

REPORT OF THE MEETING OF AUDIT & RISK MANAGEMENT COMMITTEE OF HINDUSTAN ZINC LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS UNDER SECTION 230 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AT ITS MEETING HELD ON JANUARY 21, 2022

The following Directors of the Company were present through video conferencing during discussion on the Scheme:

1. Mr. Anjani K. Agrawal - Chairperson
2. Mrs. Nirupama Kotru - Member
3. Mr. Akhilesh Joshi - Member

The following were present through video conferencing during discussion on the Scheme:

By invitation:

1. Mrs. Farida M. Naik - Director
2. Mr. Arun Misra - CEO & Whole-time Director
3. Mr. Dilip Golani - Director - MAS
4. Mr. Ajay Goel - Acting -CFO (Group)
5. Mr. Sandeep Modi - Interim-CFO
6. Mr. Tridevlal Khandelwal - S.R. Batliboi & Co. LLP, Statutory Auditors
7. Mr. Deep Jaggi - KPMG

In attendance:

1. Mr. Rajendra Pandwal

1. Background

- 1.1. A meeting of the Audit & Risk Management Committee of the Company was held on January 21, 2022 to consider and recommend the proposed Scheme of Arrangement between the Company and its shareholders under Section 230 and other applicable provisions of the Companies Act, 2013 ("Act") ("Scheme").
- 1.2. The Audit & Risk Management Committee of the Company noted that in terms of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("SEBI Master Circular") read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations"), the Audit & Risk Management Committee of the Company is required to recommend the draft Scheme to the Board of Directors of the Company after taking into account *inter alia*, the valuation report and fairness opinion (if applicable), the rationale of the Scheme, impact of the Scheme on the shareholders, cost benefit analysis of the Scheme, the Scheme is not detrimental to the



Hindustan Zinc Limited

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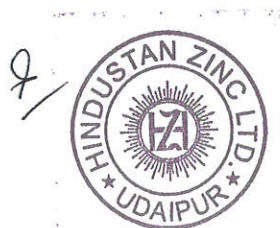
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shareholders of the Company and other matters (as applicable). This report of the Audit & Risk Management Committee of the Company is made to comply with the requirements of SEBI Master Circular read with Listing Regulations.

- 1.3. The following documents were placed before the Audit & Risk Management Committee:
 - 1.3.1. Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
 - 1.3.2. Certificate issued by M/s S.R. Batliboi & Co. LLP, Chartered Accountants, the Statutory Auditor of the Company ("**Statutory Auditors**"), specifying that the accounting treatment prescribed in the Scheme;
 - 1.3.3. Undertaking of the Company on non-applicability of conditions specified in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular;
 - 1.3.4. Certificate obtained from Statutory Auditors of the Company viz., M/s. S. R. Batliboi & Co. LLP Chartered Accountants (ICAI Firm Registration No. 301003E/E300005) in relation to non-applicability of conditions specified in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular;
 - 1.3.5. Financial statements of the Company for last 3 financial years; and
 - 1.3.6. Limited review unaudited financial results of the Company for the 3rd quarter and nine months ended December 31, 2021.
- 1.4. The Audit & Risk Management Committee of the Company noted that the Scheme provides for capital reorganization of the Company, *inter alia*, providing for transfer of amounts standing to the credit of the General Reserves (*as defined in the Scheme*) to the Retained Earnings (*as defined in the Scheme*) of the Company. Pursuant to the Scheme, no shares/consideration is proposed to be issued by the Company.

2. Need for the arrangement and rationale of the Scheme

- 2.1. The Audit & Risk Management Committee of the Company noted the rationale and the benefits of the Scheme which, *inter-alia*, are as follows:
 - 2.1.1 Over the years, the Company has built up significant reserves through transfer of profits to the reserves in accordance with provisions of the erstwhile Companies Act, 1956 and erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975.
 - 2.1.2 Steady growth in sales volume, balanced capital expenditure for continuing operations has helped the Company achieve a strong track record of generating cash flows. With healthy business practices in place, the Company expects that it will



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continue its growth trajectory and its business operations will keep generating incremental cash flow over the coming years.

2.1.3 The Company is of the view that the funds represented by the General Reserves are in excess of the Company's anticipated operational and business needs in the foreseeable future, thus, these excess funds can be utilized to create further shareholders' value, in such manner and to such extent, as the Board of the Company in its sole discretion, may decide, from time to time and in accordance with the provisions of the Act and other Applicable Law.

2.1.4 The Scheme is in the interest of all stakeholders of the Company.

3. Synergies of business of the entities involved in the Scheme

The Company is incorporated under the provisions of the Companies Act, 1956. The Company is engaged in exploring, extracting and processing of minerals. The Company's operations include five zinc-lead mines, four zinc smelters, one lead smelter, one zinc lead smelter, eight sulphuric acid plants, one silver refinery plant, six captive thermal power plants and four captive solar plants in the state of Rajasthan. In addition, the Company also has a rockphosphate mine in Matoon, near Udaipur in Rajasthan and zinc, lead, silver processing and refining facilities in the state of Uttarakhand. The Company also has wind power plants in the states of Rajasthan, Gujarat, Karnataka, Tamil Nadu and Maharashtra and solar power plants in the state of Rajasthan. The equity shares of the Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

4. Impact of the Scheme on the shareholders of the Company

- 4.1 Pursuant to the Scheme, there is no outflow of/ payout of funds from the Company. The Scheme does not entail any discharge of consideration by the Company to its shareholders. Hence, the interest of the shareholders is not adversely affected. The Company's equity capital structure and the shareholding pattern subsequent to the Scheme will remain unchanged.
- 4.2 The Scheme does not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.
- 4.3 The proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders in large and is not detrimental to the shareholders of the Company.

5. Cost benefit analysis of the Scheme

After a careful evaluation of various uses of the available excess reserves, the Company believes that the proposed Scheme will provide an opportunity to leverage the balance sheet of the Company which in turn could further optimise the cost of capital and thus improve the economic value of the Company.



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Although the proposed Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

6. No requirement of obtaining valuation report or fairness opinion

The Scheme provides for capital reorganization of the Company, *inter alia*, providing for transfer of amounts standing to the credit of the General Reserves to the Retained Earnings of the Company. Pursuant to the Scheme no consideration, in form of cash, shares or otherwise, is proposed to be paid by the Company. Accordingly, there is no requirement to obtain a valuation report from a registered valuer. Since, there is no requirement to obtain valuation report for the present Scheme, there is also no requirement to obtain fairness opinion from a merchant banker.

7. Recommendation of the Audit & Risk Management Committee

The Audit & Risk Management Committee, *inter alia*, having noted the rationale, benefits and the impact of the Scheme on shareholders and others concerned and in particular the fact that the Scheme is not detrimental to the interests of shareholders of the Company and in consideration of the documents placed before it, approves and recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Members of the Audit & Risk Management Committee

For and on Behalf of **HINDUSTAN ZINC LIMITED**



Mr. Anjani K Agrawal
Chairman of the Meeting
Place: Mumbai
Date: January 21, 2022

