

External Environment

Unprecedented Scale of the Pandemic

The world saw the most severe restrictions on economic activity last year to prevent the spread of the pandemic. Since then, vaccination programs have been taken up on a war-footing by Governments across the globe to reduce transmission of the disease, thereby shielding the local economy. In India, growing infections and consequent restrictions have imparted a downside risk to the economy. Parallely, the mammoth task of vaccinating the second biggest population of the world will offset this risk in a progressive manner. Businesses have adapted to cope with the situation, which will provide resilience to the Indian economy. The country witnessed a recessionary first-half of the last financial year, but Government efforts in the right direction brought in moderate growth in GDP in Q3. The National Statistical Office in its update on 26th February, 2021 placed the contraction in real GDP at 8% in FY2021.

1

Government's Renewed Focus on Fueling Growth

The Indian Government infused around \$300 bn in the economy as a response to the pandemic along with numerous tax, employment, healthcare, social security, credit and other policy level measures. The Lok Sabha and Rajya Sabha passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2021, which aims to reform the mining industry with the intent to eliminate the distinction between the captive and non-captive mines, allow captive mines to sell up to 50% of the minerals excavated and allow the Central Government to conduct auctions for those blocks where State Government face challenges or fail to conduct it. As the industry's thought leader, the Company has kept its focus on sustainable growth of mining and smelting assets. This bill will give the Company an opportunity to reduce India's dependence on imported minerals.

2

Adapting to the New Normal

The Company's management was quick to respond at the onset of the first lockdown in the country. Dedicated 'War Rooms' were constituted in March 2020 to work aggressively on all fronts of consumption, contracting, buying and selling. We remained focused on executing critical priorities on all fronts, resulting in sustained reduction in costs, which have reached their lowest for a quarter in dollar terms since we went fully underground. On the ground, on-site COVID Warrior teams ensured that all safety precautions were followed across all units. The investments made in process digitalization were pivotal in supporting operations whether through remote-UG equipment, manless-weighbridges, logistics control tower or other automations in the smelting process.

3

Culture of Care

The far-reaching effects of the pandemic have raised a call-to-action for all responsible corporate citizens across the globe. The Company contributed to the efforts of the Government to support society in these unforeseen times. Our operations remained compliant with all central and state directives issued during the period while we ramped up our CSR efforts across all operating locations. Contributions to PM CARES Fund, Rajasthan State Mitigation Fund and to the national exchequer through taxes and royalties amounted to over ₹ 15,008 crore. The Company is actively supporting oxygen supply to Rajasthan's Government hospitals and has set-up an oxygen bottling plant at its Dariba plant. Employee safety is central to our strategy and the Company ensured that no one was put at risk of infection at our operations.



4

The Commodity Super Cycle

Commodity super cycles are decade-long periods in which commodities trade above their long-term price trend. Some market analysts are witnessing signs of beginning of a new super cycle, pointing to post-pandemic recovery, inflation and weakening dollar, along with demand driven by additional fiscal and monetary stimulus from major central banks, and geared towards infrastructure spending and pollution-fighting green energy projects, as well as renewable energy.

Furthermore, near-zero interest rates across developed nations are fueling pent-up demand, thereby contributing to the fourth super cycle in a century. The impact is quite prominent across base metals. Zinc and lead have also risen on back of this super cycle, particularly, in the second half of the year. CY 2020 had seen stockpiles of global surpluses rising in commodity exchange, which led to some analysts expecting a few headwinds in further price rally. As per Woodmackenzie's report, the average LME zinc price is expected to rise from \$2,267/ton in CY 2020 to \$2,835/ton in CY 2021 and \$2,900/ton in CY 2022. The key drivers for demand growth would come from sectors such as infrastructure, automobiles, and construction & real estate. The shift to renewable energy and the emergence of the Electric Vehicles (EVs) is also expected to witness growing demand. It will open up potential for zinc batteries as an evolving technology over lithium variants.

The average LME lead prices are expected to rise from \$1,824/ton in CY 2020 to \$2,055/ton in CY 2021 and \$1,976/ton in CY 2022. The Lead Acid Battery industry is expected to experience sustained demand, as next generation EVs continue to deploy them for applications such as starting, lighting and ignition SLI battery. Thus, prospects for both zinc and lead demand remain positive in the coming year and beyond.