

SILVER



Global Scenario

- The COVID-19 pandemic had impacted silver demand in most of the segments (Industrial, Jewelry and Silverware) due to lockdown restrictions, supply chain disruptions, lowered inventory replenishment and factories facing labor supply problems. However, physical investment surged by 27% to 236.8 Moz in 2020.
- Lockdown restrictions led to the largest annual drop in mine production, especially in Mexico, Peru and China with total supply falling below 1,000 Moz (31,000 t) for the first time.
- The impact of the COVID-19 pandemic, and the considerable interest this created for safe haven assets, underpinned the 27% rise in the 2020 annual silver price to a seven-year high of \$20.55.
- Going forward, silver is expected to benefit both from its precious metals credentials, against the backdrop of low interest rates and concerns about inflation, and its industrial metal ones, given a synchronized post-pandemic recovery and policy-makers' focus on silver-consuming green energy applications.
- This should help prices build on last year's gains. Metals Focus' projections see silver rally to a peak of \$32 before the end of CY 2021, culminating in a full-year (CY 2021) average of \$27.30, which will be 33% higher than the CY 2020 figure.

Indian Scenario

In India, the silver demand shrunk to nearly a third in FY 2020-21 due to high prices. As a result, imports declined significantly. The markets also witnessed huge surge in availability of secondary silver by ~300 tons in CY 2020 (144% Y-o-Y growth) from ~120 tons in CY 2019, as investors holding silver as an investment in the form of coins, bars, jewelry, give away gifts started selling it.

Market Drivers & Opportunities

- The silver demand forecast for CY2021 and beyond is promising as the Indian economy improves, coupled with rising consumer confidence as the market increasingly embraces higher purity, sterling silver jewelry.
- Focus on solar energy, and anti-dumping and other regulatory measures to incentivize production of solar panels in India, will see a boost in silver demand as silver paste is used in photovoltaic cells.
- With industrial demand for silver at just ~19% of overall demand compared to ~50% globally, India has huge potential to drive this demand with conducive policies that

incentivize value added silver products for PCBs, switchgears, solar panels etc. This is more so in PV module manufacturing, as India requires ~450 tons of silver paste for its 8 GW annual capacity, 80% of which is imported. Research efforts are underway at IIT Mumbai and several companies to promote its local development.

Realizing this potential, Hindustan Zinc and Rajasthan Government organized a mega webinar in September 2020, following which many entrepreneurs and MSMEs have set up industrial shops in and around Rajasthan.

Products & Customers

Hindustan Zinc is India's only primary silver producer and ranks 6th globally in terms of the top silver producing companies. We cater to various market segments including the industrial sector (electrical contacts, solder & alloys, and pharmaceuticals), jewelry and silverware. We sell all our silver in the domestic market. Last year, we started spot sales of silver through an e-auction to reduce manual intervention, providing equal opportunity to all our buyers to compete and complete price transparency during sales.

