

Centre mulls legal options against HZL's \$2.9-b deal for Vedanta's mines

OTHER CHOICES. Asks Hindustan Zinc to explore 'other cashless methods of acquisition of assets'

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The Centre is mulling legal options as it continues to oppose Hindustan Zinc's proposed acquisition of Vedanta's overseas zinc mines at a reported cost of \$2.9 billion.

Hindustan Zinc is a Vedanta subsidiary and is India's largest zinc producer.

STAKE IN HZL

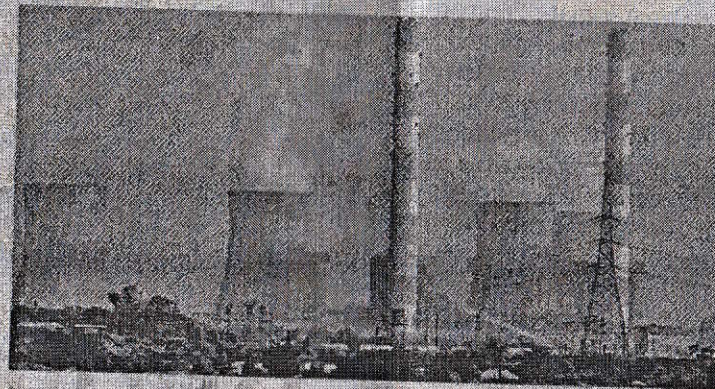
In a letter to Hindustan Zinc, the Ministry of Mines said the Centre would like to "reiterate" its dissent on the matter and "resolutions" regarding the acquisition. It has, in fact, asked the company to explore "other cashless methods of acquisition of assets".

The government currently holds 29.5 per cent

stake in Hindustan Zinc, which it plans on divesting in the current financial year.

The three government-nominated directors on the board of Hindustan Zinc — Farida M Naik, Veena Kumari Dermal and Nirupama Kotru — have "also recorded their dissent" in the matter.

"We would like to bring to your attention that the Government will oppose any proposed resolutions in furtherance of such agenda (acquisition of Vedanta's mines) matter and will explore all legal avenues available to it. The company is requested to not take any further action in relation to such resolutions," the letter from the Mines Ministry (dated February 17) and addressed to Hindustan Zinc's company secretary, said.



WHAT'S THE PLAN. The government currently holds 29.5 per cent stake in Hindustan Zinc, which it intends to divest in the current fiscal

The Hindustan Zinc board had earlier in January cleared a proposal for acquisition of Vedanta's overseas assets at a \$2.9-billion deal. The deal entails an immediate cash consideration of \$2.4 billion to Vedanta for sale of THL Zinc, Mauritius, with assets in Namibia and South Africa; and with

the balance \$0.58 billion being paid later.

During Vedanta's quarterly earnings last month, the company had announced that it will transfer its international zinc assets to its subsidiary Hindustan Zinc for \$2.98 billion. Based on the current shareholding patten,

Vedanta holds 64.92 per cent stake in Hindustan Zinc.

Being a related party transaction, Hindustan Zinc's board requires majority of the minority shareholders to vote in favour of the proposal.

In a stock market response, the Vedanta subsidiary said, the letter of the Ministry of Mines "shall be placed in the ensuing board meeting for consideration".

"The proposed transaction (acquisition of mines) can only be done post approval of the shareholders in the general meeting.

"Further the notice, calling the shareholders meeting has not been issued so far. The letter shall be placed before the Board of Directors in the ensuing board meeting for consideration," Hindustan Zinc said.