



ZINC

MARKET OVERVIEW

The year started with global lockdown measures and stalled economy. April recorded some of the worst economic indicators and zinc prices crashed to lows of \$1,900/ton. Economic activities started picking up from July as lockdown eased out, followed by a steady rise of LME, partly aided by concentrate tightness due to shutdown of mines in Peru, Chile and other parts of the world.

By the last quarter, rollout of vaccines on mass scale brought the industrial and investor sentiment back on track, and LME rose to a high of \$2,860/ton towards the last week of FY 2020-21. The bull run was supported by a weakening dollar, rising investor confidence, near-zero interest rates and several fiscal stimulus packages announced by governments globally totalling \$15 trillion.

Global demand for zinc totalled 13.2 Mt in CY 2020, shrinking by 4.6%. Most of this demand is expected to recover in CY 2021, with Woodmac estimating a growth of 4.7% in CY 2021, followed by 2.3% in both CY 2022 and CY 2023.

While in India, zinc consumption contracted by 12% in FY 2020-21, on the back of the pandemic. The pandemic-struck first quarter saw demand reduce by 48%. Consumption picked up steadily in the second half, demonstrating a strong “V - shape” recovery. The year closed with Q4 showing a Y-o-Y growth of 6%. Much of this growth came from infrastructure sector, on the back of ₹ 20 lac crore package announced by the Government of India and increased pent-up demand from the automobile segment, post lockdowns.

Global Scenario

Renewed virus control measures are expected to have a positive impact on demand. Many countries are at various stages of their vaccination programs. Key difference between ongoing attempts to curtail the spread at present and what we saw initially in FY 2019-20 is that the focus of control measures is now more narrow. This means, together with adaptation to new working conditions in sectors such as manufacturing, construction and large parts of the service sector, the impact on output will be modest in FY 2021-22. Given the pandemic situation, governments and institutions are likely to continue their efforts to try and support economies, whereby we expect zinc consumption to grow by 4% in CY 2021, marking the first annual increase in zinc consumption in over three years.

Source: Wood Mackenzie

Zinc consumption expected to grow in CY 2021 by

4%

Products & Customers

Hindustan Zinc is the largest primary zinc producer in India, with 77% market share including alloys, and 80% market share without alloys in 2021. Typically, ~70% of our refined zinc production is sold within India, and the rest is exported to South-East Asian and Middle East countries. However, due to the pandemic-led demand destruction in the Indian market in Q1 FY 2020-21, our exports witnessed an increase in FY 2020-21. Over 70% of Indian zinc demand comes from galvanizing steel, predominantly used in construction and infrastructure sectors. We also produce Continuous Galvanizing Grade (CGG), EPG (Electro Plating Grade) and two grades of zinc for use in die-casting alloys. We are working closely with our customers to make our zinc product portfolio robust in terms of value-added products (VAP). Our focus is on increasing the supply of VAP to 25% of total zinc sales in FY 2021-22, from 16% in FY 2020-21.

Indian Market & Opportunities

The Prime Minister's vision to make India a 5 trillion-dollar economy, and the Steel Ministry's ambition to enhance India's steel production capacity from 120 Mt to 300 Mt, sets the stage for a strong growth trajectory for zinc. The roll-out of 5G network and the government's ambitious push to achieve 100% electrification is expected to boost the demand for transmission towers.

Indian industries have now started appreciating the need for corrosion protection for the structures. India, as a nation, builds for tomorrow and a rising trend of galvanized rebars usage is evident. The recent establishment of Continuous Galvanized Rebar facility by Madhav Alloys, built in collaboration with Hindustan Zinc and the International Zinc Association (IZA) is a case in point.

As an emerging technology, zinc will also find usage in battery application. It is well-positioned to replace lithium-ion variants, given its abundance in India as compared to lithium, which is mostly imported. This will help reduce India's reliance on import.

We also see growth opportunities for zinc consumption in India in other applications, including zinc metallization of railway tracks, as a nutrient for zinc deficient soil in India, and increased galvanized steel in car bodies in-line with international standards.

In the coming years, there is a significant potential for market development of zinc in India, given the country's low per capita consumption of just 0.5 kg compared to a global average of 1.7 kg. Hindustan Zinc and International Zinc Association are working on developing new applications like Continuous Galvanized Rebar, Zinc Air batteries and Zinc Paints etc., which have promising potential in emerging economy, especially India which has vast coastal belts.