

Hindustan Zinc Limited

Results for the Second Quarter and Half Year Ended September 30, 2020

“Highest ever quarterly silver; lowest quarterly cost¹ since UG operation”

“Interim Dividend of INR 21.30 per share amounting to INR 9,000 crore”

Highlights for the quarter

- Mined metal production: 238kt
- Refined metal production: 237kt
- Saleable silver production: 203 MT
- Zinc COP: \$919 per MT

Udaipur, October 20, 2020: Hindustan Zinc Limited, the leading global integrated producer of zinc, lead and silver, reported its results for the second quarter and half year ended September 30, 2020.

Commenting on the Q2 performance, **Mr Arun Misra, CEO**, said: *“On back of streamlined operations, we continue to deliver record volumes despite the challenges posed by the pandemic. We are setting up Hindustan Zinc for its next phase of growth and are confident to deliver superior value to our stakeholders in a sustainable manner.”*

Mr Swayam Saurabh, CFO, said: *“Our operational discipline and focussed cost optimisation programmes leveraging technology & digitalisation are driving our cost lower and is evident in our financial performance. Our unwavering focus to invest in high IRR projects and strong cash conversion discipline is enabling us to stay ahead of the curve and deliver industry leading returns”*

¹ In dollar terms

Financial Summary

INR. Crore or as stated

Particulars	Q2			Q1		H1		
	2021	2020	Change	2021	Change	2021	2020	Change
Sales¹								
Zinc	3,323	3,052	9%	2,562	30%	5,885	6,561	-10%
Lead	861	672	28%	604	42%	1,465	1,356	8%
Silver	1,237	577	114%	643	92%	1,880	1,153	63%
Others	239	210	13%	180	33%	419	428	-2%
Total	5,660	4,511	25%	3,989	42%	9,649	9,498	2%
EBITDA	2,952	2,120	39%	1,599	85%	4,551	4,600	-1%
Profit After Taxes	1,940	2,081	-7%	1,359	43%	3,299	3,846	-14%
Earnings per Share	4.59	4.93	-7%	3.22	43%	7.81	9.10	-14%
(INR, not annualised)								
Mined Metal Production ('000 MT)	238	219	9%	202	18%	440	432	2%
Refined Metal Production ('000 MT)								
Total Refined Metal								
Zinc	180	166	9%	157	15%	338	338	0%
Saleable Lead ²	57	44	29%	44	28%	101	91	10%
Zinc & Lead	237	210	13%	202	18%	439	429	2%
Saleable Silver ^{3,4} (in MT)	203	134	51%	117	73%	320	293	9%
Wind Power (in million units)	113	164	-31%	112	0%	225	298	-24%
Zinc CoP without Royalty (INR/MT)	68,228	73,754	-7%	76,920	-11%	72,235	73,987	-2%
Zinc CoP without Royalty (\$/MT)	919	1,048	-12%	1,019	-10%	965	1,057	-9%
Zinc LME (\$ / MT)	2,335	2,348	-1%	1,961	19%	2,154	2,549	-15%
Lead LME (\$ / MT)	1,873	2,028	-8%	1,673	12%	1,776	1,958	-9%
Silver LBMA (\$ / oz.)	24.26	16.98	43%	16.38	48%	20.44	15.96	28%
USD-INR (average)	74.24	70.35	6%	75.48	-2%	73.63	69.97	5%

(1) Including other operating income

(2) Excluding Captive consumption of 1,786 MT in Q2 FY 2021 as compared with 1,574 MT in Q2 FY 2020 and 1,202 MT in Q1 FY 2021.

(3) Excluding captive consumption of 10.2 MT in Q2 FY 2021 as compared with 8.2 MT in Q2 FY 2020 and 6.2 MT in Q1 FY 2021.

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

Operational Performance

Mined metal production for the quarter was up 9% y-o-y to 238kt on account of higher ore production. Sequentially, mined metal production grew by 18% driven by higher ore production resulting from better mine planning and effective targeting with increased use of technology. However, this was partly offset by decline in metal grades and lesser ore treatment. H1FY21 MIC production was up 2% y-o-y in line with higher ore production and increased recoveries, offset by a slight dip in overall metal grades.

Integrated metal production was 237kt for the quarter, up 13% from a year ago. Integrated zinc production was 180kt, up 9% y-o-y, while integrated lead production was up 29% y-o-y to 57kt in line with higher MIC production, better grades and increased operation of pyro-lead smelter. Integrated silver production was 203 MT, soaring 51% y-o-y on account of higher lead production and better silver grades at SK. Sequentially, integrated metal production was up 18% on account of higher MIC availability. Integrated silver production was up 73% sequentially in line with higher lead production and higher concentrate inventory. H1FY21 metal production was up 2% at 439kt in line with mined metal availability, while silver production was 9% higher y-o-y to 320 MT in line with lead production and improved silver grades at SK.

Financial Performance

Revenue from operations during the quarter was INR 5,660 Crore, an increase of 25% y-o-y led by higher metal volumes, higher silver prices aided by rupee depreciation partly offset by lower zinc & lead LME prices. Zinc sales volume increased 8% y-o-y and lead by 30% y-o-y in line with higher production.

Sequentially revenue soared 42%, primarily driven higher LME prices, higher metal premium, partly offset by rupee appreciation. Zinc & lead LME prices were sequentially up 19% & 12% respectively.

Zinc cost of production before royalty (COP) was \$919 (INR 68,228) per MT for the quarter, lower by 12% y-o-y and down 10% sequentially. H1FY21 COP was \$965, down 9% y-o-y. The COP benefitted from a number of cost reduction initiatives yielding results, further supported by decline in coal, metcoke and cement prices.

As a continuation from last quarter, we remained focussed on executing critical priorities on all fronts of consumption, contracting, procurement and fixed costs resulting in sustained reduction in costs which has reached its lowest level for a quarter in dollar terms since our transition to a fully underground mining operation in March 2018.

EBITDA for the quarter was INR 2,952 Crore, up 39% y-o-y and 85% sequentially on account of higher revenue and lower operating costs.

Net profit for the quarter was INR 1,940 Crore, up 43% sequentially and down 7% y-o-y due to higher depreciation & amortisation, finance cost and higher tax rate due to change in income mix.

Outlook

We previously guided to achieve mined metal and finished metal production of 925-950 KT each and saleable silver production of c.650 MT in FY21. We also guided zinc cost of production to remain below \$1,000 per MT and project capex between USD100 million and USD140 million for the year.

We remain on track to achieve the above guided numbers for FY21.

Expansion Projects

Environmental Clearance (EC) recommended by Expert Appraisal Committee for Zawar mine expansion from 4 to 4.8 mtpa.

Both the back-fill plants at Zawar are under commissioning and operation is expected to start in Oct'20.

Due to ongoing Covid-19 restrictions including visa restriction of Chinese nationals, commissioning of Fumer plant at Chanderiya is delayed and efforts are ongoing for an early commissioning.

Liquidity and investment

As on September 30, 2020, the Company's gross cash and cash equivalents was INR 27,631 Crore as compared to INR 20,437 Crore at the end of the first quarter (June'20).

During the quarter, we raised INR 5,020 Crore through issuance of non-convertible debentures and a term loan. In addition, short-term commercial paper of INR 4,778 Crore is outstanding as at end of September 2020.

Consequently, the Company's net cash and cash equivalents as at end of September 2020 was INR 17,833 Crore as compared to INR 15,480 Crore at the end of the first quarter (June'20) and was invested in high quality debt instruments and fixed deposits.

Earnings Call on Tuesday, October 20, 2020 at 4:00 pm (IST)

The Company will hold an earnings conference call on Tuesday, October 20, 2020 at 4.00 pm IST, where senior management will discuss the Company's results and performance.

Conference Dial-In Information:

[Express Join via internet registration](#)

Please dial the below number at least 5-10 minutes prior to the conference schedule.

Universal Access +91 22 6280 1340, +91 22 7115 8241

Local Access (Available all over India) +91-7045671221

Playback Dial-In Numbers +91 22 71945757, +91 22 66635757
Oct 21 – Oct 28, 2020 Playback Code: 53068

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About Hindustan Zinc

Hindustan Zinc (NSE & BSE: HINDZINC) is the one of the largest integrated producers of zinc-lead in the world with a capacity of over 1.0 million MT per annum and the 6th largest global 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 347 MW including 273.5 MW of wind power, 39.6 MW of solar power and 35.4 MW of waste heat power. The Company has an operating workforce of over 19,100 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.