

Hindustan Zinc Limited

Results for the Third Quarter and Nine Months Ended December 31, 2020

“Highest ever quarterly ore production; Lowest 9M cost of production¹ since transition to UG operation”

Highlights for the quarter

- Mined metal production: 244kt
- Refined metal production: 235kt
- Saleable silver production: 183 MT
- Zinc COP: \$946 per MT

Udaipur, January 20, 2021: Hindustan Zinc Limited, the leading global integrated producer of zinc, lead and silver, reported its results for the third quarter and nine months ended December 31, 2020.

Commenting on the Q3 performance, **Mr Arun Misra, CEO**, said: *“We have delivered record production volumes yet again despite challenging operating environment due to Covid. Our steadfast focus on strengthening fundamentals will allow us to operate at targeted run-rate production in Q4, in turn setting the stage right for next fiscal year. We are leveraging technology for increased efficiency at our mines & smelters and more importantly to ensure safe operations in these extraordinary times.”*

Mr Swayam Saurabh, CFO, said: *“Our unwavering commitment to invest in cutting edge technology and increased digitization of our operations, along with other structural cost reduction initiatives has helped to successfully bring down the cost at sustainable low levels. Our firm focus on free cash flow generation through working capital optimization has enabled us to deliver industry-leading shareholder returns. We continue to strive to set new benchmarks for our peers globally and create long term value for all stakeholders.”*

¹ In dollar terms

Financial Summary

INR. Crore or as stated

| Particulars | Q3 | | | Q2 | | 9M | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2021 | 2020 | Change | 2021 | Change | 2021 | 2020 | Change |
| Sales¹ | | | | | | | | |
| Zinc | 3,835 | 3,165 | 21% | 3,323 | 15% | 9,720 | 9,725 | 0% |
| Lead | 817 | 652 | 25% | 861 | -5% | 2,283 | 2,007 | 14% |
| Silver | 1,146 | 690 | 66% | 1,237 | -7% | 3,026 | 1,844 | 64% |
| Others | 235 | 165 | 42% | 239 | -2% | 653 | 594 | 10% |
| Total | 6,033 | 4,672 | 29% | 5,660 | 7% | 15,682 | 14,170 | 11% |
| EBITDA | 3,314 | 2,288 | 45% | 2,952 | 12% | 7,865 | 6,888 | 14% |
| Profit After Taxes | 2,200 | 1,620 | 36% | 1,940 | 13% | 5,499 | 5,466 | 1% |
| Earnings per Share | 5.21 | 3.83 | 36% | 4.59 | 14% | 13.01 | 12.94 | 1% |
| (INR, not annualised) | | | | | | | | |
| Mined Metal Production ('000 MT) | 244 | 235 | 4% | 238 | 2% | 684 | 668 | 2% |
| Refined Metal Production ('000 MT) | | | | | | | | |
| Total Refined Metal | | | | | | | | |
| Zinc | 182 | 178 | 2% | 180 | 1% | 520 | 516 | 1% |
| Saleable Lead ² | 52 | 41 | 28% | 57 | -7% | 153 | 132 | 16% |
| Zinc & Lead | 235 | 219 | 7% | 237 | -1% | 674 | 649 | 4% |
| Saleable Silver ^{3,4} (in MT) | 183 | 149 | 23% | 203 | -10% | 503 | 442 | 14% |
| Wind Power (in million units) | 61 | 68 | -10% | 113 | -46% | 286 | 366 | -22% |
| Zinc CoP without Royalty (INR/MT) | 69,744 | 76,571 | -9% | 68,228 | 2% | 71,369 | 74,881 | -5% |
| Zinc CoP without Royalty (\$/MT) | 946 | 1,077 | -12% | 919 | 3% | 958 | 1,065 | -10% |
| Zinc LME (\$ / MT) | 2,628 | 2,388 | 10% | 2,335 | 13% | 2,314 | 2,495 | -7% |
| Lead LME (\$ / MT) | 1,901 | 2,045 | -7% | 1,873 | 1% | 1,819 | 1,988 | -9% |
| Silver LBMA (\$ / oz.) | 24.4 | 17.3 | 41% | 24.3 | 1% | 21.8 | 16.4 | 33% |
| USD-INR (average) | 73.74 | 71.06 | 4% | 74.24 | -1% | 74.48 | 70.34 | 6% |

(1) Including other operating income

(2) Excluding Captive consumption of 1,611 MT in Q3 FY 2021 as compared with 1,937 MT in Q3 FY 2020 and 1,786 MT in Q2 FY 2021.

(3) Excluding captive consumption of 9 MT in Q3 FY 2021 as compared with 10.1 MT in Q3 FY 2020 and 10.2 MT in Q2 FY 2021.

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

Operational Performance

Total mined metal (MIC) production for the quarter was up 4% y-o-y to 244kt on account of higher ore production partially offset by slightly lower overall metal grades. Sequentially, MIC production grew by 2% driven by higher ore production. 9MFY21 MIC production at 684kt was up 2% y-o-y in line with higher ore production offset by slightly lower metal grades.

Integrated metal production was 235kt for the quarter, up 7% from a year ago. Integrated zinc production was 182kt, up 2% y-o-y, while integrated lead production was up 28% y-o-y to 52kt on account of dedicated pyro-lead smelter operation. Integrated silver production was 183 MT, up 23% y-o-y on account of higher lead production partially offset by lower grades at SK. Sequentially, integrated metal production was marginally down by 1% on account of lower concentrate treatment. Integrated silver production was down 10% sequentially in line with lower lead production and lower grades at SK. 9MFY21 refined metal production was up 4% at 674kt in line with mined metal availability, while 9M silver production was 14% higher y-o-y at 503 MT in line with higher lead production and higher metal grades at SK.

Financial Performance

Revenue from operations during the quarter was INR 5,915 Crore, an increase of 28% y-o-y led by higher metal volumes, higher zinc & silver prices and rupee depreciation partly offset by lower lead prices. Zinc sales volume increased 6% y-o-y and lead by 30% y-o-y in line with higher production and robust demand.

Sequentially, revenue was up 7%, primarily driven higher zinc prices, higher metal premium, partly offset by rupee appreciation. Zinc LME prices were sequentially up 13%, while lead prices were up 1%.

Zinc cost of production before royalty (COP) was \$946 (Rs. 69,744) per MT for the quarter, lower by 12% y-o-y and higher 3% sequentially. COP for the quarter was impacted by one-time employee pay-outs equivalent to \$20 per MT. 9MFY21 COP was \$958, down 10% y-o-y. The COP for the quarter and 9M benefitted from ongoing structural cost reduction initiatives partly offset by sequential increase in mine development in Q3.

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.

EBITDA for the quarter soared to INR 3,314 Crore, up 45% y-o-y and 12% sequentially on account of higher revenue and well managed operating costs.

Net profit for the quarter was INR 2,200 Crore, up 36% y-o-y and 13% sequentially driven by recovery in metal prices and strict cost discipline.

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.

Driven by continued strong performance, we are confident to achieve our mined metal and refined metal volume guidance, while likely to exceed our guidance on silver production and cost of production for FY21.

Expansion Projects

Environment Clearance (EC) received from Ministry of Environment & Forest (MoEF) for Zawar mine expansion from current 4 million MT per annum to 4.8 million MT per annum. Chanderiya zinc smelter also received EC for expansion from current 0.42 million MT per annum to 0.50 million MT per annum.

During the quarter, both back-fill plants were commissioned at Zawar mines. These plants will de-risk operations and provide opportunity to mine left-out high-grade ore in pillars.

Covid-19 restrictions including stringent visa guidelines for Chinese nationals continued during the quarter which resulted in delay in commissioning of Fumer plant at Chanderiya. We are actively seeking alternative solutions to resolve this at the earliest.

Liquidity and investment

As on December 31, 2020, the Company's gross cash and cash equivalents was Rs.21,024 Crore as compared to Rs. 27,631 Crore at the end of the second quarter (Sept'20).

The Company's net cash and cash equivalents as at end of December 31, 2020 was Rs.10,987 Crore as compared to Rs. 17,832 Crore at the end of the second quarter (Sept'20) and was invested in high quality debt instruments.

Earnings Call on Wednesday, January 20, 2021 at 4:00 pm (IST)

The Company will hold an earnings conference call on Wednesday, January 20, 2021 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

Jan 21 – Jan 28, 2021 Playback Code: 53068

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About Hindustan Zinc

Hindustan Zinc (NSE & BSE: HINDZINC), a Vedanta Group Company, is one of the world's largest and India's only integrated producer of Zinc-Lead and Silver. The Company is headquartered in Udaipur, Rajasthan in India where it also has its mines and smelting complexes. It is self-sufficient in power with installed captive thermal power plants and green energy plants including wind and solar power.

Sustainability & innovation is at the core of Hindustan Zinc's operations. The Company is ranked 1st in Asia-Pacific and 7th globally in the Dow Jones Sustainability Index 2020 in the metal & mining sector, is a certified water positive company, is a member of the FTSE4Good Index and also a part of the prestigious 'A' List by CDP for climate change.

As a socially responsible corporate, Hindustan Zinc is committed to enhancing the lives of local communities through its social programs. The company is amongst the Top 15 CSR Spenders in India and is currently reaching out to 500,000 people across 189 core villages in Rajasthan and Uttarakhand.

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 businesses 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, London Bullion Metal Association, 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 and/or business operations to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements and investors should take their own decisions.