.

Company's views on Auditor's observations

Although the nomenclature of the discount includes the word 'Sales Tax Rebate', it is basically a discount given to customers for lifting against inter-state sales, which has no bearing on Sales Tax liabilities to statutory authorities. The same was explained to the Auditors during the course of audit.

Thus the contention of audit is incorrect.

Auditor's Observation

22.05 ₹169 lakh has been debited to Sales by crediting Transamine Trading SA, to whom material was sold in earlier years. The reasons for such adjustment has not been explained.

Company's views on Auditor's observations

As per the approved Accounting Policy of the company on Revenue Recognition, it is stated that the sale of Copper Concentrate, Copper Reverts, Anode Slime etc. and tolling of Copper Concentrate of Khetri and Malanjkhand origin at the end of the accounting period are



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

recorded on provisional basis as per standard parameters for want of actual specifications and differential sales value are recorded only on receipt of actual specifications as per consistent practice followed by the Company.

In the instant case, the debit balance has arisen in the current year since final sale value of concentrate based on final quotational period and actual contents of copper, gold and silver is less than the provisional value of sales recorded in earlier years. This has been explained to the Auditors in details.

Thus the contention of audit is incorrect.

Auditor's Observation

22.06 In the Significant Accounting Policies on Revenue Recognition, it has been stated that the sale of Copper Concentrate, Copper Reverts, Anode Slime etc. and tolling of Copper Concentrate of Khetri and Malanjkhanda origin at the end of the accounting period are recorded on provisional basis as per standard parameters for want of actual specifications and differential sales value are recorded only on receipt of actual as per consistent practice followed by the Company. However, the extent of such provisional recognition and the actual and resulting adjustment has not been informed to us.

Company's views on Auditor's observations

The extent of such provisional recognition as per contract terms and the actual and resulting adjustment also in line with the provision of the contract has been informed to the Auditors in details. Such contracts are common in a mining industry.

Thus the contention of audit is incorrect.

Auditor's Observation

22.07 The Company has entered into a contract for barter exchange of its KCC MIC with Anode to be supplied by the party. The exchange ratio has been worked out on the basis of tolling charges quoted by the party and the contract was executed with the L1 bidder. Therefore, the transaction is in the nature of tolling. However, both the legs of transaction have been accounted for separately as Export and Import of Raw Material. During the year, export to the said party was for ₹ 39397 lakh. The Company incurred ₹ 3262 lakh on transportation of MIC. Against this, the import from that party has been for ₹ 38950 lakh. Therefore, the revenue from operations and raw material consumption, both are overstated by approximately ₹ 39397 lakh and ₹ 38950 lakh respectively.

Company's views on Auditor's observations

We have re-examined the contract and observed that the actual payments are received from the party for material dispatched/sold and money is paid separately for material purchased from the party. The sales realization are booked under 'Revenue from Operations' and purchase of raw materials are booked under 'Cost of Materials Consumed'. Further, the transactions are accounted at fair value as per provisions of the contract.

Thus the contention of audit is incorrect.

Auditor's Observation

23.00 Other Income

23.01 ₹ 166 lakh being the liquidated damages imposed on Shriram EPC Ltd has not been accounted for as Income (Account Code 34448) for the year. Due to this profit for the year has been understated by ₹ 166 lakh and Creditors-Expenses (Account Code 15127) has been overstated by similar amount.

Company's views on Auditor's observations

This liquidated damage imposed on the party is not yet finalized. Hence, on conservative basis, the same has not been accounted for as income during the year under review.

Thus the contention of audit is not correct.

Auditor's Observation

23.02 We have not been given the details of interest from customers during the year, i.e., name, period, amount, rate of interest etc.

Company's views on Auditor's observations

All the debit notes raised on customers towards interest during the year had been duly provided to the Auditors.

Hence, this type of comment at this point is not desirable from the Auditor.

Auditor's Observation

23.03 We have not been furnished with the details of dividend and interest from and Profit/Loss on sale of Investments.

Company's views on Auditor's observations

The details of dividend and interest from and Profit/Loss on sale of Investments had been duly provided to the Auditors.

Hence, this type of comment at this point is not desirable from the Auditor.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

24.00 The Company has not disclosed the outstanding Bank Guarantee, Letter of Credit, Letter of Undertaking against Buyers' Credit and Bill Discounting as on 31.03.18 amounting to ₹16112.57 lakh as below:

| Bank Name | Instrument | Currency | Outstanding in Currency (in Lakh) | Equivalent INR (in Lakh) |
|------------|---------------------------------------|----------|-----------------------------------|--------------------------|
| Axis Bank | Bank Guarantee | INR | 16.58 | 16.58 |
| Axis Bank | Bank Guarantee | INR | 3.87 | 3.87 |
| ICICI Bank | Letter of Credit | EUR | 6.62 | 532.55 |
| ICICI Bank | Letter of Credit | JPY | 41.43 | 25.39 |
| ICICI Bank | Letter of Credit | USD | 1.04 | 67.37 |
| ICICI Bank | Letter of Credit | USD | 3.14 | 204.32 |
| ICICI Bank | Letter of Credit | USD | 0.11 | 7.02 |
| ICICI Bank | Letter of Credit | INR | 82.13 | 82.13 |
| ICICI Bank | Bank Guarantee | INR | 33.00 | 33.00 |
| ICICI Bank | Bank Guarantee | INR | 293.52 | 293.52 |
| Kotak Bank | Letter of Undertaking/ Buyers' Credit | INR | 3895.48 | 3895.48 |
| PNB Bank | Bank Guarantee | INR | 6.25 | 6.25 |
| SBI Bank | Letter of Credit | INR | 8806.00 | 8806.00 |
| SBI Bank | Bank Guarantee | INR | 2318.00 | 2318.00 |
| ICICI Bank | Bill Discounting | INR | 200.24 | 200.24 |
| | | | Total | 16491.73 |
| | | | Less: FD | 379.16 |
| | | | Net | 16112.57 |

In view of the substantial information not available, which will have material impact on the accounts, in addition to the adjustments identified by us as to various understatements and overstatements stated above, we are not in the position to quantify the cumulative effect of the adjustment required to be made to make the accounts to present true and fair view of the state of affairs of the Company as on 31.03.2018.

Company's views on Auditor's observations

The figure shown by the Auditor amounting to ₹3895.48 Lakh as the Letter of Undertaking/ Buyers' Credit is incorrect. However, the Letter of Undertaking/ Buyers' Credit amounting to ₹7850.97 Lakh has been correctly shown under 'Current Financial Liabilities Borrowings' in the books of accounts. Hence the amount is not to be shown as Contingent Liability.

The Letter of Credit outstanding as on 31.03.2018 is ₹2063.09 lakh and not ₹9724.78 lakh as pointed out by the Auditor.

However, Bank Guarantee, Letter of Credit and Bill Discounting amounting to ₹2671.22 lakh, ₹2063.09 lakh and ₹200.24 lakh respectively as on 31.03.2018 are to be shown under the head 'Contingent Liabilities'.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

ANNEXURE – I TO THE INDEPENDENT AUDITOR’S REPORT

Auditor’s Observation

- (i) (a) The Company has not maintained proper records so as to show full particulars including quantitative details and situation of its Fixed Assets. The summary of discrepancies in the records are as below:
1. Fixed Asset Register does not show the following particulars in most of the cases:
 - a) Location/situation
 - b) Identification (Land may be identified by survey numbers and by deeds of conveyance, Railway sidings can be identified by length and location, Vehicles can be identified by reference to the registration books.). At the point of identification, a code number may be affixed on the asset which would give sufficient details for future identification.
 - c) Quantity
 - d) Component wise break up (Plant and Machinery may be sub-divided into fixed and movable)
 - e) adjustment for revaluation or for any increase or decrease in cost
 - f) particulars regarding impairment
 - g) particulars regarding sale, discarding, demolition, destruction, etc
 - h) particulars in respect of those items of fixed assets that have been fully depreciated or amortized or have been retired from active use and held for disposal.
 - i) particulars in respect of items of fixed assets that have been fully impaired during the period covered by the audit report.
 - j) Name & designation of the person who has custody of the asset for the time being.
 - k) Deemed Cost, being the WDV as on 01.04.2015, which has been substituted in place of Gross Block.

Company’s views on Auditor’s observations

Fixed asset register showing full particulars of assets is maintained by the company. However, there may be few old cases where the description of the asset is not recorded properly. As suggested, some of the fields have been inserted in Fixed Asset Register for further clarity.

Auditor’s Observation

- (b) The company has a laid down programme of physical verification of its fixed assets by which all fixed assets are required to be verified in a phased manner over a period of three years. (Vide Clause No.26 of Note No. 39 - General Notes on Accounts). At TCP, GCP, ROSW and ROSE, the assets have not been verified during last 4 years. At KCC, the external agency engaged for physical verification has ascertained that 16 Nos. of Fixed Assets in 14 Assets Code, consisting of mainly heavy vehicles, having original cost of ₹ 191 lakh (WDV on 31.12.17 ₹ 96 lakh) were physically not available. However, in the same report, it has been mentioned that the same were lying at the Administration Office “as discussed during audit and over the phone”. This evidences that there is total lack of control on the safeguard and proper use of the assets.
- (c) As such, we are not aware about the extent of material discrepancies, if any, of physical balance with book balance. In our opinion, the periodicity of physical verification having regard to the size of the company and the nature of its assets is not reasonable.

Company’s views on Auditor’s observations

The physical verification of fixed assets of all the units/offices has been conducted in FY 2013-14. At that time the Accounting Policy of the company read as follows:

Physical verification of Tangible fixed assets is carried out once in every three years. Shortage/excess, if any, is provided for in the year of identification.

The next physical verification of fixed assets of the company was due during FY 2016-17 as per the past accounting policy of the company.

During audit committee meeting for annual accounts for FY 2015-16, the members of the Audit Committee desire that the method of physical verification of fixed assets may be changed from FY 2016-17 which is as follows:

The physical verification of fixed assets is required to be conducted every year in a phased manner so that all the units/offices are covered once in every three years interval.

As per the recommendation of the Audit Committee, physical verification of fixed assets had been conducted by external agencies in ICC, RCP, MCP, GCP, Bangalore Sales Office & H.O. during FY 2016-17 and KCC & Delhi Sales Office during the year under review. Physical verification of fixed assets at TCP and RSOW will be conducted in FY 2018-19 so that all the units/offices are covered in three years interval. GCP started its operation from 01.10.2016 and there are no fixed assets at RSOW.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Thus, the Auditor has wrongly pointed out that the assets have not been verified during last 4 years at TCP, GCP, RSOW and RSOE.

Auditor's Observation

- (d) The Company, in spite of repeated assurances in the past few years as reported in the past audit reports, has not taken any steps to maintain Register of Land and Building (Immovable Property) showing the details of title deeds held in the name of the Company or otherwise including total number of such cases and whether the same are leasehold/freehold.

Company's views on Auditor's observations

The details as far as possible are maintained in ERP system which has been duly shown to the Auditors.

Auditor's Observation

- (e) Title deeds of all the immovable properties (except as specified on Emphasis of Matter paragraph as above) are held in the name of the Company. However, original title deeds are not made available to us except 11 flats at Panvel, Mumbai with original cost of ₹11.27 lakhs (at present not being used).

Company's views on Auditor's observations

The original title deeds of all the immovable properties (except as specified in Note No.6 of General Notes on Accounts) are in the possession of the Company.

Auditor's Observation

- (ii) (a) According to the information and explanations given to us, the inventories of Store & Spares have been physically verified by the management / external agencies during the year. However, in the case of physical stock of Raw Material, Finished Goods and Semi Finished and In-Process Stock, is stated to have been physically verified at the year-end by the management and the same exactly tallies with the Book Stock. Therefore, no discrepancy between physical stock with the book stock has been determined. However, in view of the nature, volume and frequency of transaction, such NIL discrepancy in the Stock is not acceptable. In view of lack of authenticity of physical stock, we disclaim to express any opinion as to whether the periodicity of physical verification is reasonable having regard to the size of the company and the nature of its business. However, certain discrepancies arising out of verification of Store & Spares between the physical stocks and book records were noticed, which were material considering size of the Company and the nature of its business and the same have not been properly dealt with in the books of account. For example at KCC, shortage amounting to ₹146 lakh (which includes 192485 Ltrs of HSD valued at ₹127 lakh) was found apart from observation about several discrepancies in the maintenance of records. In the remarks, it is mentioned that, "For the HSD Tank at Central Stores the move orders pending for transactions viz.were entered and transacted. The physical qty and book qty is tallying. HSD qty 161700 is available at KPOWER-K15 ORG as confirmed by Elec Dept." There was opening provision of ₹114 lakh and additional provision of ₹33 lakh has been made to disclose the closing provision is of ₹147 lakh. Therefore, the discrepancy has not been properly accounted for. This evidences that there is lack of control on the safeguard and proper use of the assets.

Company's views on Auditor's observations

The physical verification of raw materials, WIP and finished goods have been conducted departmentally at reasonable intervals during the year. In our opinion the periodicity of physical verification of raw materials, WIP and finished goods is reasonable having regard to the size of the company and the nature of its business.

It is mentioned by the Auditors there is a shortage of ₹146 Lakh and also there is closing provision of ₹147 Lakh in the books of accounts. This shows that adequate provision exists for the shortage amount of ₹146 Lakh.

Hence the contention of audit is incorrect.

Auditor's Observation

- (iii) The Company has not furnished us any register, if any, maintained under section 189 of the Companies Act, 2013. However, the Company has not granted any loans, secured or unsecured, during the year, to any companies, firms, limited liability partnerships or other parties. In view of above, the clauses 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.

Company's views on Auditor's observations

The Company has maintained register under section 189 of the Companies Act, 2013.

Auditor's Observation

- (iv) According to information and explanations given to us, the company has not advanced any loan, given any guarantee or provided any security in connection with such loan and given/made any loan/investment within the meaning of section 185 and 186 of the Companies Act, 2013. However, since the Company has not provided the details of parties covered under section 185 of the Act, we are unable to comment on the matter of granting any loans or providing any guarantees or security to such parties, if any. The Company has made investments in the Mutual Funds, which is not the business activity of the Company. The reasons of such market risk bearing investment has not been explained to us.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Company's views on Auditor's observations

The company has made investments amounting to ₹ 8.18 Lakh in the Mutual Funds as per approved investment policy of the company. Such a minimum amount is kept in the Mutual Funds in order to maintain minimum investment in Mutual Funds and to keep the folio live.

Hence the contention of audit is incorrect.

Auditor's Observation

- (x) We have not been furnished any information and explanation whether there were any fraud by the Company or any fraud on the Company by its officers and employees noticed or reported during the year.

Company's views on Auditor's observations

The above information is adequately disclosed in Notes on Accounts Point No. 14 which states that:

No fraud by the company or any fraud on the company by its officers and employees has been noticed or reported during the current financial year.

Hence the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

ANNEXURE- III TO THE INDEPENDENT AUDITOR'S REPORT

Auditor's Observation

(1) Our various observations of the basis of qualification and the CARO Report describes that the records are not maintained in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.

Company's views on Auditor's observations

The Company has maintained records in reasonable detail which fairly reflects the transactions and dispositions of the assets of the company.

Auditor's Observation

(2) 1.00 Reconciliation of material, particularly, Semi Finished and In-Process Material based on Matching Concept not available.

Company's views on Auditor's observations

The reconciliation of material including Semi Finished and In-Process material is based on Matching Concept and is properly disclosed in accounts.

Auditor's Observation

(2) 2.00 Liability and contingent liability arising from the past events, viz., Purchase Orders issued and extent of execution of thereof till year end are not available.

Company's views on Auditor's observations

Liability and contingent liability arising from the past events, viz., Purchase Orders issued and extent of execution of thereof till year end are made available to the Independent Auditors.

Auditor's Observation

(2) 3.00 Accounting Standards are not complied in many cases.

Company's views on Auditor's observations

This para is contradictory to Independent Auditors observation mentioned under Para – 4 – Opinion of the Main Report.

Auditor's Observation

(3) 1.00 Use of company's manufacturing facilities have been made for converting third parties raw material into Finished Products without routing the same through the production records, e.g., 32 CMT of CCCWR at TCP and 999 CMT of MIC at GCP. Further, idle capacity at TCP is utilized to convert third party Cathode into CCR, while own produced Cathode at GCP is sold without conversion.

Company's views on Auditor's observations

Notification 214/86 of the Central Excise (Job Work) Rules, 2004 provides for exemption of payment of excise duty for the goods manufactured on job work basis. Hence the procedure adopted by the company is correct.

GCP Cathodes are sold to the customers as per the market scenario and business policy of the company keeping in view the LME prevailing at that particular point of time.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 2.00 Expenditure of Research and Development and on acquisition of Hydrometallurgy has been incurred for which there was note of discord in the Board of Directors meetings.

Company's views on Auditor's observations

There might be discord or dissent in the Board of Directors meeting but final decision is taken based on the consent of the majority of the members present in the meeting. This highlights that the Company has a proper and transparent system in place.

Auditor's Observation

(3) 3.00 Expenditure has been incurred on the proposed 1 Mill TPA project for which there was note of discord in the Board of Directors meetings.

Company's views on Auditor's observations

There might be discord or dissent in the Board of Directors meeting but final decision is taken based on the consent of the majority of the members present in the meeting. This highlights that the Company has a proper and transparent system in place.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

(3) 4.00 Acquisition of GCP with low and uneconomical capacity, had been made without making due diligence and TEFR by independent agency. Dubious background of the JCL, which had been taken over was not discussed in Board of Directors meeting. TEFR was prepared by one of the lenders to the Sellers. The recommended cost of acquisition was suggested by this lender above the computed price giving ROI of 15%. The rosy operating projections have not been achieved. Although the acquisition had taken place in previous year, but the evidence of its being uneconomical are available since last 2 years.

Company's views on Auditor's observations

It is to inform that refurbishment of GCP was planned to be undertaken in two phases. As per plan, in the first phase from 01.10.2016 Anode Furnace and Refinery Plant was commissioned. In the second phase, Kaldo furnace and its associated system are to be commissioned. The profit margin of GCP will essentially come from the operation of Kaldo furnace which has the ability to process all types of secondary copper material including scrap.

First phase of plant refurbishment included Anode Furnace, Anode Casting Machine, Refinery and Utility plants. Anode furnace route produces anode in GCP itself by using high grade blister copper or high grade scrap copper.

Second phase of refurbishment is underway. This phase includes Kaldo furnace, converter, slag granulation, ETP, etc. and is scheduled to start its production soon. Once second phase is refurbished and commissioned, plant will be ready to operate with the low quality raw material copper content as low as 40% copper. Once the full plant is commissioned the plant is projected to perform to the standards envisaged during the feasibility.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 5.00 Sulphuric Acid Plant at KCC was disposed off to Avik Global Solutions P Ltd during the year at ₹644 lakh, having WDV of ₹24.53 lakh. The sale was originally approved by CMD on 12.09.2017 for ₹722 lakh to Colours County Developers P Ltd. who did not lift the material. On retendering, Avik Global Solutions P Ltd was awarded the contract, which was approved by CMD on 30.01.2018. However, as per the Guidelines for Write Off and Disposal of Surplus Stores, Equipment and Scrap Material, the power of CMD was only upto ₹5 lakh. Therefore, the CMD has exceeded his powers in this regard. KYC of the said company, namely, Avik Global Solutions P Ltd, seems to have not been done, since the paid up capital of the Company is only Rs.1 lakh, with no worthwhile background and it seems to be shell or paper company. The credentials of the party have not been verified. Further, DOA prescribes the basis as WDV of the disposed off asset instead of estimated realizable value.

Company's views on Auditor's observations

Here the WDV of the Sulphuric Acid Plant at KCC was ₹24.53 lakh which was disposed within the delegated powers of CMD.

The delegation of powers is framed by the company in line with the consistent practice followed and has the approval of the Board.

Hence the contention of audit is not correct.

Auditor's Observation

(3) 6.00 There is no working manual pertaining Material, Marketing, updated Finance/Accounts Manual covering Ind As requirement, Contract, Project Monitoring, Works Procedure, HR-Personnel-employee benefits.

Company's views on Auditor's observations

There is Procurement of Goods & Services Manual covering Material, Contracts and Works Procedure. There is also Finance/Accounts and HR Manual.

However, Finance/Accounts Manual will be modified incorporating Ind AS requirements in due course of time.

Auditor's Observation

(3) 7.00 We were not produced the details and documents pertaining to Budgetary Control for both Revenue and Capital Expenditure.

Company's views on Auditor's observations

The company enters into a Memorandum of Understanding (MoU) with Ministry of Mines (MoM) every year for both Revenue and Capital Expenditure. At the end of each month, estimated Statement of Profit & Loss is prepared and compared with monthly MoU Targets which are regularly analyzed by the Management of the company. At the end of each quarter, the actual Statement of Profit & Loss and the MoU targets set for the quarter are analyzed by the Board of Directors in their meeting. Similarly, Capital Expenditure for every month is prepared along with comparison with MoU targets set for the year which is reported to the MoM at the end of each month. The same has been explained to the Auditor.

Hence, this type of comment at this point is not desirable from the Auditor.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

(3) 8.00 The Company has been allotting contracts by ignoring the obvious facts and allowing the bidding in different names by one person thus encouraging the monopolistic and restrictive activities. One such instance is as below:

PPO No 7585, 7690 and 7585 were awarded through open Tender where the Departmental Estimates was lower than the Tender Awarded Value and the same has been awarded to L1 parties, namely, Mi2c Securities & Facilities P Ltd (Mi2C) and Prehari Cyber Security & Facilities P Ltd. (Prehari). These both parties are of the Same Management Group and these 2 parties only were the technically qualified bidders. As per the Purchase Manual, any kind of Cartel Should be avoided to get the Tender. Out of the 3 parties participated in the bid, one was rejected in the technical round Itself, and rest 2 were related Parties, Further the Tender exceeded the Departmental Estimates during awarding of Contract.

The Company has represented that both the bidders had different sets of promoters apart from different CIN, PAN, MA & AA etc and also the address. However, following indicates that there is close nexus between the two bidder.

1. As per the reply received from the Management end, Prehari & MI2C has submitted the MOA and AOA, the AOA clearly mention the name of the 1st Subscriber of the Both Companies as Cyber Dyne Private Limited, Cyber Dyne Private Limited hold 70% in MI2C and 74% in Prehari, Further 99% of Share of cyber Dyne is hold by Mr. Pranav Tekchand.
2. The promoters, Pranav Tek Chand and Krishna Pal Singh Rana were the 1st Directors of MI2C since its incorporation, Krishna Pal Singh Rana resigned from Board of MI2C on 05th July 2017 and currently the Company has (MI2C) 3 Director i.e.) Pranav Tek Chand, ii) Parveen Kumar Sharma iii) Manu Bansal. Pranav Tek Chand and Krishna Pal Singh Rana were the 1st Directors of Prehari since its incorporation and they resigned from the Board on 15th December 2016 and appointed two new Director Sukhdev Singh Lall and Anand Kumar but continue to hold the Share through 74% share through cyber Dyne Private Limited. Cyber Dyne is Controlled by Pranav Tek Chand who hold 99% of Shareholding and Directorship of the Company since its incorporation. Both the Company MI2C and Prehari are having same Address as per the ROC records i.e. 8/40, South Patel Nagar, New Delhi-110 060.
3. These clearly indicate MI2C and Prehari are related Parties and forming cartel to get the Labour and Manpower Supply work. In the Past also either MI2C or Prehari are getting Work on the Basis of Carteling and also getting extension in their Work order on regular Basis. Management fails to identify or willingly allowed to form Cartel is Major Internal Control Lapses and Loss to the Company. The same need to be Further Investigated by vigilance to check Fraud aspect. Currently Prehari and MI2C are enjoying the Monopoly in Khetri area in regards to getting Labour Contract and Manpower Supply Work.

Company's views on Auditor's observations

M/s Prehari Cyber Security and Facilities Pvt Ltd and M/s Mi2C Securities & Facilities P Ltd are two different companies with different legal identities as mentioned below having different directors:

Company Master Data

CIN : U74900DL2013PTC255402
 Company Name : PREHARI CYBER SECURITY AND FACILITIES PRIVATE LIMITED
 Registration Number : 255402
 Date of Incorporation : 15/07/2013
 Registered Address : 8/40, 1st Floor South Patel Nagar New Delhi 110008
 Email Id : MANU8895@YAHOO.COM

Company Status (for efilling) Active

Directors/Signatory Details

| DIN/PAN | Name | Begin date | End date |
|----------|-------------------|------------|----------|
| 07051281 | ANAND KUMAR | 13/12/2016 | - |
| 07676412 | SUKHDEV SINGH LAL | 13/12/2016 | - |

Company Master Data

CIN : U74920DL2012PTC236750
 Company Name : MI2C SECURITY AND FACILITIES PRIVATE LIMITED
 Registration Number : 236750
 Date of Incorporation : 31/05/2012
 Registered Address : 8/40, UGF South Patel Nagar New Delhi 110008
 Email Id : MANU8895@YAHOO.COM



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Company Status(for efilng) Active

Directors/Signatory Details

| DIN/PAN | Name | Begin date | End date |
|----------|----------------------|------------|----------|
| 01530366 | MANU BANSAL | 20/11/2017 | - |
| 01720955 | PRANAV TEK CHAND | 31/05/2012 | - |
| 07869353 | PARVEEN KUMAR SHARMA | 05/07/2017 | - |

In view of the above, both are considered to be different parties and there was no sort of cartels as pointed out by Audit. Materials & Contracts Department has followed the guidelines laid down in the Procurement of Goods & Services Manual. Also, the work has been awarded to L1 bidder after getting the offers from the open web tender basis.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 9.00 We have not found any stock holding norms of Raw materials, semi-finished goods and finished goods in the Finance Manual of HCL approved by the boards. Approximately seven and half months stock of Metal in Concentrate is held in stock, which is very high.

Company's views on Auditor's observations

The company has the practice of holding stock of Raw materials, semi-finished goods and finished goods as per the market scenario and the trend of LME prevailing at that point of time.

Monthly 2200 MT of MIC is consumed to produce 2000 MT of fresh anode with 100% capacity utilization of Flash smelter. Due to some unavoidable circumstances (JSEB power failure, Boiler tube leakage and uptake shaft roof failure), concentrate stock transferred from MCP was not consumed resulting accumulation of concentrate stock at ICC. As per ICC's consumption pattern with 100% capacity utilization the accumulated concentrate will be consumed in next 4 (four) months after the current ongoing major overhauling of flash smelter.

So the contention of the Auditor that seven and half months stock of Metal in Concentrate is held in stock is incorrect.

Auditor's Observation

(3) 10.00 GCP

10.01 Acquisition of GCP

The unit was acquired from Jhagadia Cooper Ltd (JCL). JCL was constructed on leasehold land of 3.13 lakh sq mtr as per agreement dt 08.12.1994 and Lease Deed dt 29.09.1996 with GIDC. The past performance of JCL immediately before its closure were as below (₹/Cr):

| | Mar 10 12 mths | Mar-09 12 mths | Mar-08 18 mths | Sep-06 12 mths | Sep-05 18 mths |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| INCOME | | | | | |
| Revenue From Operations [Gross] | 65.03 | 368.64 | 374.71 | 237.91 | 0 |
| Less: Excise/Service Tax/Other Levies | 2.22 | 3.33 | 5.74 | 6.39 | 0 |
| Revenue From Operations [Net] | 62.81 | 365.3 | 368.96 | 231.53 | 0 |
| Total Operating Revenues | 62.81 | 365.3 | 368.96 | 231.53 | 0 |
| Other Income | 0.34 | -34.31 | 18.26 | -1.84 | 0 |
| Total Revenue | 63.15 | 331 | 387.22 | 229.68 | 0 |
| EXPENSES | | | | | |
| Cost Of Materials Consumed | 74.52 | 321.21 | 400.69 | 218.02 | 0 |
| Operating And Direct Expenses | 18.82 | 8.53 | 17.7 | 3.14 | 0 |
| Changes In Inventories Of FG,WIP And Stock-In Trade | -5.32 | 55.28 | -15.44 | -7.02 | 0 |
| Employee Benefit Expenses | 4.73 | 5.09 | 8.36 | 2.63 | 0 |
| Finance Costs | 112.21 | 86.93 | 127.3 | 30.39 | 0 |
| Depreciation And Amortisation Expenses | 72.65 | 72.46 | 108.76 | 27.58 | 0 |
| Miscellaneous Expenses Written Off | 0 | 0 | 0 | 3.75 | 0 |
| Other Expenses | 7.52 | 38.88 | 9.76 | 7.63 | 0 |
| Total Expenses | 285.12 | 588.38 | 657.13 | 286.11 | 0 |
| EBIDTA | -37.11 | -98.00 | -33.84 | 1.54 | 0.00 |
| PBT | -221.97 | -257.39 | -269.90 | -56.43 | 0.00 |
| PAT | -221.97 | -257.48 | -270.02 | -56.47 | 0.00 |
| Average LME Rate (USD/lb) | 2.79 | 2.66 | 3.27 | 2.89 | |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

The above performance relates to the period when the Copper prices were at high level. The Average LME Rates are stated above. The average rates during 2014-15, when the Unit was taken over were also at the same level. Further, the substantial part of the operations of JCL was based on imported raw material. This signifies that the operations of the Unit were uneconomical and due to this only, JCL could not make over its continuous loss.

10.02 Asset Reconstruction Company (India) Limited (ARCIL), after taking over the outstanding of the long term financial assistances from the majority of the secured lenders, namely, IDBI Bank, ICICI Bank, SBI and IFCI, started the process of inducting strategic investor and initiated discussions with various domestic and international parties to evolve a viable restructuring/ revival package. Several efforts were made by ARCIL in 2008-09. However, none of the investors submitted any financial offer for investment in JCL. Further efforts were made in 2009-10. However, once again no encouraging response was received from the investors.

As the operations of JCL were closed, it did not have sufficient funds to maintain the plant and machinery, which were required to be maintained continuously so that the machinery does not deteriorate. ARCIL was required to spend a total amount of ₹10 crores from April 2010 to August 2012 so that plant and machinery of the company are maintained and the factory of JCL can be restarted at a short notice by the new investors. In 2011, a public advertisement inviting bids came to be issued for leasing the plant and machinery of JCL for a period of 3 years. However, the process could not be completed as the interested parties did not show any inclination towards taking the plant and machinery on lease and no bids were received in the process.

In 2012, once again efforts were initiated, however, the offer received was much below the reserve price. In 2013, fresh process for sale of secured movable and immovable properties of JCL through public auction under the provisions of the Securitization Act read with Security Interest Enforcement Rules, 2002 came to be published on 02.08.2013. Once again, there was complete lack of interest from the investors and no bids were submitted in the process.

Gujarat HC had ordered to liquidate JCL on 11.06.14. Asset Reconstruction Company (India) Limited (ARCIL) had approached (via e-mail dated 12.08.2014) HCL, seeking the interest of the company in the acquisition of assets of the Jhagadia Copper Limited (JCL). Based on the request of ARCIL, the company appointed IFCI, one of the co-lenders of JCL, as consultant to assess the viability of the investment in the proposed acquisition of JCL.

10.03 In the Board of Directors' meeting held on 13.11.2014, following returns on investment were expected, considering the two business option given below: -

Option I: Operating the refinery plant on standalone basis,

Option II: Operating both smelter and refinery plant.

Against option I, IRR of the project was shown as 23.82% against an investment of ₹225 crore (including repair cost of ₹15 crore) based on the assumption that the Company will source around 30000 MT of anodes from Hindalco (for tolling to cathode), 10000 MT of own anode from tolling of KCC concentrate and surplus anodes from ICC to produce 40000 MT cathode.

Against option II, IRR of the project was shown as 18.99% against an investment of ₹245 crore (including repair cost of ₹35 crore) based on the assumption that the Company will source around 19000 MT of low grade copper scrap and 800 MT of own scrap to operate the smelter.

Board accorded in-principle approval for undertaking due diligence in connection with the proposed acquisition of JCL from ARCIL. Subsequently, ARCIL issued Public Notice for the sale of JCL on 17.11.2014, which was extended to 06.01.15. Single bid was received by JCL from HCL on 06.01.15 and on the same day, the bid of HCL was accepted. The bid of HCL was just and almost equal to the estimated reserved price, i.e., ₹210 crores. This shows that all the activities were pre-determined before issue of Public Notice by ARCIL. Incidentally, IFCI, whose Advisory Report was had been relied, was one of the Lenders to JCP. Therefore, there was conflict of interest in the assignment given to IFCI for advising on the Bid.

Subsequently, IFCI came up with another Final Report advising HCL to bid at Rs.210 Cr. In that also, IFCI discussed the 2 options as in their Initial Report. In the Final Report, certain figures were changed, but the basic fabric of the content of the Report remained same. In the Final Report also, IFCI gave 2 options as below:

Against option I, IRR of the project was shown as 15% against an investment of ₹215 crore (including repair cost of ₹25 crore) based on the assumption that the Company will source around 12000 MT of own anode from tolling of KCC concentrate and of 3000 MT surplus anodes from ICC and 10000 MT A nodes from outside to produce 25000 MT cathode.

Against option II, IRR of the project was shown as 15% against an investment of ₹270 crore (including repair cost of ₹50 crore) based on the assumption that the Company will source around 18900 MT of copper scrap (94%), 300 MT of Low grade (25% Cu) copper HCL scrap and 800 MT of High grade (94% Cu) copper HCL scrap to operate the smelter.

As can be seen, there were significant variation in the initial and final projections for which the reasons were not stated in the Report. Further, the Report analyzed that it was beneficial to opt for both Refinery and Smelter. The Report valued the JCL at ₹254 Cr for 12% IRR and ₹180 Cr for 15% return and advised to bid at ₹210 Cr. The reason of taking a mid-value of ₹210 Cr instead of ₹180 Cr has not been mentioned in the Report.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

10.04 There were several computation mistakes in the Cash Flows etc. as disclosed in the IFCI Report. Some are as below:

10.04.1 In the Cash Flow, the Change in Bank Borrowings for Working Capital in the Cash Inflows and the Change in Total Working Capital is same., which is not correct since Bank Borrowings has to be only 75% of the working capital, because 25% is presumed to be margin money.

10.04.2 Increase in Equity Capital has been disclosed in the Balance Sheet, which does not tally with the Cash Inflows.

10.04.3 The Turnover from Cathode has been estimated at substantially low average rate in the first 2 years at ₹3000 per MT and 3rd year at ₹4000 per MT. This sort of projections are not correct. Further, the Production of cathode has been shown to be the same quantity as the quantity of Raw Material consumed. This is also not correct. The cost of ICC Anode has been taken at ₹288500/MT while that of KCC Anode has been taken at Rs.367000/MT. In the Cost of Raw Material from KCC/ICC Anode has been taken for 15000 MT at average rate of ₹352000/MT while cost of scrap has been taken as ₹246666/MT, which again seems to be unrealistic, Therefore, the expenses have been shown at unrealistically low level and a lot of arbitrariness has been included in the projections to arrive at positive IRR.

10.04.4 It has been stated at the outset in the Report that JCL had become non-performing due to lack of working capital. However, since the projections of IFCI shows that there are positive returns from running the Project, it was not explained in the Report as why the lenders did not support the Unit by providing Working Capital since the lenders had CDR scheme to help the genuine borrowers for restructuring the debts etc. The honest discussion has not been done in the Report as to the reasons of the Unit not operating satisfactorily. Even the Unit could be rented out to any other party to run the plant. Instead it has been kept idle for years together. There seems to be a lot of water flowing below the skeleton discussion done in the Report.

10.04.5 The Report also calculates the Equity IRR apart from the Project IRR. There is no need of such extraneous calculations since Equity IRR has to be better than Project IRR because of the projected operating margins are higher than borrowing cost. This calculation has been done just to impress and induce HCL to bid for the Project.

10.04.6 Finally, the Company purchased JCL pursuant to Order dt 27.01.15 of Gujarat HC in February, 2015 at a capital cost of ₹210 crore from ARCIL as a single bidder. Total capital investment including repair & maintenance and other miscellaneous expenses (excluding IDC) for acquisition of JCL was. estimated at ₹293.34 crore with a projected IRR of 13.70% and equity IRR of 27.86% as per final evaluation by IFCI. Possession of JCL by HCL was taken on 30.04.2015.

10.04.7 Total capex made by the company in acquisition of JCL was ₹306 Crore till 31.03.2018 and there are outstanding capital commitments of ₹15 Cr, totaling ₹321 Cr against projection of ₹302 Cr. The company had taken in May, 2015, a term loan of ₹200 crore (in equivalent US\$ 31.27 Mill.) from Export-Import Bank of India for investment in JCL at floating rate of 6 month LIBOR of 0.42% + 258 bps, i.e. 3%. The disbursement was made on 12.06.2015. The loan is repayable in 8 half yearly installments of USD 3.91 Mill. each starting from 03.07.2017 and ending on 01.01.2021..Mortgage was to be created by 12.09.15, but the same is still pending since the lease deed has not yet executed by GIDC in favour of the company. Exim Bank charges penal interest at 1% since mortgage formalities were not completed by 31.03.2016. The required mortgage formalities were not completed; Land Building and PPE at TCP valued at ₹78.46 Cr were offered as security The project was renamed as Gujarat Copper Project (GCP) from JCL. Trial run operation of GCP (refinery only) started on 22.06.2016.

10.05 Observations:

10.05.1 It was primarily assumed in the Feasibility report that refinery will be fed by KCC anodes (after toll smelting of concentrates), surplus ICC anodes and anodes to be procured from Hindalco. However, the company has been either converting KCC concentrate into cathodes by third party or selling the KCC concentrate even after the taking over of JCL which implied that KCC anodes are not suitable for use in GCP. Further; anodes are not available from Hindalco (since their capacity of smelter and refinery is same) on a regular basis and ICC does not have any substantial quantity of surplus anode for refining in GCP. Kaldor Furnace is a secondary smelter which depends upon the copper scrap mainly and not suitable to consume Metal in Concentrate produced at different units of HCL due to high Sulphur content. Raw material sourcing for Refinery from KCC Khetri unit 8000 MT p.a anode and from ICC Ghatsila unit 3000 MT p.a surplus anode is presumably wrong since KCC smelter is on non-operation from 2008 and ICC had no surplus production of anode since last two years.

Thus, all the assumptions made in the feasibility report regarding anodes for sourcing Refinery were not correct.

10.05.2 The company had imported (May, 2016) 1000 MT blister copper from Zambia (a country with duty free tariff preference) for refining in GCP refinery due to non-availability of anode from the sources assumed in Feasibility report. Management has calculated that marginal cost of refining the imported blister in GCP would be ₹343876/MT (cost of Cathode) with the assumption of LME price of copper @US\$4945.50/MT and exchange rate of ₹67.07/US\$ and will contribute ₹16671/MT of wire rod produced out of imported blister considering only variable cost of wire rod plant. However, this contribution/MT is inadequate to recover the estimated fixed cost (₹35 crore), depreciation (₹18.3 crore), interest on loan (₹9.5 crore) & working capital (₹7 crore), amounting to ₹70 crore of GCP and fixed cost of ₹14.52 crore of TCP. It was, further, observed that the above contribution was possible because of savings in basic customs duty of 5% (₹16434/MT) due to import of copper from Zambia. Thus, there will not be any contribution from the refinery of GCP at present LME rate of copper & rupee exchange rate if the import of anode/blister copper is made from a country



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

having no duty free tariff preference. Landed cost of imported cathode' at TCP procured from a country having duty free tariff preference (DFTP) would have been ₹332000/MT at the LME copper price of US\$4945.50/MT and RBI reference rate of ₹67.07/US \$ whereas marginal cost of cathode produced at GCP out of imported blister copper comes to ₹343876/MT implying that import of cathode is more economical than production in GCP.

10.05.3 There was no relation between raw material procurement projection and projected profit & loss statement. In the raw material projection it was assumed that Anode will be procured from the local market from the first year whereas projected profit & loss statement did not consider any anode procurement cost from local market. Similarly, it was assumed in raw material projection that scrap will be procured 8900 MT & 18900 MT respectively in the first year & second year from the local market but profit & loss statement did not consider the cost of scrap for the first two year.

10.05.4 Capacity of GCP is 50000 MT. Capacity utilization of the plant has been shown as 90% from the fourth year of operation, i.e., 45000 MT. However, Profit & loss statement considered only production of 33000 MT Cathode from the 5th year onwards.

10.05.5 It was assumed in the Feasibility Report that 18900 MT copper scrap quantity will be procured from the local market (@90.8% of LME + ₹1100 towards transportation charges/MT) from the third year of operation to feed the smelter (Kaldo furnace). However, no records are available in support of the fact that copper scraps are sold in the local market at the above rate. It was observed from international scrap metal prices during August' 16 that copper scrap prices on FOB basis varied from 88% to 89% of LME cash settlement price and therefore landed cost of copper scrap would be much higher than 90.8% of LME (as envisaged in the Feasibility report) after considering shipping cost, insurance cost, port clearing charges & basic customs duty of 5%. Thus, profit projections made in the projected profit & loss statement does not hold good.

10.05.6 In view of the above, it can be concluded that all the assumptions made in the Feasibility report were misleading and therefore, the profitability projection made for GCP was incorrect. Thus, there will be no profitability in GCP, considering the meagre contribution expected to be generated, from processing of blister copper/ copper scrap etc. and the lower volume of operation in view of limited availability of material to run the smelter & refinery.

10.05.7 A comparison between the projections and actual are as below, which shows that the projections were unrealistically optimistic. The Unit has incurred loss of ₹7 Cr and ₹24 Cr during the year ended 31.03.17 and 31.03.18 respectively without considering the notional ROI of 10% on average investment of about ₹250 Cr from own sources. Thus, the company would have been in better financial position as on 31.03.18 by about ₹80 Cr.

| Projections - Profit & Loss Account (₹/Cr) | 1 | 2 | 3 | 31/03/2017 | 31/03/2018 |
|--|-----------|-----------|-----------|------------|------------|
| Cathode Production (MTPA) | 25000.00 | 25000.00 | 35000.00 | | 12668.00 |
| Turnover (Cr) | 484.00 | 484.00 | 941.00 | 312.23 | 565.73 |
| Av Price realized per MT (Rs.) | 193600.00 | 193600.00 | 268857.14 | | 446581.94 |
| Decrease of Stock | | | | -168.89 | 78.43 |
| Anode from Hindalco | 0.00 | 0.00 | 0.00 | | 0.00 |
| Total Cost of Raw Material | 380.00 | 380.00 | 776.90 | 438.60 | 436.52 |
| Fixed Cost | 35.00 | 35.00 | 35.00 | 15.96 | 19.71 |
| Variable Cost | 18.00 | 18.00 | 47.00 | 21.30 | 28.49 |
| Total Operating Cost | 433.00 | 433.00 | 858.90 | 306.97 | 563.15 |
| EBITDA | 51.00 | 51.00 | 82.10 | 5.28 | 2.58 |
| Interest on Loan | 23.42 | 23.42 | 21.96 | 3.18 | 7.38 |
| Interest on WC | 6.66 | 6.66 | 12.94 | 0.00 | 0.00 |
| Depreciation | 18.34 | 18.34 | 18.34 | 9.00 | 18.68 |
| PBT | 2.59 | 2.59 | 28.87 | -6.90 | -23.48 |



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

| Balance Sheet | 1 | 2 | 3 | 31/03/2017 | 31/03/2018 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Gross Fixed Assets | 300.90 | 300.90 | 300.90 | 275.89 | 306.26 |
| Less Acc Depn | 18.34 | 36.68 | 55.02 | 8.99 | 27.88 |
| Net Fixed Assets | 282.56 | 264.22 | 245.88 | 266.90 | 278.38 |
| Net Current Assets | 80.67 | 80.67 | 156.83 | 210.85 | 64.19 |
| Cash & Bank | -0.09 | 19.98 | 12.02 | 0.80 | 1.36 |
| Total Assets | 363.13 | 364.87 | 414.73 | 478.55 | 343.93 |
| Equity Capital | 88.00 | 88.00 | 88.00 | 273.62 | 191.24 |
| Reserves & Surplus | 1.73 | 3.47 | 22.80 | | |
| Debt | 212.90 | 212.90 | 186.30 | 204.98 | 152.91 |
| Equity for WC | | | | | |
| BB for WC | 60.50 | 60.50 | 117.63 | | |
| Total Liabilities | 363.13 | 364.87 | 414.73 | 478.55 | 344.15 |
| Working Capital | | | | | |
| Debtors | 80.67 | 80.67 | 156.83 | 0.11 | -0.01 |
| Adv | | | | 5.61 | 19.89 |
| Dep | | | | 29.47 | 0.21 |
| Raw Material | 31.67 | 31.67 | 64.74 | 0.08 | 4.62 |
| S&S | | | | 60.40 | |
| WIP | | | | 145.14 | 90.28 |
| FG | | | | 23.75 | 0.02 |
| Payables-Prov | | | | 0.00 | 0.00 |
| Payables-Other Liab | | | | -9.42 | -8.40 |
| Payables-Financial Liab | | | | -2.30 | -2.21 |
| Payables-Trade | 31.67 | 31.67 | 64.74 | -41.99 | -40.20 |
| Working Capital | 80.67 | 80.67 | 156.83 | 210.85 | 64.19 |

Thus, in our opinion, investment decision of the management for acquisition of Jhagadia Copper Limited without proper examination of the Feasibility' Report was presumably done without due diligence, application of mind and propriety and professional skepticism. In any case, the investment needs to be measured for impairment in view of the continuous loss in the Unit.

Company's views on Auditor's observations

It is to inform that refurbishment of GCP was planned to be undertaken in two phases. As per plan, in the first phase from 01.10.2016 Anode Furnace and Refinery Plant was commissioned. In the second phase, Kaldo furnace and its associated system are to be commissioned. The profit margin of GCP will essentially come from the operation of Kaldo furnace which has the ability to process all types of secondary copper material including scrap.

First phase of plant refurbishment included Anode Furnace, Anode Casting Machine, Refinery and Utility plants. Anode furnace route produces anode in GCP itself by using high grade blister copper or high grade scrap copper.

Second phase of refurbishment is underway. This phase includes Kaldo furnace, converter, slag granulation, ETP, etc. and is scheduled to start its production soon. Once second phase is refurbished and commissioned, plant will be ready to operate with the low quality raw material copper content as low as 40% copper. Once the full plant is commissioned the plant is projected to perform to the standards envisaged during the feasibility.

The test for impairment of assets at GCP will be conducted only after the plant starts its operation in full capacity in the coming financial years. Hence testing of impairment at this juncture is unrealistic.

Hence the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

(3) 11.00 The policy of discount on some specific products is designed in a manner so as to benefit a particular customer, e.g., 19.6 mm CCCWR supplied to a party to whom 93% of the total production of that material has been sold.

At TCP, on 02.06.17, 26.277 MT was dispatched to Airen Metals P Ltd. against conversion of 26.316 MT of scrap material delivered by the party, charging conversion charges of ₹131580 @ ₹ 5000 per MT. Excise Duty has not charged, although, the Company to make the payment of excise duty. The accounts show ₹100255 as income from Conversion charges. Further, it has been explained that the same represents the defects occurred in the material not due to original defects in the material supplied to the party, but arose later on due to fault of the Customer. Thus, undue advantage was given to a particular customer. All such activity has been done without recording in the books of accounts.

The Unit has earned a net operating profit of about ₹55 Cr on production of about 22000 MT of CCCWR. Therefore, per MT margin of the Unit is ₹25000 per MT. Therefore, the party gets the benefit of ₹25000 per MT by making payment of Rs.5000 per MT, taking undue benefit of about Rs.5 lakh.

Company's views on Auditor's observations

Company's marketing policy including discounts is published on the company's website and any customer(s) can book and lift material as per the policy.

It may be noted that quarterly discount was introduced in the month of Aug 17 to liquidate stock yet there was a total lifting of only 130 MT amongst 6 customers in the quarter Aug-Oct '17 and no customer was eligible for the quarterly discount. Even in the month of Nov'17, 209 MT of CCR 19.6 mm was lifted. Subsequent persuasions with a supplier of Indian Railways increased the lifting after Nov'17.

There is reasonably sufficient requirement of CCR 19.6 mm in the country, mainly arising out of Railway Electrification of Dedicated Freight Corridor and replakhement of existing track as well as fresh electrification of unelectrified tracks.

As mentioned earlier, any supplier of Indian Railways could have purchased this product, the sale policy of which was displayed on company website.

Hence, audit observation of designing the policy to benefit a particular customer is incorrect.

During the year 2017-18 TCP has made Conversion of 26.316 MT scrap material of M/S Airen Metal @ ₹5000/- per MT amounting to ₹131580/- which is reflected in Statement of Profit & Loss under the head conversion charges correctly.

As per Rule 4 (5) (a) of the Cenvat Credit Rules (erstwhile Rule 57 F (4) of the Central Excise Rules, 1944) credit availed inputs can be removed, either as such or after being partially processed, to the premises of job workers for further processing, testing, repair, re-conditioning or any other purpose. More than the above, Notification 214/86 provides for exemption for the goods manufactured on job work basis.

As per cost sheet dated 31.03.2017 the variable cost per unit(MT.) was ₹4554/-. Considering the incremental revenue over marginal cost, the company went for an agreement of Conversion charges @ ₹5000/- per MT. with M/S Airen Metal.

The Audit observation of margin of TCP as Rs.25,000/- PMT cannot be seen in isolation. The input raw material of TCP i.e. Copper Cathode is stock transferred either from GCP or ICC on price based on cost of cathode, this being an internal accounting system for transfer of materials. However, sale of finished products during the subsequent months, at a rising LME price, made the difference.

Hence, the audit observation is incorrect.

Auditor's Observation

(3) 12.00 At TCP, during the current year, a contract is being processed for entering into with a Bangalore based party, namely Trafigura India for conversion of Cathode to be supplied by them. The activity has been initiated by Head Office on the representation by this Party on 13.04.2018. Astonishingly, on 28.04.2018, i.e., only within 15 days, the contract is in the final stage of execution. The local concerned person in Finance Department or Materials Department or Production Department are unaware about the KYC of the Customer. Further, it was surprising that when an outsider can procure Cathode from third parties and get it converted by HCL and sell at profit, why the same cannot be done by HCL at its own, particularly when TCP has unutilized spare capacity. This indicates a deep rooted conspiracy to drain the company of its valuable resources for the benefit of others.

Company's views on Auditor's observations

This incident happened during the FY 2018-19 which period is not within the purview of Audit. However, the company is dealing with the party regularly and not new to HCL. Hence the question of obtaining KYC is not tenable. As required by the contract, the party's GST registration no. was sought. While processing the contract other terms and conditions were also duly taken care of. Conversion contract is entered for utilizing the idle capacity of TCP plant. Purchasing of cathode (raw material) is a corporate policy matter. However, the kind of allegation made in the report is not acceptable to the company as the auditor is mentioning that a deep rooted conspiracy occurs to drain the company of its valuable resources for the benefit of others. This also tantamount to defamation of a Government owned company.

Hence the contention of audit is incorrect.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Auditor's Observation

(3) 13.00 Following table shows the discount to some parties given more than others although the sale was executed at LME rates.

| Sl. No. | Particulars | Inv Qty (MT) | Sale Amt (Rs/Lakh) | Discount (Rs/Lakh) | Dr to sales (Rs/Lakh) | Sales Reversal (Rs/Lakh) | Total Discount (Rs/Lakh) | % of sales |
|---------|-------------------------------|--------------|--------------------|--------------------|-----------------------|--------------------------|--------------------------|------------|
| 1 | Total Sales of Cathode/CCCWR | 27369 | 123966 | -1098 | -487 | -249 | -1834 | -1.48% |
| 2 | Lykos India Private Limited | 6738 | 29077 | -410 | -141 | -180 | -731 | -2.51% |
| 3 | Airen Metals Private Limited | 3834 | 17389 | -193 | -133 | | -326 | -1.87% |
| 4 | India Trade Link Pvt. Ltd | 2475 | 10529 | -120 | -33 | -35 | -188 | -1.79% |
| 5 | K. M. Gandhi Metals Pvt. Ltd. | 2409 | 10193 | -99 | -29 | -13 | -141 | -1.38% |

From the above, it would appear that parties from Sl. 2 to 4 have been given higher discount than others. It may be mentioned here that about 16000 MT has been sold to these parties out of total sale of about 28000 MT of Copper Cathode and CCCWR, constituting 60% of total sales. This concentration of sales to 4-5 parties to whom substantial discount has also been allowed, may debar the company from the penetration in the market and may ultimately affect its negotiating power. In fact, the substantial discount given to few parties may have acted as restriction of entry of other customers. The marketing policy of granting discount and the parameters thereof needs to be reviewed whether such policy encourages cartel and pooling and other restrictive and monopolistic practices of the customers.

Company's views on Auditor's observations

Total copper production during the year in India has been about 8 lakh MT against consumption of 5 lakh MT, which in other words mean :

1. There is a huge gap in demand and supply in favour of buyers, thereby making it a buyers' market.
2. There are few customers in the country consuming copper in large quantity.

As explained above, the company operates in a buyer's market, against competitors who can resort to various aggressive measures, like differential premiums / discounts to different customers, Deliver Now Price Later (DNPL) etc, for liquidating stocks.

It is not possible to liquidate our entire production only to small and medium size customers. We require right kind of customer mix comprising of large customers, medium customers and small customers, to sell our produce which keep varying from time to time. In order to achieve the targeted sales during the year, discount as per higher slab was paid to large customers due to higher volume of lifting as per the marketing policy of the company which was duly approved by the competent authority.

It is reiterated that the marketing policy of the company is published on the company's website and any customer can book and lift material as per policy.

Therefore, there has been no restriction of entry of any customer contrary to the Audit observation.

Auditor's Observation

(3) 14.00 During the year, 3611 MT, Copper Cathode produced at GCP has been sold to certain selected parties although, there was inadequate capacity utilization at TCP Unit for production of CCCWR, which would have fetched higher value realization of ₹35000 per MT. Considering the Cost of production at TCP to be Rs.15000 per MT, there was extra benefit extended to such customers to the extent of ₹7222 lakh, which would have been earned by the company. This included 688 MT to Airer Metals P Ltd, 462 MT to India Tradelink P Ltd, 1512 MT to Lykos India P Ltd, 653 MT to TDT Copper Ltd. and 76 MT to K M Gandhi Metals P Ltd.

Company's views on Auditor's observations

In order to retain customers who are constantly being lured by competitors, a supplier has to offer right product mix.

Audit observation of difference of revenue is due to fluctuation in LME. During the financial year weighted average LME for cathode sale has been around US\$ 6210 against weighted average LME of US\$ 6476 for CCR sale including premium. This has resulted in higher realization in case of sale of CCR compared to the cathode sale.

However the difference in selling price of CCR 8mm and Copper cathode is around US\$100 per MT equivalent to about ₹ 6500/- per MT as against ₹ 35000/- per MT wrongly mentioned in the report, which is basically the difference in premium. In fact this difference in premium is not adequate to cover the conversion cost of cathode to CCR, transportation cost of cathode from ICC/GCP to TCP and transportation cost of CCR from TCP to various godowns. Therefore, no extra benefit has been extended to any customer.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 15.00 16123 MT of Granulated Copper Dump Slag has been sold during the year at average rate of ₹950 per MT at ₹ 154 lakh. The copper content of the same is informed to us. However, considering the copper content of even 1%, the metal content rate comes to less than ₹1 lakh, which is substantially lower than even the cost of ore.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Company's views on Auditor's observations

Copper content in Granulated Copper Dump Slag has been less than 1%. Moreover, while copper can be extracted from ore, it is not possible to extract copper from dump slag. In other words, it has only limited use in land filling for making roads and as an alternative to sand blasting in the shipyards, oil refineries etc. Customer base of this product is very limited.

Granulated Dump Slag is lying in abundance at ICC. Considering supply is more than demand due to its limited applications, the product does not command high price in the market. Further, this is an environmentally hazardous item due to which our competitors are understood to even make payment to vendors for lifting dump slag. This justifies the price of the product which is always governed by the demand supply gap in the market.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 16.00 During the year, a contract dated 16.08.2017 was entered into with Trafigura Pte Ltd of Singapore. As per the contract, HCL was to export 60000 MT of KCC concentrate with metal content of 17%. i.e. 10200 MT to the party and the consideration was required to be paid by the party by replacing the same with 8650 Copper Anodes/ Custom Copper Anodes. Therefore, the cost of such conversion of concentrate into Anode was equivalent to 1550 MT of Copper Anode valued at ₹6200 lakh @ ₹4 lakh per MT. That works out to be ₹60000 per Cmt of MIC. In the cost sheet of KCC stock, ₹60000 per Cmt been estimated as cost of producing Anode from MIC. However, this Anode is directly usable in Refinery to convert into Cathode and it is again melted at GCP to produce Anode of required specification to that it is usable in the Refinery by incurring additional cost of ₹60000. Thus, the Company has lost ₹6200 by exporting MIC, importing Anode in exchange and again processing the imported Anode to produce customized anode for Refinery. Interestingly, the Company at its GCP Unit, has processed 1000 Cmt of MIC on behalf of Trafigura @ ₹15000 per Cmt. If the GCP Unit could process the KCC MIC, then there was no need of entering in such transaction. Although the transaction is termed as Barter Exchange, we have not been informed the quantity exported and the equivalent quantity imported.

Company's views on Auditor's observations

The calculations shown by the Auditor are factually wrong. Moreover, the Company at its GCP Unit, has processed 1000 Cmt of MIC on behalf of Trafigura @ ₹15000 per Cmt as a trial run to utilize the unused capacity of GCP Plant.

The quantity of export of KCC concentrate and the quantity of imported Copper anodes to GCP have been provided to the Auditors.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 17.00 The Company has entered into derivative contracts to hedge the cost of imported raw material for GCP at London Metal Exchange till the dispatch of the Finished Goods against the international price fluctuations so that the Company's profits are restricted to production margin. The company has incurred loss of on such transactions due to increase in the international prices. However, it is claimed by the management that such loss has been offset by the increased sale price realization.

In this regard, it is observed that the revenue from operations are inherently driven by international prices. Further, the Company had no export obligation against the imported raw material. Moreover, the so called imported raw material are in fact, Anode received by one unit after tolling of MIC dispatched by another Unit of the Company. Thus, in effect, the whole transaction is in the nature of conversion of MIC into Anode, which is used for producing the Cathode. Therefore, the conditions were not existing to resort to derivative transactions. By this, the Company has lost opportunity to encash the rising international prices and thereby incurred avoidable loss.

Company's views on Auditor's observations

Contrary to the Audit observation, only part of direct purchase of Anode/Blister has been hedged by the company to mitigate the risk of falling copper prices between the period of purchase and sale. Out of 4160 MT direct purchase of Blister/Anode in 2017-18, only 2600 MT was hedged in LME, the rest was auto hedged by physical back to back sale at LME equivalent to purchase price.

4232 MT Anode / Blister purchased against sale of concentrate on barter basis, has not been hedged and hence there has been no loss to the company.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 18.00 We have not been informed the reasons for allowing conversion of third party material (Concentrate and Copper Scrap into Anode and Wire Rod respectively) at substantially lower rates than the cost of production and getting own concentrate converted into Semi-Finished Anode at more than three times of the rates charged by the company for similar processing. Further, the own produced Cathode are sold in the open market instead of converting the same into CCR and realizing higher prices. However, Cathode supplied by third parties are converted into CCR on the pretext of utilizing spare capacity of CCR production.



NOTES TO IND AS FINANCIAL STATEMENTS (Contd.)

Company's views on Auditor's observations

The Company at its GCP Unit, has processed 1000 CMT of MIC on behalf of Trafigura @ ₹15000 per CMT as a trial run to utilize the spare capacity for which the material was received from the party during 2016-17 but the processed cathodes are returned during 2017-18.

In order to retain customers who are constantly being lured by competitors, a supplier has to offer right product mix.

Audit observation of difference of revenue is due to fluctuation in LME. During the financial year weighted average LME for cathode sale has been around US\$ 6210 against weighted average LME of US\$ 6476 for CCR sale including premium. This has resulted in higher realization in case of sale of CCR compared to the cathode sale.

However the difference in selling price of CCR 8mm and Copper cathode is around US\$100 per MT equivalent to about ₹ 6500/- per MT as against ₹ 35000/- per MT wrongly mentioned in the report, which is basically the difference in premium. In fact this difference in premium is not adequate to cover the conversion cost of cathode to CCR, transportation cost of cathode from ICC/GCP to TCP and transportation cost of CCR from TCP to various godowns. Therefore, no extra benefit has been extended to any customer.

During the year 2017-18 TCP has made Conversion of 26.316 MT scrap material of M/S Airen Metal @ ₹5000/- per MT amounting to ₹131580.00. As per cost sheet dated 31.03.2017 the variable cost per unit was ₹4554.00 PMT.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 19.00 We have not been informed the reasons for discussing the matter of 1 million TPA project based on hydrometallurgy in several board meetings and incurring substantial money on research activity without any positive outcome.

Company's views on Auditor's observations

In any processing industry, exploring new ideas/ technology is a regular phenomenon whatever be the final outcome. On the contrary, if no such activity is carried out by the Company to overcome the threat posed by its competitors by exploring newer ideas that would have also invite comment from the Auditors.

Hence the contention of audit is incorrect.

Auditor's Observation

(3) 20.00 Details of risk identification, implementation of controls measures to mitigate the loss arising from such risk and verification of the efficacy of control measures and the remedial steps taken for the discrepancies notices including modifications of control measures, have not been furnished to us.

Company's views on Auditor's observations

Details of control activities, risk identification and risk control measures as envisaged by the Company are documented in a systematic manner. The company has conducted a review on the Internal Financial Controls by an independent Chartered Firm. The opinion of the firm is as follows:

In our opinion, the company has in place, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Hence the contention of audit is incorrect.



HINDUSTAN COPPER LIMITED

(CIN: L27201WB1967GOI028825)

Regd. Office: 'Tamra Bhavan', 1, Ashutosh Chowdhury Avenue, Kolkata 700 019

Phone: 2283-2226, Fax: 2283-2676, E-mail: investors_cs@hindustancopper.com

Website: www.hindustancopper.com

Proxy Form

Name of the member (s):

Registered Address:

..... E-mail ID

Folio No. / Client ID DP ID:

I/We, being the member (s) of shares of the Hindustan Copper Limited, hereby appoint.

1. Name: Address:
Email ID Signature or failing him
2. Name: Address:
Email ID: Signature or failing him
3. Name: Address:
Email Id: Signature

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 51st Annual General Meeting of the Company, to be held on Thursday, 27th September, 2018 at 11:00 AM at Hall 6 (Auditorium at level 1), Biswa Bangla Convention Centre, Biswa Bangla Sarani, Block DG, New Town, Kolkata 700156 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

1.....2.....3.....4.....

5.....6.....7.....8.....

9.....10.....11.....12.....

Signed this day of 2018.

Signature of Shareholder..... (Affix Revenue Stamp)

Signature of Proxy Holder(s).....

Note: This form of Proxy in order to be effective should be duly completed, stamped as per applicable laws, signed and deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting. Unstamped or inadequately stamped Proxies or Proxies upon which the stamps have not been cancelled are invalid. The Proxy holder shall prove his identity at the time of attending the meeting.



**HINDUSTAN COPPER LIMITED**

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 Website: www.hindustancopper.com

ATTENDANCE SLIP
51st ANNUAL GENERAL MEETING

| | | |
|---|---|-------|
| Envelope No. | : | |
| Name of the sole/ first named Member(s) | : | |
| Registered Address of sole/first named member | : | |
| Name(s) of Joint Holders | : | |
| Registered Folio No./ DP ID & Client ID No. | : | |
| No. of Shares held | : | |

I/We hereby record my/our presence at the 51st Annual General Meeting of the Company held on Thursday, 27th September, 2018 at 11:00 AM at Hall 6 (Auditorium at level 1), Biswa Bangla Convention Centre, Biswa Bangla Sarani, Block DG, New Town, Kolkata 700156.

Member's/Proxy's Name in Block Letters

Member's/Proxy's Signature

Note: Please complete the Attendance Slip and hand it over at the Attendance Verification Counter at the venue of the Meeting. Please also bring your copy of the Annual Report. Proxies are requested to carry a valid ID proof for verification at the time of attendance.

.....Please cut here and bring the above Attendance Slip to the Meeting Hall.....

REMOTE E-VOTING PARTICULARS

Dear Shareholder,

Sub: Process and manner for availing remote e-voting facility

As per Section 108 of the Companies Act, 2013 read with Rules notified there under and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing its members facility to cast their votes using an electronic voting system from a place other than venue of the meeting ("remote e-voting") in relation to the business to be transacted at the 51st Annual General Meeting (AGM) of the company to be held on Thursday, 27th September, 2018 at 11:00 AM. The Company has engaged the services of National Securities Depository Limited ("NSDL") to provide remote e-voting facilities. The Notice of AGM of the Company inter-alia indicating the process and manner of remote e-voting along with Attendance Slip and Proxy form can be downloaded from the link <https://www.evoting.nsdl.com> or www.hindustancopper.com. The remote e-voting particulars are set out below.

| EVS (Remote e-voting sequence number) | User ID | PAN/SEQUENCE NO. |
|--|---------|------------------|
| | | |

The remote e-voting facility will be available during the following voting period:

| Commencement of remote e-voting | End of remote e-voting |
|-----------------------------------|-----------------------------------|
| 24th September, 2018 from 9:00 AM | 26th September, 2018 till 5:00 PM |

Please read the instructions given at point no. 14 of the Notice to the 51st Annual General Meeting of the Company dated 28th August, 2018 carefully before availing remote e-voting facilities.



देश का ताम्र खनिक

The Copper Miner to the Nation

If undelivered please return to :

Hindustan Copper Limited

A Miniratna Category - 1 Central Public Sector Enterprise
'Tamra Bhavan', 1, Ashutosh Chowdhury Avenue, Kolkata - 700 019
CIN : L27201WB1967GOI028825
Website : www.hindustancopper.com
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Contact No. : (033) 2283 2226
Fax : (033) 2283 2676