



“Hindustan Zinc Limited 54th Annual General Meeting”

September 03, 2020



MANAGEMENT: **MRS. KIRAN AGARWAL – CHAIRMAN**
MR. AKHILESH JOSHI – CHAIRMAN - NOMINATION & REMUNERATION COMMITTEE AND INDEPENDENT DIRECTOR
MR. ANJANI KUMAR AGRAWAL – CHAIRMAN - AUDIT COMMITTEE AND INDEPENDENT DIRECTOR
MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER AND WHOLE-TIME DIRECTOR
MR. SWAYAM SAURABH – CHIEF FINANCIAL OFFICER
MR. NAMAN AGARWAL – STATUTORY AUDITOR, S. R. BATLIBOI & COMPANY LLP
MR. RUPESH AGARWAL – SCRUTINIZER AND SECRETARIAL AUDITOR, CHANDRASEKARAN ASSOCIATES

Moderator: Dear shareholders, good afternoon and a very warm welcome to you all to the 54th Annual General Meeting of Hindustan Zinc Limited, being held through video conferencing or other audiovisual facility. As a reminder, for the smooth conduct of the meeting, the members will be in the mute mode and the audio and video will be opened when they will speak at the AGM as per the predefined registration process. Please note that as per the requirements, the proceedings of the Annual General Meeting will be recorded and available on the website of the Company. The e-voting lines will be open throughout the conduct of the meeting, link of which is displayed at the top right of the screen. I now hand over the proceedings to Mr. Rajendra Pandwal, Company Secretary of Hindustan Zinc Limited.

Rajendra Pandwal: Good afternoon, everyone. I welcome you all to the 54th Annual General Meeting of the Company, being held through video conferencing or other audiovisual facility as prescribed by MCA/SEBI on NSDL platform, along with Chorus team.

For today's meeting, we have Mrs. Kiran Agarwal, Chairman of the Company. Mr. Akhilesh Joshi, Chairman of Nomination & Remuneration Committee, Mr. Anjani Kumar Agrawal, Chairman of the Audit Committee. Both of them are newly appointed Independent Directors on the Board. We have Mr. Arun Misra, CEO and Whole-Time Director, Mr. Swayam Saurabh, Chief Financial Officer of the Company. We also have Mr. Naman Agarwal from S. R. Batliboi & Company LLP, the statutory auditors. And Mr. Rupesh Agarwal, Scrutinizer and Secretarial Auditor from Chandrasekaran Associates present for the meeting.

Before we begin the proceedings, I would like to invite our newly appointed Independent Directors for their brief introduction to the shareholders. Mr. Anjani Kumar Agarwalji.

Anjani Kumar Agarwal: Hi, everyone. I am Anjani Agarwal, recently appointed as Independent Director on the Board of Hindustan Zinc, effective 1st August this year. I retired from EY after 40 years long professional career. The last 26 of which was a partner at a global consulting firm. I have also worked with the Union Government across several sectors across policy and strategy matters. I now look forward to work with the Board of Hindustan Zinc, its management and its young talent pool for sustainable development of its business for the benefit of all stakeholders. Thank you very much.

Rajendra Pandwal: Thank you, sir. Now, I request Mr. Akhilesh Joshiji to give a brief introduction to the shareholders.

Akhilesh Joshi: Good afternoon. I am Akhilesh Joshi. I am basically a mining engineer. I had the privilege of working in Hindustan Zinc for 40 years. And I joined as a mining engineer and raised to the CEO position. I was Whole-Time Director from 2008 to 2015. And have witnessed our team member have two turn around of this company, and I feel pride that I was part of this company. And I feel fortunate enough now that I am part of this company to help or to make this company to grow further. So, I will put whatever I can put best in this company. Thank you, Pandwalji.

Rajendra Pandwal: Thank you, sir. Now I request Chairman to conduct the proceedings of today's meeting.

Kiran Agarwal: Dear ladies and gentlemen, Namaste. On behalf of the Board of Directors, I am delighted to welcome you all to the 54th Annual General Meeting of your Company. With your permission, I shall take the Notice of the 54th AGM and Auditors Report dated 21st May, 2020, issued by SR Batliboi & Company LLP as read.

Before I commence my remarks, I would request everyone to observe a one minute silence to show our respect for the lives lost in our country and globally due to this pandemic.

Moderator: Thank you. Now I request Chairman to proceed with the speech.

Kiran Agarwal: Today, we are meeting in these unprecedented times and I would like to thank all our shareholders for their virtual presence, with a hope that normalcy resumes soon. Hope each of you are safe and taking necessary precautions.

I am pleased to announce that Mr. Arun Misra has taken over as CEO of Hindustan Zinc from 1st August, 2020. He is with the company since November 2019 as Deputy CEO and has been integral part of Executive Committee. He has a diverse experience of 31 years and we are excited to have him as our leader. I would also like to thank Mr. Sunil Duggal for his immense contribution in the growth of Hindustan Zinc over his long association of 10 years, serving 5 years as a CEO.

Fiscal year 2019-2020 marked a resilient performance by your Company. During the reporting period, Hindustan Zinc has performed well on all operational, financial and non-financial aspects, despite operational shutdown to combat the covid-19 pandemic. I would like to appreciate leadership at Hindustan Zinc for steering the company well during these uncertain times to ensure safety of our people and assets, while maintaining continuity of operations.

Before we move on let's watch a video on the COVID-19 CSR efforts by your company

(Audio-Video Presentation)

We will endeavour to continue giving back and making a difference. In these trying times, the need of our communities has remained paramount and close to our hearts. At Hindustan Zinc, our response was to focus on proactive engagement and to help prepare and protect individuals and families, including those vulnerable in the communities, i.e. daily wage earners and street dwellers; safe guarding lives and livelihood. With a definite outreach in foresight, we have been harnessing the collective strength of our NGO partners, grassroot workers & community.

Through our projects like Sakhi , Khushi Aaganwadi, Samadhan Farmers and more we were able to reach out to 4.2 lakh people at the regional level during these trying times. We have also contributed Rs. 101 crores to PM CARES Fund and Rs. 5 Crores to Rajasthan Chief Minister's COVID-19 mitigation fund as a responsible corporate citizen.

At Hindustan Zinc, sustainability has always been a high priority and is reflected in the initiatives that we undertake in the areas of ESG, safety and occupational health. I am happy to share that

Hindustan Zinc continued its coveted position in the Dow Jones Sustainability Index in 2019 and is honoured to be at first position within Sustainability in Asia Pacific and fifth position among global metal and mining companies.

All these achievements would not have been possible without the support of all our stakeholders, including the central and state governments, and various government agencies, our suppliers and contractors, our customers; and above all, our shareholders.

I now invite our CEO Arun Misra ji to address the shareholders. Thank you. Namaste.

Arun Misra:

Welcome to the 54th Annual General Meeting hosted virtually, given the extraordinary circumstances caused by COVID-19 pandemic. Your company's integrated annual report for the year ended 31st March 2020, along with the Board Report, and audited annual accounts have already been submitted to you. And I seek your permission to take it as read.

I would like to start by thanking the Board of Directors of Hindustan Zinc for giving me this opportunity to lead such an illustrious company with a rich legacy. It will be my endeavour to continue the growth story of your company and achieve our vision of becoming the largest and most admired zinc, lead and silver company globally.

I will be sharing the key highlights of your Company's performance during the fiscal year 2019-2020. I am delighted to report that overall performance of your company remains healthy. And we have maintained our position as second largest zinc, lead producer globally, and largest in India's primary with 77% market share in financial year 2020. It is certainly a difficult time for all of us, but we are doing our best to steer through the unprecedented challenges posed by this pandemic.

All of our sites were back on their feet in a fairly short period of time post the suspension of operations in March, and all of our mines and smelter operations are now fully ramped up. This has been achieved through effective workforce planning at all levels and carefully managing social distancing, maintaining cleanliness and sanitizing routines, and taking various other necessary precautions across our operations.

For the year, we had a record ore production of 14.5 million tonnes, despite the operational shutdown created due to COVID-19 in March. This led to mined metal production of 917 kilo tonnes and integrated metal production of 870 kilo tonnes. I am happy to inform that your Company continues to strengthen its position as an industry leader and has completed all major mining expansion projects for 1.2 million tonnes per annum capacity. We are now setting up Hindustan Zinc for the next phase of growth in a phased manner over the coming years through focused exploration, smart technology interventions, and disciplined execution of expensive projects.

The Rampura Agucha shaft is now fully commissioned and ore hauling has started via the shaft. The two paste fill plants at Zawar Mines, and fumer plant at Chanderiya are also complete and expected to be commissioned in the second half of the year. It is also noteworthy that we are one

of the fastest growing silver producers globally and are now the sixth largest silver producer. We remain committed to our silver growth trajectory and aim to be among the top three global silver producers in next two to three years.

Our businesses are well geared towards digital future, powered by superior data-driven real-time decision making. Our operations are becoming increasingly digitalized. And we are automating process to reduce the level of human intervention and implement online data analytics-based decision making. We are integrating our entire value chain from mine to metal and create predictive model for metal recoveries. Consequently, our operations are becoming more real-time, safe, transparent and predictive.

Coming to financial performance, we have delivered a robust EBITDA of Rs. 8,849 crores and have returned cash to shareholders through a dividend of Rs. 6,972 crores or Rs. 16.5 per share, implying a dividend yield of 7.6% based on average closing share price during the fiscal year. The EBITDA margin was robust 48%. Free cash flow after CAPEX stood at Rs. 4,698 crores, and the return on capital employed was 29%.

We contributed Rs. 9,150 crores to the government treasury through royalties, taxes and dividends. I am happy to share that your company is declared as Disclosure Champion in FTI Asia Disclosure Index 2019 with a perfect score of 10, and is among the top five companies in India.

As a responsible resource company, we are committed to zero harm, zero waste and zero discharge. I am happy to report that the company's sustainability efforts over the last several years have paid off, and your company is now certified as 2.41 times water positive company. Initiatives like rainwater harvesting, desilting of Udaipur Lake and water conservation initiatives like dry-tailing and enhanced usage of sewage water has helped to achieve this distinction.

I am also happy to inform that Hindustan Zinc reaffirmed its membership in both the FTSE4Good Index Series and RobecoSAM Sustainability Yearbook for the third consecutive year.

I am deeply saddened to report two fatalities during the year which is unacceptable. While we have carried out detailed investigation, and horizontally deployed learnings from these incidents to prevent recurrence, we are implementing the cultural shift by making safety central to our operations to achieve zero harm to our employees. The increase in lost time injury frequency rate to 1.38 during the year is being addressed through smart use of technology, automation and innovation to reduce risks related to man-machine interactions, and ensure safe underground mining operations.

Caring for our communities is our core value. And all our CSR initiatives are aligned towards improving the lives of communities surrounding our operations and make them partner in our group study. We are working in 189 villages across our operations and continue to focus on areas that are of national importance such as education, skill development, women empowerment, health and water, agriculture, sports and community development, with relentless focus on inclusion for

development at the grassroots level. Our total spend on CSR activities was Rs. 131.65 crores for the year, while also extending support to the PM CARES Fund in April 2020.

With our innovative problem solving approach and optimism, we are confident to overcome all challenges in these uncertain times. Hindustan Zinc has world class assets, and it is our endeavour to stay ahead of the curve and bring in best-practice from around the world. And are confident to continue our growth story with the support of all our stakeholders.

I would also like to thank all employees of Hindustan Zinc for their high level of motivation, commitment and hard work, and appreciate their innovative approach and mettle in these extraordinary times. Ladies and gentlemen, I thank you for your presence and kind attention today. Namaskar.

Swayam Saurabh:

Thank you, Arun. Namaskar. And good afternoon, everyone. We will now invite queries on our annual accounts of company for the year 2019-2020. We have few shareholders who have registered with us. And with your permission, I would like to call them one by one. May I request individual shareholders to ask all their questions in one go. The first shareholder is Mr. Piyush Verdia, DPID IN300-183-124-44889. I would like to invite Piyush to ask his questions.

Piyush Verdia:

Sir, I would like to draw your kind attention on this annual report page #16 and #17, where we have shown these key performance indicators. So, sir, we see that these indicators are showing the downward trend, so would like to know what are the reasons behind this decline? That was the number one. And second is on, what is the company's growth plan on the silver production? And the future outlook on silver metal?

Arun Misra:

Thank you, Piyush, for your question. And as you know, silver continues to be our prime focus in our business. And as I have already stated in my statement that we are now sixth largest producer of silver in the world. And we plan to be around between the top three producers. That growth journey will see us grow from current about 800 tonnes capacity to about 1,000 tonnes capacity of silver production. And for that, we are already signing agreements with global consultant for increasing the recovery of silver from our mines, mills and then to the smelters. So that will surely help us to achieve this growth story of 1,000 tonne silver and remaining top three silver producer in the world. Swayam, would like to answer the second part?

Swayam Saurabh:

Yes, sure Arun. So, Piyush, on your second question on performance indicators which are deteriorating, allow me to break it down into two parts, financial indicators and operating indicators. Financial indicators, you are right, at a revenue of Rs. 18,561 crores and a profit after tax of Rs. 6,805 crores, which represent 12% and 15% year-on-year decline, is largely linked with the fact that LME during that period has fallen by almost 16%. Also aided with the fact that last week of March we lost production opportunity because all-India lockdown, which translated into almost 3%, lower metal production. I think, with time this would correct itself. But if I look at what is in our control, which is operational performance and operational indicators, across the business value chain, whether it is recovery, whether it is power consumption, whether it is overall

cost, all these indicators are showing progress and positive improvement, something you would have noticed in our quarter one result. And we are confident that with our investment in digital and digitally leveraged initiatives which will reduce our cost and make us more efficient, it would start to also reflect back in our financial performance in quarters to come. Thank you.

Now I would like to invite Mr. Rahul Raj Rathod, DPID 1201-210-100-378717 to please ask your question.

Rahul Raj Rathod: Hello, everyone. Good afternoon to entire Board members. My question is like, we understand company had digitalized two of its units, Rampura-Agucha Mine and SK Mines. Now, I would like to understand what was the **growth journey and** what are the future plans for digitalization of other units? Thank you.

Swayam Saurabh: Do you have any other question, Rahul?

Rahul Raj Rathod: Yes. I would like to ask one more question. Over the years, company had added R&R in its existing mining leases, whether a company is in process of getting any of the new mining leases as well?

Arun Misra: So, Rahul, thank you for your question. And as you will understand that we are in the business of lead, zinc and silver which are considered as deep-seated minerals, and for deep seated mineral business exploration remains our focus. And we conduct exploration in a way that we continuously discover more and more resource, and continuously upgrade the resource into reserves in a way that our net of resource and reserve should always be 25 years of our production capacity. And as long as we are doing that within our lease, after that we are continuously in touch with the government to secure the leases which is around our leases or connecting the ore from one part of the lease to the another lease. So that will remain our great focus and that that is the way we look at our future of Hindustan Zinc business.

Swayam Saurabh: On your second question, Rahul, on the investment in digitization in RA and SK mine. This is something very close to our heart, something we started a year and a half, close to two years back. Total investment done so far is close to \$8 million. The investment is done in two verticals, the initial part of investment was around connecting all our mines, mills, smelters, process plants together, which allows us to capture live data right from an operation which is happening in an underground mine. The second part was around bringing this data together and adding intelligence to it using AI tools, machine learning tools right KPIs where this data can be made meaningful and start to translate into areas where we need to optimize ourselves. We are proud to say that Agucha digitalization is almost complete, SK is likely to complete during this quarter. Just to use a perspective here, a 10 minutes improvement in a truck turnaround time in an underground mine or a 1% improvement in recovery in a mill is worth multimillion dollar. We clearly see this as a huge opportunity in our goal to become one of the most efficient, well-run organization, something we will continue to invest in. And once SK and RA gets completed, we would move to other mines. Thank you.

Next question, I would like to invite Mr. Narendra Yagnik. DPID IN-300-484-1126-4209 to please ask his question.

Moderator: Sir, this shareholder is not connected at the moment. Sir, I request you to please proceed to the next shareholder

Swayam Saurabh: Thank you. So I would now request Mr. Vinod Kumar Mirayala, DPID IN-302-236-112-83550 to please ask your questions.

Vinod Kumar Mirayala: Good afternoon respected Chairman, MD, all Directors and everyone who are attending the virtual AGM. Great, thanks everyone who provided this opportunity to speak. And one point I first wanted to mention, it was a great gesture by Chairman to maintain silence for one minute. I have been attending in many AGMs, but nobody got this thought actually. It was a great gesture by Chairman actually.

I have two questions. Our company has a very good track record of giving dividends. So can we expect the same trend in the coming year, as the world is moving with the new normal along with the COVID? And my second question is, how is the demand for our metals in the coming future like zinc, silver? Thank you so much.

Arun Misra: Thank you, Mr. Vinod. If you look at the demand of metal currently in India, although it was subdued in the quarter one, it has started coming back in quarter two. And slowly, the green shoots in the auto sectors are visible. Government's expenditure in infrastructure has started ramping up. And I expect that by quarter three, quarter four, the demand of metals in the metal sector would come back closer to the levels of the pre-COVID era. So my take is anywhere between another three to six months, we should be back to the normal levels of the demand of zinc and lead. Silver, you must have seen the metal rally that's happening, and I guess it should continue for maybe another couple of quarters.

Swayam Saurabh: And on your question around dividend continuity. We have you know publicly available dividend policy which is higher of 30% of net profit for the year or 5% of opening net worth, whichever is higher. That policy we have been following without any slippage, which reflects in almost 10% dividend yield if you look at last five years. Having said that, while the policy exists and we are committed to the policy, the current environment is extremely dynamic and something we are also taking as a fact cognizance due. As long as that policy remains, we would continue to commit ourselves to dividend. But we are also aware that the external environment might require us to take different action, however, we still remain a dividend committed company.

I would now invite Mr. Saurabh Nagda. DPID IN-303-028-686-30286 to please ask your question.

Saurabh Nagda: Good afternoon one and all. Sir, I would like to put up two questions from my side. One is that on page #23 we have mentioned that our company is a zero-debt company, however, we have some CPs outstanding as on 31st March 2020. So, could you please explain that? And another one is,

like on page #182. Cash and cash equivalents have increased from Rs. 23 crores to Rs. 1,898 crores. So, is there any specific reason for such a increase? Thank you.

Swayam Saurabh:

So, on your first question, there is zero CP as on 31st March. And on the same page you would have also noticed a reference made to working capital facilities which are required to manage cash flow better. We remain a zero long-term debt company, and we have zero debt which is more than 12 months old. On your second question, essentially around the cash and cash equivalents . We have as on 31st March almost Rs. 1,800 crores of fixed deposit with banks which are all less than three months. They are primary the reason why the balances have moved almost by Rs. 1,850 crores over the two years.

I will now invite Mr. Santosh Kumar Saraf. DPID IN-302-236-112-83550 to please ask you a question.

Santosh Kumar Saraf:

Respected Chairman, other Board Members and my shareholder friends, Namaskar to all those who are present through video conference. I hope for best of health for everyone. Sir, I have already sent you a mail about my questions, so I won't take much of your time. So you can replay to the questions now or later on via mail. I had many questions which are not possible to ask in two minutes time, that's why I have already sent them in advance, hope you might have got it.

I just want to clear two things. First, the balance sheet that you send is very good, but one thing I would highlight is that the balance sheet that you provide is in landscape mode. Now I can't see it by tilting the monitor screen, right? So I would request you to send it in a portrait mode, otherwise it's hard for us to read it in a laptop. Even if the font is small, it will do, but please take care of it.

Then I want to ask on CSR. Since last six years continuously our CSR is remaining pending. Around Rs. 385 crores of CSR has not been spent in last six years. I feel this is wrong. You are not spending Rs. 385 crores nor are you carry forwarding and making a provision or the same, whereas you should have carry forwarded it and added in the next year. But as far as I can see, never it has been carry forwarded and nor have you shown it in liability. Would request you to correct it, otherwise it will be a very sad thing.

And I won't take much of your time. I would like to know the number of shareholders who are attending this virtual AGM. Also I would like to request is, if you can send the speaker number prior to the conference, it will be helpful in managing our time.

And last request I have is, if next year we conduct a physical meeting, we from Kolkata may not be able to attend apart from the local persons. So I would like to request to give 15-20 minutes for video conference whenever we hold a physical meeting from next time.

And before going I would just like to hope for your best health, staff's good health, dealers, suppliers, their families. With this I would end the call. Jai Hind. Jai Bharat. Jai Sri Ram. Thank you for giving me time. Namaskar.

Arun Misra:

Thank you, Saraf sir. We have got all your questions, and we will give a reply to them via email. But I would surely talk on two, three points. First, the way of working in COVID times is being discussed throughout the world, maybe in future we might have to conduct all our meetings via video conferencing. Though there might be social distancing, but our emotional attachment will surely be maintained, you can be rest assured about that, be it our shareholders, communities, customers, dealers, employee. Social distancing doesn't mean that our emotional attachment will wane off. Emotional attachment will be same as it has always been. And your suggestion has been noted, if we conduct any physical meeting, video call has become an integral part in post-COVID period, and we are hoping it will be the same in coming days. And as far as CSR spending is concerned, if we take a look at the backlog then around Rs. 80 crores only is remaining. And the way new CSR initiatives we are taking up under guidance of our Chairman, the discrepancy that you have pointed out, you won't see it in coming days. In this COVID period we have tried our best to select such programs that not only help in our home states but even in other states where we provided daily food to street vendors, including the street animals, and we have worked a long way in this. Yes, definitely there is always a scope for improvement, and through the guidance of the Board we will make sure that we can expand the scope of our CSR program. Thank you.

Swayam Saurabh:

Thank you, Santoshji. Very insightful. We will definitely reply to your answers and we have noted your suggestions. And next time if we do a physical meeting, we will definitely keep the video conferencing line on as well. Thank you.

So with this, we conclude our Q&A session. If any of you has any further question about our last year results, or any questions around our operation, please feel free to reach out to our Investor Relations team. Detail of their contact are available on our website. So with this, I would like to hand it back to Mr. Pandwal.

Rajendra Pandwal:

As per the AGM Notice, there are nine business items to be transacted in today's meeting. The icon for e-voting is available on the screen, which will redirect you on a separate window to the e-voting portal of NSDL. The e-voting facility will be closed along with the closure of the meeting. Mr. Rupesh Agarwal, Practicing Company Secretary has been appointed as the scrutinizer to oversee the whole e-voting process, who will submit the outcome of the e-voting to the Chairman/CEO of the Company. And the outcome will be displayed on the Company's website, NSDL portal and RTA site. Thank you very much. And see you all next year. Thank you.