

HZL/2022-SECY/

January 23, 2023

BSE Limited
P.J. Towers, Dalal Street,

National Stock Exchange of (India) Ltd.
“Exchange Plaza” Bandra-Kurla Complex,
Mumbai – 400051

Kind Attn: - General Manager,
Dept. of Corporate Services

Kind Attn:- Head - Listing & Corporate
Communications

Scrip Code: 500188

Trading Symbol: HINDZINC-EQ

Dear Sir/Madam,

Sub: - Earnings call Transcript for the Third Quarter and Nine months Ended December 31, 2022

This is further to our letters dated January 20, 2023, the Company had hosted an earnings conference call with investors and analyst on Thursday, January 19, 2023 to discuss the financial performance of the Company for the Third Quarter and Nine months Ended December 31, 2022.

Please find attached the transcript of the earnings call. The same is also made available on the Company’s website at <https://www.hzindia.com/investors/reports-press-releases/>.

Request you to take the information on record.

Thanking you,

Yours faithfully

For Hindustan Zinc Limited

(R Pandwal)
Company Secretary
Encl: as above.

Hindustan Zinc Limited

Registered Office: Yashad Bhawan, Udaipur (Rajasthan) - 313 004
Tel.: (91-294)6604000-02, Fax: (91-294) 2427739
CIN: L27204RJ1966PLC001208, www.hzindia.com



“Hindustan Zinc Limited
Q3 FY’23 Earnings Conference Call”
January 19, 2023



**MANAGEMENT: MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER –
HINDUSTAN ZINC LIMITED
MR. SANDEEP MODI – DEPUTY AND INTERIM CHIEF
FINANCIAL OFFICER – HINDUSTAN ZINC LIMITED
MS. JHALAK RASTOGI – ASSOCIATE DIRECTOR,
INVESTOR RELATIONS – HINDUSTAN ZINC LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Hindustan Zinc Limited Third Quarter FY 2023 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Jhalak Rastogi, Associate Director, Investor Relations. Thank you and over to you Ms. Rastogi.

Jhalak Rastogi: Thank you. Good evening, everyone. I welcome you all to Hindustan Zinc's third quarter and 9 months ending 31st December, '22 results briefing. On behalf of Hindustan Zinc, I wish you and your family a very happy new year 2023. In this call, we will refer to Q3 FY '23 Investor presentation available on our company's website. Some of the information on this call may be forward-looking in nature and is covered by the Safe Harbor language on Slide number 2 of the said presentation.

Today on the call we have with us our CEO, Mr. Arun Misra and our Deputy and Interim CFO, Mr. Sandeep Modi. Mr. Misra will begin with an update on business performance, while Mr. Modi will walk you through financial performance, after which, we'll open the floor for questions. I now request Mr. Misra to begin today's call. Over to you, sir.

Arun Misra: Thank you, Jhalak. A very good evening to all of you. First of all, I would like to wish you and your family a very happy new year 2023. Thank you for joining us today for the third quarter and 9 months of FY '23 results briefing. This quarter, the key themes and highlights remain sustainability and community at Hindustan Zinc. Mentioning a few of the initiatives during the quarter Zinc family participated in Run for Zero Hunger Vedanta Delhi and Pink City Half Marathon, rolled out an electric vehicle policy for the employees under evolving for good initiative, successfully organized 6th edition of Vedanta Udaipur World Music Festival and hosted India's largest and first underground All India Mine Rescue Competition and now we are thrilled to enter into the New Year and the last quarter of this financial year with great vigor, towering optimism and growing opportunities and fresh targets.

Coming to our key priorities on safety front, we are extremely mindful and conscious of the fatalities happened during first half of FY '23 and the working committee have been regularly identifying critical areas requiring improvement to address potential risk and have been determined to provide support to our people wherever required.

This quarter, it gives me satisfaction to report a fatality-free operations. Safety and people are the most important pillar and priority for us at Hindustan Zinc and it is our commitment and vision to ensure that all our employees return home safely. Zinc safety team continues to drive various projects and initiatives in order to meet our vision of eliminating fatalities and serious injuries. It is heartening to see the efforts of entire Zinc leadership team fortifying.

An update on our key priority. In ESG, in line with our commitment to net-zero by 2050, I'm happy to share that we have received Board approval to undertake another long-term captive



renewable power delivery plan up to a capacity of 250 megawatt for a further investment up to INR 438 crores. I'm also delighted to inform you that Hindustan Zinc has secured third place globally and first overall in Asia Pacific at Standard & Poor's Global Corporate Sustainability Assessment score in metal and mining sector.

We have been recognized as A minus category in climate change and water security in CDP 2022, a movement upwards from last year performance. In addition, power plants at Dariba smelting complex and Zawar received Platinum awards at FAME Excellence Awards 2022 in energy efficiency and best practices of industrial water management categories, respectively. These recognitions play a significant role in motivating us to march ahead in our ESG journey.

Coming to an update on our on-ground CSR activities, it gives me immense pride to inform you that Hindustan Zinc has been felicitated with S&P Global Platts award and our seven units have been bestowed with the 26th Bhamashah award reflecting our commitment for the remarkable work undertaken in the field of education related community development initiatives. These recognition of our continued commitment towards education gives a sense of satisfaction to each one of us.

Our CSR team continues to strive towards making positive impact across array of fields and they are delivering on various initiatives and activities across the areas of education, sustainable livelihoods, women empowerment, health, community asset creation, and water and sports and culture through their well-rounded on ground efforts. Strengthening our commitment towards health of our local communities, Hindustan Zinc provided an oncology vehicle for early detection of various cancers to Rabindranath Tagore Medical Institution on its 60th foundation day.

I would like to share that two of our Zinc football players got selected in the national camp. Also our football player made their debut in All India Football Federation Elite Under 17 Youth Cup with incredible wins over top Indian youth teams and the under 17 team of Zinc football players finished third in the 18th Edition of Administrator's Challenge Cup held in Chandigarh.

Moving on to the market, overall picture remains similar to previous quarter. The global economy continues to be impacted by the multiple forces including inflationary pressure, Russia-Ukraine war and slowdown of Chinese economy. Inflation has been universal impacting almost everybody globally and the measures are being taken to combat these forces, the impact of which is expected to show in subsequent year. This quarter has seen the peak of it, with China reopening faster than expected and easing of power prices, along with unusually warm winter in Europe, a tepid rebound is expected, resulting in slight lowering inflation and slowing growth.

For 2023, IMF projection suggests weak or no growth for most major economies, then gradual recovery in 2024. IMF forecasted the global growth of 3.2% in 2022 and 2.7% in 2023. And the global inflation to decline to 6.5% by 2023 from 8.8% in 2022. The growth number for India has been forecasted at 6.8% for 2022 and 6.1% for 2023 reflecting resilience despite a challenging external environment.



Supply and demand forces remain underperforming on the supply side, smelters all across the world face an acute margin squeeze due to rolling energy crisis. Energy crisis has brought news of smelters being put up into care and maintenance leading to concerns around the supply of metal.

At the end of December, LME stocks stood at about 30,000 tons as compared to 140,000 tons at the start of the year at April 2022. Whereas stocks in SHFE warehouse at the end of December stood at 20,000 tons compared to 176,000 tons at the start of April 2022. With exchange stocks falling to multi-decade lows, spot premiums in Europe remain well supported at elevated levels.

On demand side, global uncertainties have started showing early signs of slowdown in the metal demand. Global consumption fell by 1.4% in 2022 to 13.8 million ton. Rapid easing of COVID restrictions in China and slowdown in US inflation initially boosted the zinc price. However, considering the wave of infections surging across China is likely to disrupt the economy well into next quarter, the price lost ground. In 2023, the relaxation of COVID restrictions in China and infrastructure push in USA will be the main driving force behind the forecast recovery in demand which is projected to grow by 1.4% to 13.98 million tons. The S&P Global Eurozone Construction PMI fell to 43.6 in November from 56.5 in April, on account of higher costs and supply chain constraints which affected output as well as demand.

Touching briefly on lead, lead prices witnessed an upsurge in the quarter and closed out at \$2,335 per ton, an approximate improvement of 24% from September 2022. Global lead demand is expected to rise in the medium term due to steady new vehicle and replacement battery use, as well as utilization of lead batteries in EVs for auxiliary functions. Lead demand is expected to exceed supply in 2022 and 2023. Global supply is set to fall 0.3% 12.34 million tons because of lower output in Russia, Ukraine and Germany. At the same time, global demand is set to rise 0.8% to 12.42 million tons following a modest rise in Chinese demand due to lead acid battery exports.

Coming to silver, prices witnessed an upside in the quarter and closed out at \$23.95 per troy ounce. The supply side looks to be diminishing. Silver inventory is a 2-year low globally while output from mines has also been dropping continuously, making silver attractive for the medium term. Further, silver demand in the solar power sector is expected to continue to grow as nations look to develop green energy.

On the domestic front, the economic environment in India remains buoyant. The sentiment is buoyed by optimism that demand will remain strong. This was reflected in S&P Global Manufacturing PMI in December 2022, which was at 57.8, indicative of expansion in the manufacturing activity. Further, the Indian economy is on track to achieve 6.8% to 7% GDP growth in the current fiscal and is in the better position to navigate global headwinds than other major emerging economies.

With the union budget coming in, government's focus is expected to remain on infrastructure development, which will see the consumption of zinc grow separately in 2023.



Now turning to our third quarter results, starting with key highlights on Page 9.

I am delighted to inform that Hindustan Zinc has delivered a record nine-month production with highest ever mined metal and refined metal. And with this run rate, we are fully geared to deliver another stellar performance this year. Mined metal for nine months was up by 5.4% year-on-year and refined metal was up 7.9% year-on-year. With consistent MIC flow from mines and better plant availability, our volume delivery has been on the up curve and we are on the right track. The quarter performance on a consolidated basis was impacted by rising input costs, inflationary pressures and unfavorable macros. And amid these challenging macroeconomic environment, we delivered a strong EBITDA margin of 52%. We have also been up to speed in some key projects. For our fertilizer plant, we have locked in partner, roster and alloy plants are also in advanced stage.

On strategic developments, I'm happy to share that the Board has approved the acquisition of THL Zinc Limited having zinc mines across South Africa and Namibia subject to receipt of requisite regulatory approval. This zinc assets have an R&R about 35 million tons, which is equivalent to that of Hindustan Zinc. This will help drive our growth inorganically by creating substantial synergies and unlocking values.

I'm also happy to inform that Hindustan Zinc has now REACH registered, which will enable us to penetrate the European market. We have started selling in Europe and consider it a good opportunity to expand our market base farther.

All this while, we continue to export to our neighborhood countries and Southeast Asia with continuous new developments and increased momentum in projects along with valuable learnings and some of the key structural changes that we have discussed over the last few quarters alongside increased use of technology as well as learning deployed, we are confident to deliver the projected volumes for FY '23 and move even beyond the same in coming years. Having said that, our production guidance for the fiscal year remains unchanged.

With this, I hand over the call to Sandeep for an update on the financial performance. Thank you.

Sandeep Modi:

Thank you, Mr. Misra, and very good afternoon, everyone. Hindustan Zinc has delivered a record-setting operational and financial performance with highest ever nine months revenue and EBITDA along with PAT and have delivered another set of strong results despite the global cues and input commodity inflation. We have laid a strong foundation for this landmark year by achieving a significant milestone of historic high nine months volume.

The last few months have seen the global economies grapple with inflation despite which we are strongly moving forward, demonstrating our determination and resilience. Our quarterly performance was better by operational efficiency initiatives and volume deliveries, keeping us ahead in this ever evolving and volatile business environment. Refer to Slide 16 for an update on our financial performance for the third quarter and nine months ended December '22.



For the first nine months of FY '23, revenue from operations stood at INR 25,589 crores, an improvement of 24% from the same period last year. This was supported by improved zinc LME and volume, gains from strategic results, favorable exchange rates and better lead and silver volume, which was partially offset by lower lead and silver prices.

Revenue from operation during the quarter was at INR 7,866 crores, down by 2% Y-o-Y majorly on account of lower zinc, lead and silver prices, lower refined metal and silver volumes which was partially offset by favorable exchange rate and gains from strategic hedging.

Sequentially, revenue decreased 6% primarily due to lower zinc prices, lower lead and silver volume and lower gains from strategic hedging, partially offset by favorable exchange rates, improved zinc volume and improved lead and silver prices.

For the nine months, the COP stood at \$1,272 per ton, 14% higher Y-o-Y in USD term and 22% higher in INR terms. The COP was up mainly on account of elevated coal prices, poor domestic linkage coal availability, and input commodity inflation. It got partially offset by higher volume and improved operational efficiencies. Zinc cost of production before royalty during the quarter was US \$1,293 per ton, higher by 13% Y-o-Y and 3% sequentially. In INR terms, it was 24% Y-o-Y and 6% sequentially for the same reason. Further for quarter-on-quarter, it was higher on account of consumption of high price fuel inventory coinciding with lower acid prices and grade.

The resulting EBITDA for nine months of FY '23 was at INR 13,382 crores, an increase of 19% Y-o-Y driven by improved metal and silver volumes, higher zinc LME prices and gains from strategic hedging and favorable exchange rates partially offset by higher costs and lower lead and silver prices.

EBITDA for the quarter was INR 3,717 crores, down 15% Y-o-Y and 15% sequentially as well. This movement was primarily driven by lower revenue due to zinc prices coinciding with increased cost on account of prevailing input commodity inflationary environment. Please refer to EBITDA bridge from Slide 18 to 20 for further details.

Net profit for the nine months FY '23 was INR 7,928 crores, a growth of 18% Y-o-Y led by higher EBITDA marginally offset by increase in Tax. Net profit for the quarter stood at INR 2,156 crores, down 20% Y-o-Y and sequentially, majorly on account of lower EBITDA offset by lower tax expense.

ETR for the third quarter was close to 32% and if we see for nine-months, it will be approximately 33%. That said, our cash tax is much lower due to available MAT credit. Once you move to new tax regime for the next financial year, our tax rate will be around 25%.

I'm happy to inform that Board has further approved a third interim dividend of INR 13 per equity share amounting to rupees approximately INR 5,500 crores. This reinforces our commitment of providing superior shareholder returns continuously.



Entering Q4 '23 with softened coal index, we will increase optimism on coal availability domestically, we are confident on meeting our annual guidance and there by maintaining our leadership in the global zinc cost curve.

Further, as mentioned by Mr. Misra, with the new RE power tie-ups coming in, it will not only further improve the cost predictability, but will also contribute towards the improvement of cost structure in the longer term.

With this, I now open the floor for your questions.

Moderator: First question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have couple of questions. The first one is on the brand and the strategic management services to Vedanta that agreed 2% of consolidated turnover. So just wanted to understand what was the need of this agreement at this point in time and how will Vedanta contribute more meaningfully than it was already doing? And if you can highlight the broad contours of the agreement that would be great. Does it carry any escalation clause and all? So this is the first question.

Arun Misra: So if you look at it, it was long overdue. It is not at this point of time, we're beginning something. It is long overdue. Hindustan Zinc has been benefiting from the association of Vedanta, not only as per the brand of Vedanta is concerned as a global resource company as well as various strategic services that it receives from Vedanta, including management assurance system services which is very comforting for all shareholders, while also all the growth trajectory of Hindustan Zinc has been always guided by the risk-taking ability of Vedanta.

So that, if you factor those two and also induction of more and more digital, more and more automation, completely revamping the management structure, ensuring various centrally guided management control systems, has taken Hindustan Zinc to the level at which we are operating today. And so this, in my opinion, was long overdue. We have got the approval today.

And I think this is in line with the practices adopted by most of the multinationals or bigger companies, where the units received strategic services and the benefit of association with the principal brand, which the group is known for.

Amit Dixit: Is there any escalation clause also that this 2% can move to -- by certain bps after few years or something? If you can share some broad contours the timeline of the agreement if there is any, that would be helpful?

Sandeep Modi: So, Amit, this is Sandeep here. As of now, this is 2%. As and when anything Board approves, it will be -- we will come to you.

Amit Dixit: The second question is subscription of shares in THL Zinc. Now if I look at the consideration that is being paid and the EBITDA that this asset generates, it looks that it is higher valuation compared to global peers.



So while I understand the synergy part, I mean, but just wanted to understand that is the synergy -- and there would be any -- well, the synergy between the operations because you operate in different territories altogether. So just wanted to understand what kind of synergies we are looking at to pay a premium of according to my calculations, the EV/EBITDA works out to 8.5x. So just wanted to understand it?

Arun Misra:

So right now, they are principally operating one underground mine and one big Gamsberg open pit mine. This is one of the biggest open pit mines in the world with the zinc ore in it. And at this time we are entering you can see the equivalence between what Hindustan Zinc was sometime around 2006-2007 or 2007-2008.

So we have got resource for open cast mining for some more years while at the same time there are really good grade resource, which has to be developed in the manner of underground. And Hindustan Zinc which brings in the expertise of high-volume underground mining in the most modern methodology and also Hindustan Zinc brings in which is the capability for concentration of the ore as well as smelting of ore, which will be the value addition to the property that we try to acquire.

Together, the resource base of Hindustan Zinc gets doubled by this acquisition and also the potential of production capacity gets doubled up to 2 million ton with 1 million ton from India and 1 million ton from South Africa, two different geographies, but two having fully integrated operations which almost nobody has. And with this kind of capacity with independent markets wherein India will be on India, Southeast Asia. Africa would be more on the US and Europe territory or Middle East territory.

So with that two together, we will be controlling a large part of global market. At the same time, we will be utilizing the capability that Hindustan Zinc has developed over last so many years of operation of concentrates and smelters and also Hindustan Zinc will help this new unit to transition into underground mining in a very safe and very productive manner.

So put if I look at it in other way, almost 31 million tons resource base with Hindustan Zinc market cap of about 17 billion, 18 billion. So we are similar resource base there and similar production potential is there. So that's why to me, it is strategically one of the best decisions that Board could have taken.

Amit Dixit:

Sir, just a comment. I mean, the potential was always there and there were challenges in developing this resource. Now paying a premium, paying the valuation 8.5 as I mentioned, looks little bit steep in my view. And while I understand the overall potential of these resource, but the -- but how much time you will take to kind of bring it online and this benefits basically onboard? Plus the premium part makes it a tad and comfortable nothing else.

Arun Misra:

So Amit, all factors were duly considered while taking this decision. Just to give better comfort, the current operation at that unit is about 300,000 tons of metal in concentrate production and they are -- and already the projects have been commissioned on the ground to double this

capacity in next two years' time. And parallelly we are working on the smelting capacity. So very soon, the capacity can be doubled at that place.

And while we launch further projects to take it up to 1 million ton as has been the vision. And that's why I'm saying, it is at the inflection point, what we -- what Hindustan Zinc was sometime in 2006, 2007, 2008 or so when the new acquirer were planning for expansion of this mine, which was hardly at one ninth or one tenth of capacity as it is standing today. Rest, all factors have been duly considered while doing the approval.

Moderator: The next question is from the line of Pinakin Parekh from JPMorgan Chase. Please go ahead.

Pinakin Parekh: I have two questions. My first question is given that it's a related party transaction, how will the government stake be considered when the voting comes? Is it a minority stake and hence they would have to approve the transactions or is their approval not required?

Moderator: Your voice is not very clear. May I request to come in a better reception area please?

Pinakin Parekh: So just how will the government stake be considered and have they given their in principle approval for the transaction?

Arun Misra: We have the -- this is the approved by the Board. And, of course, the Board approval follows approval or recommendations by the Audit Committee. And further for course of actions, all due approvals will be sought wherever required as per the law.

Pinakin Parekh: So the government nominees on the Board have approved the transaction. Would it be fair to say because the government nominees are there?

Arun Misra: When we say Board approval, we don't see individually which director opined what. But we can see overall, the Board has approved it.

Pinakin Parekh: And how does the Hindustan Zinc plan to fund this transaction? I mean, how much debt will the company be taking to fund this transaction?

Sandeep Modi: So, at this point of time, if you see the consideration has been -- the timeline is 18 months and it will be in the trenches basis certain milestones. So, I believe most of the transaction will get funded in the internal accrual.

Moderator: Next question is from the line of Prashant Kumar Kota from Emkay Global.

Prashanth Kumar Kota: Sir, I would like to know more about this transaction. On a scale of 1 to 10, how confident are you in terms of getting back -- bringing these assets to the -- the assets being acquired to 1 million ton per annum output and to quartile one in the costs. So, on a scale of 1 to 10, if you could express your confidence, that would be really helpful to us and the investors also?

- Arun Misra:** So from my long 30 years' experience in mining and since the time we moved this proposal to Board and the discussions that we had and my own personal involvement in due diligence, I can tell you apart from the factoring of 10% uncertainty, which is there in any mining project, I am absolutely 90% confident.
- Prashant Kota:** And sir secondly, you had spoken about the milestones being -- if you could kindly -- broadly briefly tell about what are the milestones and that has -- were is related from it, apart from the regulatory approval of this?
- Sandeep Modi:** So, there are certain milestones like they have certain approvals, which are required from the government for certain tax exemptions kind of thing. So the deferment has been there on account of that. The deferred consideration would be payable basis that. So, there are certain milestones which they will do.
- Prashant Kota:** So the broad -- the deadline is 18 months, but do you think this will consummate within that or is it front-ended or back-ended if you could -- what do you think -- what's the best guess, sir?
- Arun Misra:** Your voice is not clear. We could not understand. Could you repeat?
- Moderator:** Prashant, may I request you to speak through the handset, please.
- Prashant Kota:** Sir, what is your best guess on the timing needed to consummate this particularly?
- Sandeep Modi:** So, if you see our Press Release, basically it talks about the 18 months for completion of the transaction which is like acquisition, regulatory approvals, payment in the trenches, so total 18 months have been put up. In the phase manner there would be a payment.
- Prashant Kota:** That is outer end. So if it is possible that it could be closed within let's say 6 months...
- Sandeep Modi:** We are expecting the shareholder approval by Feb end.
- Moderator:** Next question is from the line of Rahul Jain from Systematix Group. Please go ahead.
- Rahul Jain:** Sir, once again coming on the transaction, so what are the key assets over here in terms of size wise and what kind of any number on volumes you can throw, say -- what you can see one year after transaction or five years after transaction? I mean what kind of further investments would be required?
- Arun Misra:** So there are two, three things to be seen here. One, let me also give the strategy perspective. If Hindustan Zinc is to grow to 2 million ton with Indian resources, it is next to -- it is not possible because our current mines, if you look at the expansion programs altogether, we limit at around 1.2 million ton. But traditionally for last five years, we have been stagnating at around 1 million ton only. And for last about two, three years, we have been following up. There has been no new zinc mine has been opened up or put up for auction in India. World over also, there is no more such properties of that such size which is available for acquisition.



So in that case, this makes the right choice for Hindustan Zinc to grow. That's what I'd said in two different geographies. If the property wise if I look at it, it has got about 35 million ton plus R&R. Main properties are located in Gamsberg in South Africa and the Aggeneys in the North area in the Northern Cape and close to it is the original dips and Schwertberg mines and also it has brought in Skorpion Zinc in Namibia. These are the three biggest properties around with the -- all the ores and R&R is available. Today, their open cast mine is fully operational with four pits. Underground mine in both dips and Schwertberg are operational as around -- and around the expansion part.

The Gamsberg mine where the 4 pits are already operational. So there altogether, we are producing about 300,000 tons of metal in concentrate and the projects are on just now as we speak for expansion of Gamsberg mine to take it to 600,000 tons in two years of time, doubling the capacity and also looking to put up a smelter in Gamsberg as well as restart the smelter in Namibia property, already has a smelter, little bit of modification has to be done. So those will be done though at both these capacities to convert 600,000 tons into metal. And then third phase of expansion will be by adding another 400,000 tons when you open up the underground property in Gamsberg and then get good grade ore which is there at a depth and add another 400,000 tons.

Rahul Jain: So today already we are doing about INR 2,000 crores EBITDA in the zinc asset, is the right way to look at it?

Sandeep Modi: Today -- for nine months zinc asset we must be -- they are doing -- you are asking the currently one or you are asking for the future?

Rahul Jain: No, no, current in the sense, these assets that you say which you have elaborated, you already have...

Sandeep Modi: I got it. So last year, they closed it at \$200 million of EBITDA current -- of the FY '22, but currently looking at the run rate, we are going to do between \$250 million to \$300 million.

Rahul Jain: So how would you break up the acquisition cost in terms of the producing assets as well as the second -- the underdevelopment assets? So is there any split on this number, \$3 billion?

Sandeep Modi: So, their -- so total valuation considered all the aspects, you have to look at the -- it has a 35 million ton of the R&R. So we see the SRK certified report, we saw the 8 million ton of proven reserve remaining in the measured, indicated and inferred category. So we -- while the valuation has been done, while the value of all the relevant aspects has been taken into account. And, of course, we are focusing more on the ZI project and their growth. And obviously their cash flow will also have literally taken into account. We cannot look at only the historical EBITDA to follow...

- Rahul Jain:** No, I absolutely understand. My point is that in terms of the multiple that you would have given for the assets which are already existing and for assets which are under development, can you give a breakup of that?
- Sandeep Modi:** I think just for the time, we would like to avoid. Just of the overall million of the R&R, so 35 million ton of R&R for which we are deciding the payment of \$ 2,981 Million.
- Rahul Jain:** You are saying -- say number of kt currently, you can reach to 600 and then what is the time -- what is the number in mind?
- Sandeep Modi:** Overall 1 million ton is the number in mind, potentially another Hindustan Zinc
- Rahul Jain:** By 2027 or any -- what is the timeline?
- Arun Misra:** By 2025, it will be 600,000 tons. And by 2027 or 2028, it will be 1 million ton.
- Rahul Jain:** And where would you place it in terms of the cost curve, where we are at Hindustan Zinc India? Was it be similar or...
- Arun Misra:** Parallel to Hindustan Zinc costs curve around, at 1 million ton, it will be around \$1,000 per ton.
- Moderator:** Next question is from the line of Sumangal Nevatia from Kotak Securities.
- Sumangal Nevatia:** Just some clarification. I got disconnected in between. So the development of the management fees now being paid to Vedanta has it already started. And is there any shareholder or any other approval required for this decision?
- Sandeep Modi:** So, this matter does not fall into any scheduled shareholder agreement. And as per the Companies Act and SEBI LODR, it requires the Audit Committee and Board approval.
- Sumangal Nevatia:** So what is the limit of transaction with related party that order shareholder approval?
- Sandeep Modi:** So, any shareholder approval required, if it is beyond the 5% of the turnover.
- Sumangal Nevatia:** And this agreement has been signed for how long? I mean, when is the next revision if at all it has to happen?
- Sandeep Modi:** So, this agreement will be signed now after the Board approval.
- Sumangal Nevatia:** And for what time period?
- Sandeep Modi:** We will be signing for the 3 years.
- Sumangal Nevatia:** Second, with respect to this acquisition of Zinc International, I mean, they've mentioned the payouts will be staggered based on milestone. Just wanted to understand what sort of milestones

are these? Are these operational, the volume related milestone or some other regulatory approval milestone?

Sandeep Modi: So these are the largely regulatory approvals related to the milestones, but a large chunk of the payment will go in the first -- in the next three to six months.

Sumangal Nevatia: And shareholder approval, we are expecting in?

Sandeep Modi: So we are hopeful to get shareholder approval by February end.

Sumangal Nevatia: And what are the other approvals apart from the shareholder approval that would be required?

Sandeep Modi: I think this is a normal acquisition. It will require only shareholder approval to execute the transition. I don't think any further approval is required.

Sumangal Nevatia: So -- but we still expect over 18 months payout. Is that the right understanding?

Sandeep Modi: Because we have the deferred consideration, which has been considered. So that's why it has been written to 18 months.

Sumangal Nevatia: And next year, we are expecting tax rate to be around 25%, right?

Sandeep Modi: We are expecting next year tax rate 25% as we will move to the new regime.

Sumangal Nevatia: And just one last clarification. We are continuing with our full-year cost guidance and the volume guidance? Because this press release, it does not mention anything.

Sandeep Modi: Of course, we are maintaining the same thing, the volume as Mr. Misra said, we have the right path and we should be in that range or may be marginally better. In terms of cost, as of now, it's like nine months \$ 1,272 per ton and we are expecting in the Q4 with a -- lowering with a coal index and better putting the linkage coal availability. We should be in a much -- we should -- we are 100% confident we will be in the range which were given to the market for \$ 1,225 to 1,275 per ton.

Moderator: Next question is from the line of Alok Deora from Motilal Oswal.

Alok Deora: Sir, just if you could repeat what's the cost of production we are looking at for the fourth quarter and is that number actually...

Sandeep Modi: So I think for the fourth quarter, we can't specify, but overall what market guidance we've given \$ 1,225 to 1,275 per ton, we will be within that.

Alok Deora: And also sir on the acquisition, so how much debt we are looking at or to take from the market for that? Because you mentioned in the press release of some external debt as well.

- Sandeep Modi:** At this point of time as I said, it should be largely funded through the internal accrual as simply I gave the answer, when some another analyst asked. So it will be largely funded through the internal accruals. We're just putting as an enabling thing.
- Alok Deora:** And sir, just one more thing...
- Sandeep Modi:** If you see on the overall balance sheet size, INR 16,482 crores there and we are having the Q4 cash flow will also be there, so -- and trenches will be there. So it means at the net debt level, we'll be obviously exceeding those numbers.
- Alok Deora:** And sir just last question on this coal linkage, so how is the situation there now? What can be expected in Q4?
- Arun Misra:** We have seen slight improvement in the coal linkage from quarter 3, but still not up to our satisfaction. We believe that from February onwards, we will get much -- that the indications are from the coal authorities that the linkage numbers are going to increase, number of rakes that we get per month. So Q4 numbers will be better than what it was in Q3. At the same time, our high costs stock of the imported coal is almost -- will be over the January end. February, March, we should be getting more of low cost imported coal, so we should get that benefit.
- Alok Deora:** Just one actually follow-up question. Sir, so, with this acquisition, assuming it goes through. So next, say, three to four years, what kind of numbers we are looking at on the mining side? I mean, how much can we do with that? Because that ramp up everything which you were talking about, will take its own time. So any number for FY say three to four years down the line, we can look at?
- Arun Misra:** Four years down the line, see Hindustan Zinc will stagnate at about 1.1-million-ton metal level. And in two years' time, I should look at somewhere around 300,000 tons of current production, we will go to 600,000 tons in case of ZI in their MIC. And in four years' time, they should be close to one million ton.
- Alok Deora:** So combined two million could be achieved in four years' time.
- Arun Misra:** Combined 2 million could be achieved.
- Moderator:** The next question is from the line of Ritesh Shah from Investec.
- Ritesh Shah:** First, congratulations for the master stroke. Sir, I just have a couple of queries. One is if I read the press release right, basically it's an overseas entity transacting with a wholly owned subsidiary, which is also overseas entity. So would it be fair to assume that there won't be an element of long-term capital gains tax?
- Sandeep Modi:** No.

- Ritesh Shah:** Sir second clarification, I think in one of the prior questions, it was asked that there is no majority of minority required? And you did indicate that it is not required? Did I hear it right?
- Sandeep Modi:** Majority of minority will be required in the shareholder approval. We said shareholder approval is required. As per the SEBI LODR, since the related party transactions, we will require majority of the minority.
- Moderator:** The next question is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** I would want to go back to the transaction. In terms of the approvals, while you said that the shareholder approval is targeted in February. And at the same point of time, there is a deferred consideration which is linked to the regulatory milestones. So which are these regulatory approvals, which we envisage over 18 months? Could you elaborate more on this?
- Sandeep Modi:** I think we are not talking about regulatory approvals in India. We are taking certain regulatory approvals, which we -- the entity would require in their respective geographies. Once they receive it, then it will be paid to them.
- Kirtan Mehta:** So this is basically the approval in South Africa and Namibia related to transfer of ownership to another subsidiary? Is that...
- Arun Misra:** Correct.
- Kirtan Mehta:** And then in terms of -- would you also sort of give us a pro forma net debt number, net cash number for Hindustan Zinc after completion of this transaction?
- Sandeep Modi:** So if we see like \$2.4 billion is immediate cash consideration and Hindustan Zinc is sitting as of now about INR 16,500 crore. And in the Q4, whatever the number, I can't estimate and predict, but at this point of time if you say that given the performance which we have, we will be having -- we should be having a good amount of balance. And even after paying off this, we will be having a very good asset in our books.
- So net pro forma number is obviously when we purchase any asset, the cash will go, but at the same time, we'll get the asset which is not available globally at such kind of large 35-million-ton R&R. So I will pay the cash and I will get the such a beautiful asset which we will add to the Hindustan Zinc and make Hindustan Zinc total almost 13% of the market share globally in the zinc and make #1 zinc producer company.
- Moderator:** Next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities.
- Ashish Kejriwal** Sir, just one clarification. In this transaction, whether government will be considered as minority or it's a part of the promoter group?
- Arun Misra:** So, we are -- as of now, we have only got the Board approval and we will go for shareholder's approval and we will see it at that point of time. As of now, we are not making any opinion on

such things, which are subject to legal opinion. And perhaps me and Sandeep are not in the best place to comment on such things.

Ashish Kejriwal And secondly, when you are saying that all money, this \$2.9 billion, that will be paid to Vedanta only? Or there will be some infusion into zinc international also on account of this? This is entirely different from whatever capex we are talking about.

Sandeep Modi: So if you understand the total valuation, it has been done on the DCF method for that and 20% of the payment is deferred. And majority payment will be paid immediately after the shareholder approval as I said. And the payment will go to obviously to the Vedanta Limited. And whatever the future projects are there, it will be like funded by Zinc International as they will be having their own cash division, lot of projects are coming on the line.

Ashish Kejriwal And sir when you are talking about up to 2.98?

Arun Misra: Also note that entity is largely debt free entity. So, we have got strong balance on their side also to draw cash and infuse into their own business.

Ashish Kejriwal So, when you are talking about up to \$2.98 billion, so what's the possibility of coming down or something because it's a fixed transaction? So is this somewhat variable attached to it?

Sandeep Modi: So as I say \$2.4 billion roughly is an immediate cash consideration and remaining \$550 million is up to the milestone. When the milestones are achieved, that time it will be paid. So that's why you see the transaction timelines going to 18 months.

Moderator: Ladies and gentlemen, that will be the last question for today. I now hand the conference over to Ms. Jhalak Rastogi for closing comments.

Jhalak Rastogi Thank you, everyone. With this, we close today's earnings call. For any follow-up questions or clarifications on the results, please feel free to reach out to Investor Relations team. Thank you.

Moderator: Thank you very much. On behalf of Hindustan Zinc Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.