“Hindustan Zinc Limited Q3 FY 2017 Results Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q3 FY 2017 Earnings Conference Call of Hindustan Zinc Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ekta Singh – Investor Relations, Hindustan Zinc. Thank you and over to you, Ms. Singh.

Ekta Singh: Good Afternoon and thank you for joining Hindustan Zinc's Third Quarter FY 2017 Results Call. For our call today, we have with us Mr. Sunil Duggal -- CEO of Hindustan Zinc and Mr. Amitabh Gupta -- our CFO. Mr. Duggal will present an update on Business Performance while Mr. Gupta will present Financial Performance, after which we will be happy to take your questions.

Over to you Mr. Duggal!

Sunil Duggal: Thank you Ekta and a warm welcome to all of you. I am pleased to announce a strong quarter as we delivered our ever-highest ore and mined metal production in this quarter. Our performance during the nine-month period has been in line with the plan. As discussed with you in our earlier earnings call, aswe have been consistently delivering better performance on volumes and operational efficiencies as the year progressed.

To give you an update on operating performance for the quarter, mined metal production during the quarter was a record 276 KT, up 44% from 192 KT in previous quarter and 21% from 228 KT of last year. The sequential increase was on account of higher volumes from Rampura Agucha open cast mine in accordance with mine plan and the Y-o-Y increase was driven by higher volumes from Rampura Agucha underground as well as open cast mine.

During the nine-month period, underground mines ramped up significantly to achieve a substantial 60% Y-o-Y increase in ore production and 53% Y-o-Y increase in mined metal production. While the impact of volume growth is not as apparent in our aggerate numbers due to ramp down of our open cast mine, we are extremely pleased to report that our underground mines have ramped up mined metal production at CAGR of 38% in the last five years.

In line with the plan of substantially higher mine metal production in H2, mined metal production during the nine-month period was lower by 15% Y-o-Y and will be higher than FY 2016 for full year with Q4 being higher than Q3.

Integrated zinc metal production during the quarter was at 205 KT, up 38% from 149 KT in previous quarter and flat Y-o-Y on account of accretion of mined metal inventory.

Integrated saleable lead production during the quarter was 39 KT, up 26% from 31 KT in the previous quarter and 10% Y-o-Y from 35 KT. The Y-o-Y increase was in line with mined metal production, while the sequential increase was accentuated on account of enhanced smelter efficiencies.

Integrated saleable silver production during the quarter increased by 10% to 118 MT from previous quarter and 2% Y-o-Y. For the full year, integrated zinc metal production will be lower than FY 2016 in accordance with the low availability of mined metal in H1, however, some quantity of mined metal production will be sold in Q4. Saleable lead production for the full year will be in line and silver production will be higher than FY 2016.

Coming to our on-going expansion projects, we recently received environment clearance for expansion of two of our mines. In December environment clearance of 4.5 million tonne per annum ore production and 5 million tonne per annum beneficiation was received for Sindesar Khurd mine. Environmental clearance was also received for 4 million tonne per annum ore production and beneficiation at Zawar mine in January.

Another key development during the quarter was commencement of fumer project with 18 months completion period. This project will further improve cost and metal recoveries from our hydro plant and might be replicated in our other hydro smelters in the coming years.

I am pleased to say that the company continued with higher pace of mine development achieving 18,570 meters of total mine development across our underground mines during the quarter which is 17% higher from a year ago and 26% higher from previous quarter. With this, total mine development in the first nine months of the financial year has reached 47,330 meter which is 16% higher than previous and also a record.

It is a gratifying to see Rampura Agucha underground mine come of age as it achieved its highest ever ore production, exiting the quarter at a rate of 2 million tonne per annum. For the fourth quarter consecutive quarter mine development continued over 4,000 meters benchmark taking the nine month total to over 13 kilometers. The main shaft sinking at Rampura Agucha reached its ultimate depth of 955 meters during the quarter. The installation of production and serving winders was also completed and shaft equipping work commenced during the quarter.

Sindesar Khurd mine achieved highest ever mine development during the quarter at 5,534 meters. In line with head gear erection completion scheduled by end of quarter four, casting of shaft collar and head gear foundation was completed during the quarter. The new 1.5 MTPA mill was commissioned earlier during this month in a record time of 14 months. The power up-gradation project was successfully completed and commissioned ahead of schedule in January. However, we have deeply anguished to report an unfortunate accident at the project site post mill commissioning, where a rare crane collapse caused four fatalities of contractor employee Larsen & Toubro. We are re-looking at our project sites to strengthen our safety systems as also those for our contractors.

Zawar mill expansion is advancing well and planned to be completed by quarter one FY 2018. The associated power and infrastructure projects are on track to be completed by end of this financial year.

Further to the Company's commitment towards green energy and subsequent to successful installation of two small roof top solar projects, we initiated installation of 16 megawatt captive solar farms at Debari and Dariba premises. Taking cognizance of the various green initiatives taken by Hindustan Zinc, Confederation of Indian Industry (CII)-Indian Green Building Council (IGBC) awarded the highest rating, 'Platinum', to our head office building in Udaipur in January. It is one of the only 14 CII-IGBC Platinum rated buildings in India and the first in Rajasthan.

To give you an update on market, according to Wood Mackenzie mined metal production in 2016 fell steeply by around 1 million tonne pushing the markets into deep deficit. The tight market situation is reflected in reducing inventory levels of refined metal by approximately half a million tonne which is further accentuated by growing consumptions globally.

The global economy has started well in 2017 with expansion in manufacturing PMI in major economies. Broad based expansion in China and expectations of infrastructure growth in USD has given a flip to global zinc demand. The Chinese economy has grown better than anticipated in 2016 with zinc intensive sector such as infrastructure and white good particularly showing robust growth. With the increase of steel production, the Indian steel sector has shown reasonable increase in demand for zinc for galvanizing in the last six months on the background support from government of India in the form of minimum import prices, Anti-Dumping measures and other initiatives. The production of GPGC sheet has also grown in 2016. We anticipate domestic metal demand to remain robust in quarter four and 2017 going forward.

I will now hand over to our CFO – Mr. Amitabh Gupta, who will take you through the financials in detail.

Amitabh Gupta: Good afternoon to all. During the quarter sales revenue were at a record Rs. 5,348 crores, an increase of 40% from Q2 and 45% year-on-year on account of higher volumes higher LME prices and rupee depreciation.

The zinc metal cost of production per metric tonne before royalty or COP during the quarter was at Rs. 58,067 or $861, up 7% or 6% in dollar terms from the previous quarter; and 11% Y-o-Y which is 8% in dollar terms.

The sequential increase in COP was largely due to onetime change in the ore to waste ratio norm over life of mine and additional excavation in Rampura Agucha open cast, further accentuated by significantly higher mine development in underground mines, increase in coal prices and lower acid realization, partly offset by overall higher volume and overall average grade. The Y-o-Y increase was attributed primarily to the aforementioned one time change in ore to waste ratio norm, substantially higher coal and commodity prices, lower acid realization and higher mine development.

For the full year, our cost of production in dollar term will be marginally higher from FY 2016 on account of increase in coal and commodity prices and higher mine development. In line with all around operational metric that Mr. Duggal spoke about and strong LMEs, I am happy to report an all-time record EBITDA of Rs. 2,757 crores during the quarter, up 33% sequentially and 88% year-on-year.

Net profit during the quarter was at Rs. 2,320 crores, up 22% Q-o-Q and 26% Y-o-Y. The impact of higher EBITDA was partly offset by higher depreciation and tax in both periods while investment income was sequentially lower on account of lower mark to market gains.

The yearend tax rate may be seen a couple of percentage points lower. As at December 31, 2016, the Company's net cash and cash equivalents was Rs. 25,319 crores out of which Rs. 20,644 crores were invested in mutual fund and Rs. 4,593 crores in bonds. With continued operational performance coupled with planned sale of some surplus mine metal in the current quarter, we look forward to creating new benchmarks in the fourth quarter.

With this, I will now request Mr. Duggal to sum up today's discussion.

Sunil Duggal: Thank you, Amitabh. So, to sum-up we received environment clearance for Sindesar Khurd and Zawar mine capacity expansions during the quarter. We also commenced Fumer project which will further improve our cost and recoveries. Our production is ramping-up as the year progresses and mined metal and silver volumes for the year will be higher than the previous year. We are on track to reach 1.2 million tonne per annum capacity of mine metal by 2019 with all our expansion projects progressing satisfactory.

With this, I open the floor for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Anshuman Atre from Haitong Securities. Please go ahead.

Anshuman Atre: My question is regarding the metal recovery from residue how much of the potential we see as you add fumers to all your plant locations.

Amitabh Gupta: So, this is the only question you have or…

Anshuman Atre: No, I have other questions.

Amitabh Gupta: Okay, let me reply you this one first. So, we are putting the fumers for the improvement of the recoveries apart from many internal things we are undertaking to improve the recoveries both in mines and smelters. There are basically few objectives of putting up of the fumer**.** One is that we produce jarosite and the consume 12-15 hectares of land every year for the company as a whole to stack our jarosite. There are few people who have put up this technology across the world and they convert this jarosite into the slags which is used by the cement industry as a part substitution of clinker, that is the basic objective and as a result of that this is a totally environment positive impact project. So, as far as the recovery is concerned, it will improve the zinc recovery by around 1%, first phase we are putting up in one of the hydro plants of 210 KT capacity so, it will improve the recovery by 1% and whatever the lead and the silver which was going in to the jarosite - may be at a capacity of 210 KT will be able to recover around 5,000 tonne of lead and 32 tonnes of silver. Apart from environment impact we will have help in liberating our land and consumption of the total slag which we will be consumed in the cement industry. This is for smelters. So, we have a potential for putting up in other hydro smelters also.

Anshuman Atre: Okay. Second question is regarding this 1.2 next year FY 2019 how much of this benefit can we see in next year FY 2018 and FY 2019 will it be in the end of the year or we will also see benefit in FY 2019?

Sunil Duggal: Current year we have told that we will be producing higher than the last year. So, the confidence is building up if you ask me as the underground mines are ramping up. We are reworking the numbers because earlier we told you that the open pit will function for the next two years but now there is a change in the mine blend which is taking place that the open pit will be there up to next year, but at the same time we have also looked at our underground plan which gives great confidence. We have just spoken that production from underground mine has grown at a CAGR of 38%. So, for next year we are reworking the numbers. The numbers should be good, I think the business plan exercise will finish by March end but as we have spoken that we will be able to ramp up the revise plan also to 1.2 million tonnes in '19-20.

Moderator: Thank you. We have the next question from the line of Ravi Shankar from Credit Suisse. Please go ahead.

Ravi Shankar: Two questions, one is what was the CAPEX during the quarter because I see that the cash balance has not increased sequentially.

Amitabh Gupta: So, we do not give quarter-on-quarter numbers but we are on track of our 250 million annual CAPEX run rate.

Ravi Shankar: Okay, so, but any reason why because this quarter was very strong on the EBITDA front but the cash pile remains at around 25,000 crores.

Amitabh Gupta: That may be largely on account of an interim dividend we gave and then significantly higher tax payment because with this LME our third quarter advance tax outflow was significantly higher and thirdly, because we have taken some advances which got neutralized in the third quarter.

Ravi Shankar: Okay, working capital did fine.

Amitabh Gupta: Also remember that we had a significant amount of commercial paper that we have taken in the early part of the financial year, almost Rs. 4,000 crores which got liquidated over this last six months. When special golden jubilee dividend was declared we did not want to break some of our investments for tax reasons so, we took temporary borrowings. So, that is what be getting reflected in the numbers you are reading from.

Ravi Shankar: Okay. And the second question sir is on mine wise colors, could you give some details on where we are in terms of existing utilization level what kind of current rated output some of our key mines and RA and SK are operating at?

Sunil Duggal: So, we spoke that last year the Rampura Agucha underground production in the last year was 0.2 million, this year in quarter three we have produced at an exit run rate of 2 million tonne. So, ramping up on a total year production of 0.2 last year to 2 million tonne in this quarter and this current quarter is also looking much better so, I think we will be exiting this year on a total year run rate of around 1.5 million, so it is a quite a ramp-up. As far as the SK is concerned, while we have got the environment clearance for the increase capacity but I think the year will end full year run rate of somewhere 3.7 million tonne to 3.8 million tonne. The Zawar mine is ramping up very fast from a run rate of 0.8 lakh tonne to 1 lakh tonne per month a year ago. Last month in January we produced around 1.8 lakh tonne in January so, it is a 80% growth which of course has come in a particular month and I think it is ramping up very fast because the confidence at Zawar is picking up very fast.

Ravi Shankar: Okay. So, if I may just add, one more question on this. So, in the broader context of the 1.2 million tonne target, how would these three mines settle at? What kind of final run rate are we looking at?

Sunil Duggal: In the scheme of things we are working out how we can ramp up SK to around 5 million tonne. We are also looking at how we can ramp up Zawar to around 5 million tonne because we are ramping up very fast and the Rampura Agucha to 3.75 million to 4 million tonne.

Ravi Shankar: And almost all of it would be underground then, right?

Sunil Duggal: Yeah, absolutely.

Moderator: Thank you. We have the next question from the line of Ashutosh Tiwari from Equirus Security. Please go ahead.

Ashutosh Tiwari: Yeah, sir, you mentioned that there is a change in the ore to waste ratio basically, how was that and what impact was there in the current quarter?

Amitabh Gupta: We changed our global strip ratio from 11.59 to 12.98. Now, this is a onetime change we did for a variety of reasons because we had decided to cut stage five and also because there was a small slide in the open pit which sterilize the portion of open cast for a little while. So, we did some re-computation and did a onetime change which cost us roughly in the region of about $50 in the COP as an exceptional cost in the quarter which has just gone by.

Ashutosh Tiwari: But will this tradition continue going ahead as well or you escalated more in the current quarter?

Amitabh Gupta: No, 12.98 is the ratio at which we will close the mine in the coming let us say one and half years.

Ashutosh Tiwari: Okay. So slight increase in cost will remain there over the coming year as well, right?

Amitabh Gupta: Very-very small, very nominal but the bulk of this $50 was on account of arrear so, it is a onetime change with cost otherwise the change will be much-much lower.

Ashutosh Tiwari: Okay. And sir, you mentioned Zawar is probably reaching around 2 million tonne per year capacity you mentioned 1.8 lakh last month. So, in FY 2018 how much we can produce from Zawar?

Sunil Duggal: As I told you that we are on a drawing board now making up the plan for next year but I think there will be good ramp-up. So, one month we cannot take as a complete run rate of that but it has given us that confidence and in the initial thought we are looking at production of 2.5 million tonne from Zawar next year.

Ashutosh Tiwari: Okay. And Kayad and all there is no change happening in terms of production capacity?

Sunil Duggal: No, Kayad has a cap at 1 million tonne. Although am so confident that Kayad can in the 9 months to 10 months do one million tonne but we have a cap of environment clearance of 1 million tonne there.

Moderator: Thank you. We have the next question from the line of Anuj Singla from Deutsche Bank. Please go ahead.

Anuj Singla: Sir, the first question relates to the cost, given that $50 one-time has been there. So, what kind of cost efficiency should we be expecting in next year given that the volumes are going to be significantly better?

Amitabh Gupta: First of all we do not give guidance for the next financial year at this time. Normally the guidance is given in April, so I think you will have to wait for one quarter before we give you any guidance of the next financial year when budget cycle is frozen. However, looking at the commodity cost in the last six months significantly gone up coal, met coke, disease, etc., I would image that the further potential for these prices to go up even further beyond this is very limited. So, I would expect a benign cost in the next financial year but you will have to wait for the next April before we give detail guidance.

Anuj Singla: Okay. When we look at the costing for the next year, so we should take $861 as a base now, right, instead of the previous $809 which we had reported for second quarter so, whatever cost efficiencies will come will be coming on a base of $861?

Amitabh Gupta: I think 861 may not be the right base because 861 remember includes a one-time charge of $50 and that $50 may be much lower in the coming quarters.

Anuj Singla: So, the way we need to look at things and may be $861 minus 50, $811 is some kind of improvement there and $50 will obviously go down to zero over the next two and half years, is that a fair assumption?

Amitabh Gupta: It will go down to let us say about $15, $17 because the global strip ratio has increased, so instead of $50, it may be $15.

Anuj Singla: Okay, over the next one and half year we can expected to go down….

Amitabh Gupta: Next one year.

Anuj Singla: Okay. So, the second question relates to the CAPEX guidance are we still maintaining a $250 million of annualized CAPEX for the next few years or given that some new projects have been announced that there is a potential for that to go up for the next couple of years?

Sunil Duggal: Yeah, actually we have to look at two or three things, one is the $250 mn is for the current mining expansion which is going on and we also have to look at now the fumer is coming and we also have to see whether some money would also be required for debottlenecking of smelters because as the mines capacity is ramping up, we also have to match the smelter's capacity. So, we will rework both these number although the fumer is there in front of us because of which some expenditure would be there next year because the total timeline for fumer is around 18 months some few months will pass in this year and next full year will be there and may be two months or three months next year to next year so, we will work out those numbers but it will definitely not be what is normal guidance for the mining adjustments.

Anuj Singla: Okay, there is upside ways for that given that all the new projects will entail some new CAPEX…

Sunil Duggal: Yes, could be.

Anuj Singla: Okay. And sir, lastly, sir, when we achieve an ultimate 1.2 million tonnes of mine smelter production in FY 2019 or FY 2020 so what is the kind of run rate on silver we should be expecting the production where will it stabilize then?

Sunil Duggal: I think it should be stabilize between 700 to 750.

Moderator: Thank you. We have the next question from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Sir, my first question is I think in the earlier question I think you indicated the run rate mine wise sir, how much would it be for Dariba that is something which is left.

Sunil Duggal: So, Dariba is a bit difficult ore body, we are trying to look at how the plan is to ramp it up. 1.2 million tonne is the original plan but we are still looking at that how we can liberate this mine from water issue or the ventilation issues and looking at the difficult ore body also what is the opportunity or upside. So, we are still on drawing board for Dariba but in the plan of the things it is 1.2 million tonne.

Ritesh Shah: Great, sir, based on the earlier numbers that you gave for RA mine, SK, Zawar and Kayad, total to it including 1.2 for RD it comes to nearly 16.2 million tonnes so, factoring zinc and lead and the current recovery rates, how much of mined metal production would translate to?

Sunil Duggal: No, it should be around 1.2 million this what we have talked.

Ritesh Shah: Okay. And this is something that we are guiding for FY 2019 for the time being.

Amitabh Gupta: Calendar '19.

Ritesh Shah: Okay. Sir, my second question is how should one look at the progress for the mine Shafter both Rampura Agucha as well as SK Mine and incrementally how should one look at the production profile from specifically let us say the mine shaft getting commissioned, vertical shaft getting commissioned.

Sunil Duggal: Actually the mine shaft commissioning will give us an upside because it is like operating at two different level. So whatever the upper lenses there today we are today mining through the decline and when we will be mining at the deep level, so the parallel stripping will be done at the higher level and the lower level while the work of hauling at the upper level will be done through the decline for the lower level, it will be done through shaft.

Ritesh Shah: Okay, sir, if I had to reread from a laymen term it would either mean the cost of production to go down significantly or the production number should move up significantly as you indicted that both the methods we can actually continue to mine, so sir, how should one look at this?

Sunil Duggal: No, it think your judgment is right because there is a potential to mine from the true levels and there is also a potential whatever hauling we are doing through trucks may be three kilometer, four kilometer through the decline that has the potential to move the material through the shaft. So, the shaft hauling is more capital intensive but operationally it definitely cuts down the cost because the hauling business could go down.

Ritesh Shah: Okay. Sir, just to take this further, so how should one look at it, should one expect that incrementally our costing would come down or should one look at that there is some hope that incrementally we could up our production guidance given you indicated that there is a upside to our volumes on back of this?

Sunil Duggal: There is a potential for both and that is why we are looking at when the shaft will get commissioned there will be upside on the volume by….

Ritesh Shah: Okay, sir, my second question is what are the timeline for both these vertical shafts getting commissioned at both the mines at RA and SK?

Amitabh Gupta: Second-half of next calendar.

Ritesh Shah: For both the mines.

Amitabh Gupta: Yes.

Moderator: Thank you. We have the next question from the line of Dhawal Doshi from PhillipCapital. Please go ahead.

Dhawal Doshi: Sir, just one question on the overall volume guidance. Just wanted to reconfirm what you mentioned FY 2017 we will see the mine metal being higher than FY 2016, the integrated metal production is going to be lower than FY 2016, if I am not mistaken in this second quarter call you did mention that it is going to be in the range of FY 2016 production so why this deviation?

Sunil Duggal: No, actually as you know in H1 there was more waste excavation and lower MIC availability was there. So, the utilization of the smelter was to that extent. Then also in the quarter three and quarter four how we are working is that the mines are ramping up very significantly but the smelter have not performed to the efficiencies and productivities to the level we thought. And we also had taken a lot of action for debottlenecking, there was slight delay in those debottlenecking actions also and that is why there is a accretion to the inventory and we also said in the call just now that we are looking at the opportunity of selling this concrete looking at the opportunity of the high LME and the adjusting low TCs.

Dhawal Doshi: Okay. So, it is basically the smelter debottlenecking has been a delay, so, if I were to just look at the change from Q2 to Q3 call.

Sunil Duggal: That is right because we thought that we will be able to debottleneck the smelter to the capacity of 1.1 million to 1.2 million tonne run rate which has slightly got delayed.

Dhawal Doshi: Okay. And sir, how do you really see that 1.1 million tonne to 1.2 million tonne smelter run rate can be operational in FY 2018?

Sunil Duggal: No, actually this is what we try in this quarter that we took a lot of measures for debottlenecking in these smelters. So, if we look at the numbers also a little more closely we have been able to debottleneck the smelter to certain extent which has also given us the confidence that the ramp up of the production from the smelter have taken place but we have some more measures we have to take and that is why I also said that we have to plan for a little more investments going forward.

Moderator: Thank you. We have the next question from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: Sir, two questions. First, is on the P&L. I would assume in the deferred mining expenses of Rs. 158.86 crores that we have in the third quarter are non-cash expenses and hence to that extent the cash EBITDA should be higher than what we have reported, would that be correct, sir?

Amitabh Gupta: Where are you getting Rs. 158.8

Pinakin Parekh: In the deferred mining under the line item L under expense Rs. 158.86 crores.

Amitabh Gupta: I thought that is Rs. 190 crores.

Pinakin Parekh: I do not know sir.

Amitabh Gupta: Yeah, basically, it is a non-cash charge. So, it is like a strip ratio where you take global ratio and every time waste is higher than that global strip ratio you capitalize it and every time you are in feast period you decapitalize it and bring it into the P&L. So, the cash charges already happened in earlier quarter this is a non-cash expense which is just being transferred from the P&L to the balance sheet in accordance with the global strip ratio.

Pinakin Parekh: Understood. Sir, second thing on the power and fuel which shows Rs. 376 crores vis-à-vis Rs. 122 crores the notes to account says that the last quarter there was Rs. 106 crores provision write back but still that would mean that Rs. 376 crores versus Rs. 230 odd crores is still materially higher. So, this entire Q-on-Q increase it is just because of production or are the any provisions which have been built into this quarter's power and fuel expenses?

Amitabh Gupta: So, roughly you can take that there is Rs. 60 crores increase in coal price because of the coal prices having increased very significantly in the previous quarter. So, if I were to reduce that Rs. 60 crores we will be down to 317, right. So, the 317 and in the sequentially prior quarter there was a 106 crores write-back, so, if you add that back it is Rs. 228 crores. So, the comparison is Rs. 228 crores to Rs. 317 crores which is in line with the 35% increase in metal production.

Pinakin Parekh: And sir, lastly there has been a lot of talk about mine lease auctions but so far we have not seen any progress take place. Now, sir from your view as one of the India's large mining private sector mining companies (a) how do you see this panning out at least in your neighborhood or your commodities of interest are there any auctions likely over the next financial year and (b) in your view what is holding back the auctions why have the state government is not being able to move forward auctioning the mining leases?

Sunil Duggal: No, actually I would not say there is no progress, there are some auctions which have taken place and government is a little more cautious about it. As far as we are cornered, we are not seeing any auction which is coming forward in the future. But we have some saved licenses travelling from RP to PL to ML so, there are chances that we may get hand on PL in the next quarter coming from the RP route and then it getting converted into ML. One of the ML which is Ghughra in the district Ajmer the ML execution may also be there in the final stages so, there are various progresses in our saved licenses and we are hopeful that we will be able to lay hand on some of the license in the next few months.

Pinakin Parekh: And sir, this would be what zinc lead rich ore body?

Sunil Duggal: Yeah, zinc lead ore body. I am talking about zinc lead ore bodies, I am not talking any other portfolio.

Amitabh Gupta: On a general basis if I can add to what Mr. Duggal is saying there was this two-year provision under the new MMDR Act which expired on 12th January 2017, so I believe a large number of licenses could not be converted before that two year deadline, so all those might also in for auction in the near future.

Sunil Duggal: I think that will definitely come which could not be converted because of some regulatory hurdles or some other issues and these are large number of mines, I think in the coming quarter or two all these mines which could not be converted to ML they will be coming for the auctions.

Moderator: Thank you. We have the next question from the line of Abhishek Poddar from Kotak Securities. Please go ahead.

Abhishek Poddar: Sir, regarding the TCRC margins are so low and you would have access mine metal volumes in 2H which means you would have excess concentrator, would you be looking to sell some part of concentrate and not refine because you would not have enough capacity in second-half?

Sunil Duggal: No, actually we said that we are looking at the opportunity because there is some accretion to the inventory has taken place, we look at the opening inventory and the closing inventory of quarter three, we have added inventory of around 30 KT. So, we are looking that we will sell some concentrate looking at the present opportunity of higher LME and lower TCs.

Abhishek Poddar: Fair enough sir. So sir, in such a case could you also give us some color on how do you see the concentrate market globally and what kind of tightens you are seeing and do you think there are some smelters which might be closing as you are searching for the market to sell?

Sunil Duggal: I am happy that somebody focus on this question also because this was a basic question for zinc industry because of which both are feeling happy about it. As far as the concentrate market is concerned, if you look at last year and you compare it with last to last year so, there is deficit of 1 million tonne in concentrate which has taken place. Apart from that the LME stocks also have reduced by 0.5 million tonne and the smelter production also have been almost at the same level or slightly low. So, there is deficit on three accounts, one smelter production has not be shown number two, the total FG stocks have gone down, the concentrated stocks have gone down, and primarily some of the mines took a call which were price sensitive to close down. Then Glencore cut production and we have also seen in the Glencore guidance that they are saying that they will not be able to ramp up to the original level in the next year. Korea Zinc coming up saying their smelter production will be flat next year because of the availability of the concentrate and the low TCs. So, all this story and we also see that we saw the projects which were supposed to come up they were put on hold along with some of the mines which you and me both are aware that got closed down. So all that story, it looks that the trend will continue the market would look much more tighter in the coming months and the TC is going down the smelter will not be able to extract their margins we also will have to look at how to extract a better premium on the customer so that they are able to meet their margins.

Abhishek Poddar: Fair enough. Are you also hearing about any new mines which might be coming up because the prices are so remunerative now?

Sunil Duggal: No, there are projects we have studied it, there are three-four projects which are coming up then there are projects which are stuck in the regulatory clearance, there are other projects which still have not taken a call to come up. So, in the near-term, in the next two years we are not looking at any project coming up. I mean, delivering the production in the near-term.

Moderator: Thank you. We have the next question from the line of Ashish Kejriwal from Elara Capital. Please go ahead.

Ashish Kejriwal: Sir, about sulfuric acid prices how the prices have moved on Q-on-Q basis, is it significantly lower than second quarter?

Amitabh Gupta: So, sulfuric acid prices have tended to be lower in the third quarter relative to second quarter that is correct but we are seeing a little bit of rebound in the current quarter.

Ashish Kejriwal: So, what was the average which we realized in third quarter?

Amitabh Gupta: Third quarter was about 1,800.

Ashish Kejriwal: And I think in the second it was around 3,400.

Amitabh Gupta: No, about 25.

Ashish Kejriwal: Okay, so, it is on the declining trend only.

Amitabh Gupta: No, it is not a declining trend, so, I am saying in the current quarter, we are going to see a rebound, we are already seeing a rebound. So, there was decline from Q2 to Q3 but we are expecting some rebound in the Q3. Not complete but some rebound.

Ashish Kejriwal: And secondly as far as refine metal production is concerned, on a quarterly basis how much we can maximum produce?

Amitabh Gupta: At a run rate of about 1 million tonnes zinc plus led together.

Ashish Kejriwal: About refine metal in the sense refined zinc?

Amitabh Gupta: Refine zinc plus lead I said a million tonne.

Sunil Duggal: That is the current capacity but we have been able to debottleneck to certain extent, so it is above 1 million tonne lead and zinc together.

Ashish Kejriwal: In third quarter, also I think we are producing at the similar rate.

Sunil Duggal: Yeah, that is right.

Ashish Kejriwal: So, are we not seeing any increase from the current level or the capacity unless until debottlenecking takes place?

Sunil Duggal: No, we are looking at quarter four. We are looking at quarter four and a lot of debottlenecking jobs are still to return. We have a complete plan how to ramp up or debottleneck these metals from 1 million tonne to 1.2 million tonne.

Ashish Kejriwal: Okay, fair enough. And sir, one more thing if you remember we had a plant at Vizag which we shut down four years back because now zinc prices are so high do not you think we can look into it?

Amitabh Gupta: No, it is a very environmentally sensitive location which is located at the heart of the city because there is population around and all the habitants have settled around our location. The major reason of closure of the unit was not anything because we did not get the permission to set up additional SLF which was very important for smelter to dispose of the jarosite so, we could not do and we have no option but to keep it at that time. And when we have a plan to cater to the entire mined metal production we do not really need to even relook at Vizag. So, some debottlenecking, etc., so many other thoughts are in the anvil. So, we are hopeful that up to 1.2 we may not need an additional smelter.

Moderator: Thank you. Ladies and gentlemen, that was the last question, I would now like to hand the conference call over to Ms. Ekta Singh for closing comments. Thank you and over to you ma'am.

Ekta Singh: Thank you for joining our call today. If you have any further questions, please feel free to reach out to me. Thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Hindustan Zinc, that concludes this conference. Thank you for joining us and you may now disconnect your lines.