Hindustan Zinc Limited

Results for the Third Quarter and Nine Months Ended December 31, 2017

"EBITDA up 18% y-o-y in Q3 and 46% YTD on robust underground mine production and firm metal prices"

Highlights for the quarter

- Mined metal production at 240kt, up 10% q-o-q and down 13% y-o-y
- Refined zinc-lead metal production at 245kt, up 7% q-o-q and flat y-o-y
- Refined silver production at 132 MT, down 6% q-o-q and up 12% y-o-y
- EBITDA at Rs. 3,261 Crore; up 7% q-o-q and 18% y-o-y

Highlights for 9M

- Mined metal production at 693kt, up 16% y-o-y
- Refined zinc-lead metal production at 704kt, up 28% y-o-y
- Refined silver production at 387 MT, up 24% y-o-y
- EBITDA at Rs. 8,717 Crore; up 46% y-o-y

Udaipur, January 18, 2018: Hindustan Zinc Limited today announced its results for the third quarter and nine months ended December 31, 2017.

Mr. Agnivesh Agarwal, Chairman –

"I am pleased to report that underground mines contributed to 85% of total production during the year so far, underpinning our successful transition to a fully underground mining company. In the six years of our transformational journey, we have consistently delivered higher production, profitability & record dividends, supported by increasing metal prices. The target of 1.2 million MT of mined metal production is now within our reach."

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Financial Summary

(*In Rs. Crore, except as stated*)

Particulars	Q3			Q2		9M		
	2018	2017	*Change*	2018	Change	2018	2017	*Change*
Sales								
Zinc	4,433	4,094	8%	3,903	14%	12,115	8,701	39%
Lead	788	649	21%	638	24%	2,021	1,484	36%
Silver	519	483	7%	557	-7%	1,511	1325	14%
Others	106	95	12%	134	-21%	392	390	1%
Total	5,846	5,321	10%	5,232	12%	16,039	11,900	35%
EBITDA	3,261	2,757	18%	3,052	7%	8,717	5,964	46%
Profit After Taxes	2,230	2,320	-4%	2,545	-12%	6,651	5,259	26%
Earnings per Share	5.28	5.49	-4%	6.02	-12%	15.74	12.45	26%
(Rs., not annualised)								
Mined Metal Production ('000 MT)	240	276	-13%	219	10%	693	595	16%
Refined Metal Production ('000 MT)								
Integrated Refined Metal								
Zinc	200	205	-3%	192	4%	585	456	28%
Saleable Lead[1]	46	39	18%	38	20%	118	94	26%
Zinc & Lead	245	244	0%	230	7%	704	550	28%
Saleable Silver[2,3] (in MT)	132	118	12%	140	-6%	387	314	24%
Total Refined Metal								
Zinc	200	205	-3%	192	4%	585	457	28%
Saleable Lead[1]	46	39	18%	38	20%	118	94	26%
Zinc & Lead	245	244	0%	230	7%	704	551	28%
Saleable Silver[2,3] (in MT)	132	118	12%	140	-6%	387	314	24%
Wind Power (in million units)	57	53	8%	143	-60%	356	373	-5%
Zinc CoP without Royalty (Rs. / MT)[4]	66,118	58,067	14%	63,288	4%	64,079	57,198	12%
Zinc CoP without Royalty ($/ MT)[4]	1,022	861	19%	984	4%	994	852	17%
Zinc LME ($ / MT)	3,236	2,517	29%	2,963	9%	2,935	2,230	32%
Lead LME ($ / MT)	2,492	2,149	16%	2,334	7%	2,331	1,913	22%
Silver LBMA ($ / oz.)	16.73	17.19	-3%	16.84	-1%	16.92	17.88	-5%
USD-INR (average)	64.74	67.46	-4%	64.29	1%	64.49	67.12	-4%

(1) *Excluding Captive consumption of 1,786 tonnes in Q3 FY 2018 as compared with 1,731 tonnes in Q3 FY 2017 and 1,634 tonnes in Q2 FY2018. For 9M, it was 5,376 tonnes as compared with 3,652 tonnes a year ago.*

(2) *Excluding captive consumption of 9.275 tonnes in Q3 FY2018 as compared with 8.918 tonnes in Q3 FY 2017 and 8.750 tonnes in Q2 FY2018. For 9M, it was 28.229 tonnes as compared with 18.745 tonnes a year ago.*

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

(4) *The COP numbers are after adjusting for deferred mining expenses under Ind-AS. Without this adjustment, Zinc CoP per MT without Royalty would have been Rs. 67,082 in Q3 FY 2018*

Note:
1) Historical numbers have been revised as per Ind-AS reporting
2) Sales is reported net of Goods and Services Tax, whereas in the previous quarters Sales was inclusive of Excise Duty
3) Numbers may not add up due to rounding off; historical numbers may have changed due to regrouping

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Operational Performance

Mined metal production in Q3 FY 2018 was up 10% sequentially at 240kt due to higher ore treatment. The y-o-y decrease was 13% driven primarily by decline in overall ore grades due to mine mix and lower production from Rampura Agucha open-cast mine, even as total ore treated was higher. For the nine-month period, mined metal production was up by 16% to 693kt from a year ago due to higher ore production from underground mines, partly offset by lower open-cast mine production.

Integrated zinc metal production was 200kt tonnes, 4% higher sequentially and 3% lower y-o-y. Integrated lead metal production was 46kt tonnes, 20% higher q-o-q and 18% higher y-o-y. This was in line with availability of mined metal and smelters. Integrated silver production was at 132 tonnes, 6% lower q-o-q on accumulation of WIP and up 12% y-o-y in line with higher lead production.

For the nine-month period, integrated zinc, lead and silver production were higher by 28% y-o-y, 26% y-o-y and 24% y-o-y respectively, in line with higher availability of mined metal.

Financial Performance

Revenues during the quarter were at Rs. 5,846 Crore, an increase of 12% q-o-q and 10% y-o-y. The y-o-y increase was due to higher lead & silver volume and strong zinc & lead LME, partly offset by lower zinc volume and rupee appreciation. For the nine-month period, revenues were up by 35% y-o-y driven primarily by higher metal volumes and prices.

The cost of production before royalty (COP) for zinc during the quarter was at Rs. 66,118 per MT ($1,022), up 4% in INR and USD terms, compared to the previous quarter and up 14% y-o-y in INR and 19% in USD terms. The y-o-y increase was primarily on account of about 25% increase in prices of metcoke & imported coal and other commodities, and lower overall grades. For the nine-month period, COP was higher by 12.0% in INR and 17% in USD at Rs. 64,079 ($994) primarily due to over 50% increase in prices of metcoke & imported coal and other commodities.

EBITDA for the quarter came in at Rs. 3,261 Crore, up 18% y-o-y and 7% q-o-q while YTD EBITDA increased by 46% y-o-y to Rs. 8,717 Crore.

Net profit during the quarter was at Rs. 2,230 Crore, down 4% y-o-y and 12% q-o-q while for YTD net profit was up by 26% y-o-y to Rs. 6,651 Crore. Lower investment income on account of smaller corpus and lower rate of return and higher depreciation & tax rate partly offset gains in EBITDA. Excluding a one-time exceptional gain of Rs. 291 Crore in Q2 related to the Supreme Court's favourable judgement on District Mineral Fund levies, net profit during the quarter was at similar level as compared last quarter.

As announced last quarter, the Company has done forward sale of 220kt of zinc and 30kt of lead at $3,084 and $2,418 respectively for the period January to June 2018. Of this, 165kt (150kt of zinc and 15kt of lead) is for Q4 FY 2018 and remaining from April to June 2018. There were no further forward sales during the quarter.

Outlook

Production guidance for FY 2018 is reiterated with mined metal to be higher than FY 2017, refined zinc-lead metal of about 950kt, refined silver metal of over 500 MT. Zinc COP for FY 2018 is projected to be in the range of $950 to $975 per MT due to continued increase in commodity prices offsetting benefit of higher volume and cost efficiency measures. The Company is on track to achieve 1.2 million MT per annum (mtpa) mined metal production capacity by FY 2020.

Expansion Projects

Capital mine development increased by 55% y-o-y and was flat q-o-q to 9,685 meters during the quarter across all mines. For the nine-month period, capital mine development was 28,126 meters, up 69% as compared to corresponding prior period.

Rampura Agucha underground mine achieved the highest ever mine development for the quarter at 5,958 meters, 11% higher than the previous best. The underground mine has crossed ore production run rate of 2.0 mtpa. The main shaft hoisting system was commissioned during the quarter and is now in operation for waste hoisting. South primary ventilation system is progressing on fast track and expected to commission by end of January 2018. Off shaft development is on track and production from the shaft is expected to start as per schedule from Q3 FY2019.

Sindesar Khurd mine achieved mine development of 4,527 meters during the quarter. It crossed 4.5 mtpa run-rate for ore production during the quarter. Main shaft equipping is progressing as per schedule and on track for completion in Q4 FY2018, with production from the shaft expected to start as per schedule in Q3 FY2019. Civil and structure erection for the new 1.5 mtpa mill is going on at full swing and expected to commission in Q2 FY 2019.

Zawar mine achieved mine development of 6,555 meters during the quarter. Post completion of the Zawar mill debottlenecking to 2.7 mtpa, detailed engineering and site construction work for the new mill of 2.0 mtpa has commenced. The new mill is expected to commission in Q3 FY 2019.

Kayad and Rajpura Dariba: The Expert Appraisal Committee of MoEF has approved expansion of ore production at Rajpura Dariba from 0.9 to 1.08 mtpa and at Kayad from 1.0 to 1.2 mtpa. This will pave the way for higher production from these mines in the near future.

Fumer project at Chanderiya is progressing as per schedule. Civil construction work is 70% complete and the project is on track to get commissioned by mid-FY 2019.

Liquidity and investment

As on December 31, 2017, the Company’s cash and cash equivalents was Rs. 19,176 Crore invested in high quality debt instruments. During the quarter, the Company paid off the remaining Rs. 593 Crore of short term commercial paper, which was raised in March 2017 to meet the special interim dividend funding requirement.

Earnings Call on Monday, January 18, 2018 at 3:30 pm (IST)

The Company will hold an earnings conference call on Thursday, January 18, 2018 at 3:30 pm IST, where senior management will discuss the Company's results and performance. The dial in number for the call is:

Dial In: +91 22 3960 0762

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About Hindustan Zinc

Hindustan Zinc (NSE & BSE: HINDZINC) is the one of the largest integrated producers of zinc-lead with a capacity of 1.0 million MT per annum and a leading 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 total reserve & resource of 404.4 million MT and average zinc-lead reserve grade of 11.0%. The Company has a track record of consistently growing its reserve & resource base since 2003 and currently has 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 324 MW including 274 MW of wind power, 16 MW of solar power and 35 MW of waste heat power. The Company has an operating workforce of nearly 17,600 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 London listed Vedanta Resources plc, a global diversified natural resources company.