

## **Hindustan Zinc Limited**

### **Results for the First Quarter Ended June 30, 2018**

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*“EBITDA up 16% y-o-y on strong metal prices”*

#### **Highlights for the quarter**

- EBITDA at Rs. 2,785 Crore, up 16% y-o-y
- Refined silver production at 138 MT, up 20% y-o-y
- Refined lead production at 42kt, up 20% y-o-y

**Udaipur, July 23, 2018:** Hindustan Zinc Limited today announced its results for the first quarter ended June 30, 2018.

**Mr. Agnivesh Agarwal, Chairman –**

*“We are steadily increasing production from underground mines to fill the gap caused by closure of open-cast operation. As the year progresses, we will deliver record performance. As the journey towards 1.2 million MT output accelerates, we have started planning for our next phase of expansion.”*

#### **Operational Performance**

Mined metal production from underground mines was 212kt, up 13% y-o-y and 7% sequentially even as the closure of open-cast operations caused total mined metal production to decline 9% y-o-y and 17% sequentially.

Integrated zinc production was down 11% y-o-y and down 17% sequentially to 172kt on account of lower availability of zinc mined metal. Integrated lead production of 42kt was achieved during the quarter, up 20% y-o-y in line with the availability of lead mined metal and down 16% sequentially due to maintenance related shutdowns. Integrated silver production was 138 MT, up 20% y-o-y on higher SKM production and better silver grades. Sequentially, silver production declined by 19% in line with lead production.

## Financial Summary

| Particulars                                      | Q1     |        |        | Q4     |        |
|--|--------|--------|--------|--------|--------|
|  | 2019   | 2018   | Change | 2018   | Change |
| <b>Sales</b>                                     |        |        |        |        |        |
| Zinc   | 3,814  | 3,446  | 11%    | 4,564  | -16%   |
| Lead   | 729    | 531    | 37%    | 867    | -16%   |
| Silver   | 547    | 401    | 36%    | 637    | -14%   |
| Others   | 168    | 146    | 15%    | 106    | 58%    |
| Total  | 5,258  | 4,524  | 16%    | 6,174  | -15%   |
| <b>EBITDA</b>                                    | 2,785  | 2,404  | 16%    | 3,660  | -23.9% |
| Profit After Taxes                               | 1,918  | 1,889  | 2%     | 2,505  | -23%   |
| <b>Earnings per Share</b>                        | 4.54   | 4.47   | 2%     | 5.93   | -23%   |
| (Rs., not annualised)                            |        |        |        |        |        |
| <b>Mined Metal Production ('000 MT)</b>          | 212    | 233    | -9%    | 255    | -17%   |
| <b>Refined Metal Production ('000 MT)</b>        |        |        |        |        |        |
| Total Refined Metal                              |        |        |        |        |        |
| Zinc   | 172    | 194    | -11%   | 206    | -17%   |
| Saleable Lead <sup>1</sup>                       | 42     | 35     | 20%    | 50     | -16%   |
| <i>Zinc &amp; Lead</i>                           | 214    | 228    | -7%    | 256    | -17%   |
| Saleable Silver <sup>2,3</sup> (in MT)           | 138    | 115    | 20%    | 170    | -19%   |
| Wind Power (in million units)                    | 139    | 156    | -11%   | 58     | 140%   |
| Zinc CoP without Royalty (Rs. / MT) <sup>4</sup> | 69,907 | 62,698 | 11%    | 59,569 | 17%    |
| Zinc CoP without Royalty ( \$ / MT) <sup>4</sup> | 1043   | 973    | 7%     | 925    | 13%    |
| Zinc LME ( \$ / MT)                              | 3,112  | 2,596  | 20%    | 3,421  | -9%    |
| Lead LME ( \$ / MT)                              | 2,388  | 2,161  | 11%    | 2,523  | -5%    |
| Silver LBMA ( \$ / oz.)                          | 16.5   | 17.2   | -4%    | 16.8   | -1%    |
| USD-INR (average)                                | 67.04  | 64.46  | 4%     | 64.31  | 4%     |

(1) Excluding Captive consumption of 1,778 MT in Q1 FY 2019 as compared with 1,956 MT in Q1 FY 2018 and 1,570 MT in Q4 FY 2018.

(2) Excluding captive consumption of 9.4 MT in Q1 FY 2019 as compared with 10.2 MT in Q1 FY 2018 and 8.2 MT in Q4 FY 2018.

(3) Silver occurs in Lead & Zinc ore and is recovered in the smelting and silver-refining processes.

## Financial Performance

Revenue from operations during the quarter was Rs. 5,310 Crore, an increase of 16% y-o-y primarily due to higher zinc LME price, rupee depreciation and higher lead & silver volumes, partly offset by lower zinc volume. Lower metal volumes led to a sequential decline in revenue.

The cost of production before royalty (COP) for zinc during the quarter was Rs. 69,907 (\$1,043), up 11% (7% in USD) y-o-y and up 17% (13% in USD) from previous quarter. The y-o-y increase was primarily on account of lower overall volume due to open-cast closure, about 20% increase in prices of metcoke, coal & diesel and also due to the impact of long-term wage settlement. The sequential increase was on

account of lower volume, higher power costs, maintenance related shutdown costs and impact of wage settlement. The Company concluded a five-year long-term settlement with its recognised union impacting COP by \$33 per tonne.

EBITDA for the quarter was Rs. 2,785 Crore, up 16% y-o-y and down 24% q-o-q.

The resultant Net Profit for the quarter was Rs. 1,918 Crore, up 2% y-o-y and down 23% sequentially, in line with EBITDA. Additionally, Net Profit was impacted by lower investment income on account of mark-to-market loss on debt investments due to spike in interest rates.

## Outlook

Mined metal and refined zinc-lead production in FY 2019 is expected to increase progressively during the year with the continued ramp-up of underground mines and be slightly higher than that of last year despite closure of open-cast operations. Silver production is expected to be in the range of 650 to 700 MT and COP before royalty is projected to be in the range of USD 950 to 975 per MT in FY 2019. This is in line with our earlier guidance.

## Expansion Projects

Capital mine development increased by 18% y-o-y to over 10.4 km during the quarter.

**Rampura Agucha** underground mine continued with high development of 5.6 km during the quarter. The ventilation system has been commissioned, off shaft development is on track and production from main shaft is expected to start from Q3 FY 2019.

**Sindesar Khurd** has received Environment Clearance by the Ministry of Environment, Forest & Climate Change to increase ore production from 4.5 to 6.0 mtpa. During the quarter, the main shaft skip winder was cold commissioned and production from the shaft is expected to start in Q3 FY2019. Civil work and equipment erection of the new 1.5 mtpa mill is progressing well and is expected to commission by Q3 FY 2019.

At **Zawar**, civil construction of the new 2 mtpa mill is on track and expected to commission by Q4 FY2019. The **Fumer project** is 75% complete and expected to commission in Q3 FY 2019.

**Planning for the next phase of expansion** from 1.2 to 1.35 mtpa mined metal capacity announced in April 2018 is underway. The Chanderiya zinc-lead pyrometallurgical smelter is being modified to produce standalone lead to cater to the increasing lead mined metal and pilot trial has been successfully completed. Zinc smelting configuration and basic engineering is under finalisation.

## Liquidity and investment

As on June 30, 2018, the Company's cash and cash equivalents was Rs. 21,283 Crore invested in high quality debt instruments and the portfolio is rated "Tier -I" (implying Highest Safety) by CRISIL.

## Earnings Call on Monday, July 23, 2018 at 4:00 pm (IST)

The Company will hold an earnings conference call on Monday, July 23, 2018 at 4:00 pm IST, where senior management will discuss the Company's results and performance.

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## About Hindustan Zinc

Hindustan Zinc (NSE & BSE: HINDZINC) is the one of the largest integrated producers of zinc-lead with a capacity of 1.0 million MT per annum and a leading producer of silver. The Company is headquartered in Udaipur, Rajasthan in India and has zinc-lead mines at Rampura Agucha, Sindesar Khurd, Rajpura Dariba, Zawar and Kayad; primary smelter operations at Chanderiya, Dariba and Debari, all in the state of Rajasthan; and finished product facilities in the state of Uttarakhand.

Hindustan Zinc has a world-class resource base with a mine life of over 25 years.

The Company is self-sufficient in power with an installed base of 474 MW coal-based captive power plants. Additionally, it has green power capacity of 324 MW including 274 MW of wind power, 16 MW of solar power and 35 MW of waste heat power. The Company has an operating workforce of nearly 17,600 including contract workforce.

Hindustan Zinc is a subsidiary of the BSE and NSE listed Vedanta Limited (formerly known as Sesa Sterlite Limited; ADRs listed on the NYSE), a part of London listed Vedanta Resources plc, a global diversified natural resources company.

### Disclaimer

This press release contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "should" or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.