

Hindustan Zinc Limited

Results for the Second Quarter and Half Year Ended September 30, 2018

*Record silver production of 172 MT;
Board declares Special Interim dividend of 1000%;
Ranks 1st globally in Environment category by DJSI*

Highlights for the quarter

- Mined metal production at 232kt, up 6% y-o-y; Underground mined metal production at 232kt, up 44% y-o-y
- Record refined silver production at 172 MT, up 23% y-o-y
- Refined lead production at 49kt, up 30% y-o-y
- Interim dividend of Rs. 20 per share (1000%) declared

H1 Highlights

- Mined metal production at 444kt, down 2%; Underground mined metal at 444kt, up 27%
- Refined lead at 91kt, up 25%
- Refined silver at 310 MT, up 22%

Udaipur, October 22, 2018: Hindustan Zinc Limited today announced its results for the second quarter and half year ended September 30, 2018.

Mr. Agnivesh Agarwal, Chairman –

“I am delighted to report that Hindustan Zinc has been ranked globally 1st in Environment and 5th in overall sustainability in Metal & Mining sector in Dow Jones Sustainability Index. Our improved global ranking reflects increasing usage of technology, digitisation & innovation in our operations and care towards environment and communities. I am also pleased to note the Special interim dividend of 1000%”

Financial Summary

Particulars	Q2			Q1		6M		
	2019	2018	Change	2018	Change	2019	2018	Change
Sales								
Zinc	3,131	3,903	-20%	3814	-18%	6,945	7,356	-6%
Lead	794	638	24%	729	9%	1,523	1,169	30%
Silver	599	556	8%	547	10%	1,147	957	20%
Others	252	211	19%	220	15%	472	403	17%
Total	4,777	5,309	-10%	5,310	-10%	10,087	9,885	2%
EBITDA	2,315	3,052	-24%	2,785	-16.9%	5,100	5,456	-7%
Profit After Taxes	1,815	2,584	-30%	1,918	-5%	3,733	4,473	-17%
Earnings per Share (Rs., not annualised)	4.3	6.11	-30%	4.54	-5%	8.83	10.59	-17%
Mined Metal Production ('000 MT)	232	219	6%	212	10%	444	452	-2%
Refined Metal Production ('000 MT)								
Total Refined Metal								
Zinc	162	192	-16%	172	-5%	334	386	-13%
Saleable Lead ¹	49	38	30%	42	17%	91	73	25%
Zinc & Lead	212	230	-8%	214	-1%	425	459	-7%
Saleable Silver ^{2,3} (in MT)	172	140	23%	138	25%	310	255	22%
Wind Power (in million units)	185	143	29%	139	33%	324	299	8%
Zinc CoP without Royalty (Rs. / MT)	72,449	63,288	14%	69,907	4%	71,211	63,002	13%
Zinc CoP without Royalty (\$ / MT)	1034	984	5%	1043	-1%	1039	979	6%
Zinc LME (\$ / MT)	2,537	2,963	-14%	3,112	-18%	2,820	2,784	1%
Lead LME (\$ / MT)	2,104	2,334	-10%	2,388	-12%	2,244	2,250	0%
Silver LBMA (\$ / oz.)	15.0	16.8	-11%	16.5	-9%	15.8	17.0	-7%
USD-INR (average)	70.03	64.29	9%	67.04	4%	68.51	64.37	6%

(1) Excluding captive consumption of 1,799 tonnes in Q2 FY2019 vs 1,634 tonnes in Q2 FY2018, 1,778 tonnes in Q1 FY2019

(2) Excluding captive consumption of 9.2 tonnes in Q2 FY2019 vs. 8.8 tonnes in Q2 FY2018, 9.4 tonnes in Q1 FY2019

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

(4) Numbers may not add up due to rounding off.

Operational Performance

Mined metal production from underground mines for Q2 FY2019 was at an all-time high of 232kt, up 10% sequentially and 44% y-o-y driven by 33% y-o-y increase in ore production. Total mined metal production increased by 10% sequentially and 6% y-o-y after the closure of open-cast operations last year.

Mined metal production from underground mines for H1 was 444kt, 27% higher from a year ago even as the closure of open-cast operations caused total mined metal production to decline 2% y-o-y.

Integrated metal production was 212kt, flat sequentially and down 8% from a year ago. Integrated zinc production was down 5% sequentially and 16% y-o-y to 162kt due to temporary mismatch in zinc mined metal availability even as mine production ramped up towards the latter half of the quarter. Integrated lead production jumped by 17% sequentially and 30% y-o-y to 49kt. The pyro metallurgical smelter was retrofitted to produce more lead metal considering the higher availability of lead mined metal leading to higher lead production. Integrated silver production was a record 172 MT, up 25% sequentially and 23% y-o-y on account of higher lead production and higher Sindesar Khurd mine production & better silver grades.

Integrated metal production for H1 was 425kt, down 7% y-o-y. Integrated lead and silver production were at 91kt and 310 MT, higher by 25% y-o-y and 22% y-o-y respectively driven by higher lead mined metal production and better silver grades. Integrated zinc production at 334kt was lower y-o-y by 13% in line with the availability of zinc mined metal.

Financial Performance

Revenue from operations during the quarter was Rs. 4,777 Crore, a decrease of 10% y-o-y and sequentially primarily due to lower metal prices and lower zinc metal volume, partly offset by higher lead & silver volumes and rupee depreciation. For the six-month period, revenues were marginally higher by 2% y-o-y on account of higher lead & silver volumes, zinc LME and rupee depreciation, offset by lower zinc volume.

The cost of production before royalty (COP) for zinc during the quarter was \$1,034 (Rs. 72,449), up 5% y-o-y (14% in Rs) and down 1% (up 4% in Rs) from previous quarter. For the six-month period, COP was higher by 6% (13% in Rs) at \$1039 (Rs. 71,211). The y-o-y increases were primarily on account of lower volume, higher mine development and steep increase in commodity prices, partly offset by higher acid credits.

The resultant EBITDA for the quarter was Rs. 2,315 Crore, down 24% y-o-y and down 17% q-o-q while YTD EBITDA decreased by 7% y-o-y to Rs. 5,100 Crore.

Net Profit for the quarter was Rs. 1,815 Crore, down 30% y-o-y and 5% q-o-q while for YTD net profit was down by 17% y-o-y to Rs. 3,733 Crore. The decline is in line with EBITDA and higher depreciation, partly offset by lower tax rate.

Outlook

Mined metal and refined zinc-lead production in H2 FY 2019 are expected to be significantly higher than that in H1 with the continued ramp-up of underground mines and the overall production in FY 2019 will be slightly higher than that of last year, as guided earlier.

The guidance of silver production to be in the range of 650 to 700 MT is reiterated. COP before royalty is projected to be in the range of USD 950 to 975 per MT in H2 FY 2019. The project capex for the year will be around US\$400 - US\$450 million.

Expansion Projects

Update on ongoing expansion projects

The announced mining projects are progressing in line with the expectation of reaching 1.2 million tonnes per annum of mined metal capacity in FY2020.

Capital mine development remained unchanged y-o-y at 9.8 km during the quarter and increased by 9% to 20.2 km in H1.

Rampura Agucha underground mine continued to maintain a high total development rate at 5.3 km during the quarter. It is gratifying to note that mined metal production increased by 94% y-o-y and 35% sequentially to 96kt. Mid shaft loading system was commissioned at the end of quarter, allowing waste hoisting to be done through shaft ahead of schedule. This will help to improve volumes until the off shaft is fully commissioned. Off shaft development is on track and commercial production from main shaft is expected to start from Q4 FY 2019.

Sindesar Khurd mine achieved 5.2 km total development during the quarter. The production shaft work is progressing well with winders commissioned in manual mode and material hoisting from shaft is expected to start in the current quarter. The new 1.5 mtpa mill is expected to be commissioned in the current quarter.

At **Zawar**, civil & erection works of the new 2 mtpa mill is on track and expected to commission by Q4 FY2019. **Rajpura Dariba** mine has received Environment Clearance by the Ministry of Environment, Forest & Climate Change to increase ore production from 0.9 to 1.08 mtpa and regulatory approval for further expansion to 2.0 mtpa is under process.

The **Fumer project** at Chanderiya is expected to commission in the current quarter.

Planning for the next phase of expansion from 1.2 to 1.35 mtpa mined metal capacity announced in April 2018 is underway.

Interim Dividend

The Board of Directors declared a Special Interim Dividend of 1000% i.e. Rs. 20 per share on equity share of Rs. 2 each amounting to Rs. 10,188 Crore (including DDT). Record date fixed for the interim dividend is October 31, 2018.

Liquidity and investment

As on September 30, 2018, the Company's cash and cash equivalents was Rs. 23,304 Crore invested in high quality debt instruments and the portfolio is rated "Tier -I" (implying Highest Safety) by CRISIL.

Earnings Call on Monday, October 22, 2018 at 4:00 pm (IST)

The Company will hold an earnings conference call on Monday, October 22, 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 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.