"Hindustan Zinc Limited Q1 FY-'17 Earning Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hindustan Zinc Q1 FY-'17 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Ekta Singh -- Investor Relations, Hindustan Zinc. Thank you and over to you ma'am.

Ekta Singh: Good Afternoon and thank you for joining us for Hindustan Zinc's First Quarter FY-2017 Results Call. For our call today, we have with us Mr. Sunil Duggal -- CEO of Hindustan Zinc and Mr. Amitabh Gupta -- CFO. Mr. Duggal will present an update on Business Performance while Mr. Gupta will present Financial Performance, after which we will be happy to take your Questions. Over to you Mr. Duggal.

Sunil Duggal: Thank you, Ekta, and A Warm Welcome to all of you. The year started on a positive note as the long overdue correction in Zinc prices finally happened on the back of strong Zinc fundamentals. We also witnessed a strong upsurge in Silver prices which in the present years has become a significant contributor to our top line.

To give you an update on operating performance for the quarter, mined metal production during the quarter was 127kt in accordance with our mine plan and waste ore sequence where production from Rampura Agucha open cast mine were lower as we excavated more waste than ore. Such waste ore sequence results in famine and feast cycles where there are periods of high waste excavation and low ore production followed by low waste excavation and high ore production. This is typical of any open cast mine as it gets deeper. Mined metal production was 45% lower on a year-on-year basis and 33% lower than previous quarter in accordance with our earlier guidance. The production volumes will gradually increase through the year with majority of it coming in second half. As we expect to deliver higher mined metal volumes during the year as compared to FY-2016, the transition to underground mine is progressing well and all our underground mines delivered higher production from a year ago. Ore production from Sindesar Khurd decline reached the originally conceived capacity of 3.75 mtpa which is significantly ahead of schedule. While production from Rampura Agucha underground mine ramped up to cross 1 mt run rate during the quarter. The production plan for the year outlines second half volumes to be substantially higher than the first half. In the first half Q2 will be much stronger than Q1. Mined metal production will be higher than previous year for the full year period.

Integrated Refined Zinc production during the quarter decreased by 46% year on year and 34% from previous quarter in accordance with mined metal availability and accretion to inventory. Integrated Lead production during the quarter was lower by 11% year-on-year and 36% sequentially as per mined metal availability. Integrated Silver metal production during the quarter was up 20% year-on-year primarily on account of higher volumes from Silver rich Sindesar Khurd mine. Compared to previous quarter though integrated Silver production was lower by 27% due to accretion to inventory and lower volumes from Rampura Agucha mine.

Silver recoveries were better during the quarter driven by higher recoveries from Sindesar Khurd mine and enhanced smelter efficiency, a key focus area and priority for us. With bullish sentiments on Silver prices and accelerating Silver volume, Silver is becoming increasingly prominent in our portfolio with nearly 20% of our pre-tax profit coming from Silver in this quarter compared to 10% a year ago.

Coming to our Ongoing Expansion Projects now: I am pleased to say that company continued with high pace of mine development achieving 14 Kms of total mine development across all underground mines during the quarter which is 18% higher from a year ago. Mine development at Rampura Agucha underground mine crossed 4 Kms benchmark for second quarter in a row and is progressing very well. During the quarter all three surface ventilation fans of 250 KW were commissioned for North decline at Rampura Agucha mine. Main shaft sinking continued to progress well and has crossed 900 meters against the final depth of 950 meters. Winder erection work and shaft furnishing work also commenced during the quarter. At Sindesar Khurd mine the main shaft sinking work has already been completed to the ultimate depth of 1052 meters and off shaft development work continues to be ahead of schedule. Work on up ramp also commenced during the quarter. We are further expanding this mine by ramping up production from declines from 3.75 mt to 4.5 mtpa. Matching the ramp up of mine, progress of 1.5 mtpa capacity mill and power upgradation projects are in full swing and will be commissioned by last quarter of financial year.

At Zawar, mill de-bottlenecking along with associated power and infrastructure projects are progressing well. Work on new declines at our Mochia, Balaria and Baroi mines commenced during the quarter and infrastructure work including surface workshop, ventilation system, upgradation of electrical and other infrastructure is in progress. Kayad mine project is near completion, having achieved its eventual capacity of 1 mtpa during this quarter.

I am pleased to inform that two of our mines -- Rampura Agucha and Sindesar Khurd -- have been awarded Five Star Rating by Ministry of Mines in the presence of Union Finance Minister and Mine Minister for the initiatives taken for implementation of sustained development framework and for exemplary compliances and best practices. Our two mines received accolade among 10 best mines in the country to receive this Five Star Rating which is a recognition of the company's mining powers.

To give you an update on the market, we have seen a surge in Zinc prices during the quarter. Zinc fundamentals as you know are on a strong footing and we expect this uptick in price to continue in the next few quarters. On the domestic front we expect demand from galvanizing sector to strengthen as the steel industry continues to show resilience against competition from cheap imports and government coming to their support which bodes well for the domestic zinc demand. Further, we have seen Silver prices strengthening in the last few months and expect it to remain robust with the forecast of strong monsoon.

Now, I will hand over to our CFO -- Mr. Amitabh Gupta, who will take you through the Financials in detail.

Amitabh Gupta: Good Afternoon, Everybody. Before I present an update on the Financial Performance for the quarter I will first discuss key changes in accounting that we have adopted from this financial year;

#1, the Company has adopted the Indian accounting standards or Ind AS. This reporting has been adopted from the current financial year. Correspondingly comparative periods of previous year have also been recast where necessary.

#2: Ind AS also incorporates the IFRS methodology of temporarily capitalizing waste excavation in periods of high waste to ore ratio in open cast mining to more closely relate the costs of actual production. Accordingly, Rs.189 crores was capitalized which will be reversed in the second half of this financial year where waste excavation is expected to be low. This is reflected under a new head of deferred mining expenses in our financials, where this volatility of famine and feast that Mr. Duggal mentioned will be reflected and which will result in more closely relating our costs in the financials to actual production volumes. Over the financial year, we expect this head to zeroize.

#3: A few words on the capitalization of mark-to-market gains of Rs.160 crores. Ind AS allows capitalization of mark-to-market gains on corporate bonds to reduce volatility in the P&L. Accordingly, cumulative amount of Rs.160 crores was capitalized including Rs.66 crores from the current quarter. Figures for the prior year have been restated for consistency and comparability.

#4: Effective April 1, 2016 the management has decided to change the method of depreciation on plant & machinery from straight line method to written down value method on remaining useful life. This has increased the depreciation in the current quarter by Rs.171 crores. It would be safe to say that there would be an impact of Rs.150 crores to Rs.175 crores of additional depreciation during the year in the remaining quarters as well.

Finally, as mentioned in our results press release, the net impact of all these accounting changes has resulted in a reduction in profit before tax by Rs.48 crores for the quarter.

Coming to the Financial Performance: In line with the production plan revenues during the quarter were Rs.2,501 crores, down 30% year-on-year. The decrease was also on account of lower LME partly offset by higher rupee depreciation and higher Silver prices. On a sequential basis revenue decreased by 19% due to lower volumes partly offset by higher Zinc and Silver prices. The Zinc Metal Cost of Production per tonne before royalty or COP during the quarter increased Rs.62,138 or $928 in line with the production plan of lower volume from Rampura Agucha open cast mine in this quarter and thus lower average grades. This was partly offset by lower coal and commodity prices, cost optimization projects in procurement and commercial and higher byproduct credits. It may be worth mentioning that these numbers are after adjustment for deferred mining expenditure under the new Ind AS regime. Before adjusting for this the COP for the quarter would have been Rs.76,448 or $1142/ton. With the benefits of our cost initiatives coming in, our COP in dollar terms should be better in financial year 2017 compared to the previous year. Lower revenue and higher cost of production resulted in 33% Y-o-Y decline in EBITDA during the quarter to Rs.1,130 crores and 13% decline from the previous quarter. Silver EBITDA during the quarter was Rs.293 crores, up 32% from Rs.222 crores, a year ago. The investment corpus during the quarter was relatively smaller on account of the Special Golden Jubilee Dividend payout in the beginning of the quarter though part of the fund requirements were met by temporarily borrowing through commercial paper. This along with the reduction of Rs.66 crores due to the accounting adjustment I just explained resulted in a lower investment income compared to the corresponding quarter a year ago. Depreciation was higher for reasons explained earlier. The tax rate was higher in accordance with our earlier guidance and considering that some of our tax exemptions have now reduced. All these factors related to investment income, depreciation and tax, resulted in the net profit of Rs.1,037 crores for the quarter, which is lower by 47% from a year ago and 52% sequentially.

I will now request our CEO -- Mr. Duggal to sum up today's discussion.

Sunil Duggal: So to sum up the year started on a positive note with a surge in Zinc and Silver prices. We anticipate this price rally to sustain in the near-term as we ramp up our volumes. Our production is ramping up as the year progresses and mined metal volumes for the year will be higher than the previous year, the Silver being significantly higher. We have undertaken several cost reduction initiatives which will lead to reduction in dollar COP in the current year as compared to previous year. We are on a track to achieve 1.2 mtpa of mined metal capacity in the coming 3-years with all our expansion projects progressing satisfactorily.

With this I open the floor for questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We have first question from the line of Sumangal Nivetia from Macquarie. Please go ahead.

Sumangal Nivetia: I have a couple of questions: First, you made a subtle change in the guidance commentary from marginally higher to higher mined metal production in FY'17 and also from previously used similar cost to better cost in FY'17. Can you elaborate on this and if possible quantify it?

Sunil Duggal: I think you are right, marginally higher it does not carry much of a meaning until we say that it will be quite higher. So what we are expecting is it will be definitely higher than the last year, which I am repeating that it will be definitely higher than last year. As far as the cost is concerned, being the volume higher than the last year and with lot of cost initiative measures, I am confident that the cost will be lower in dollar terms compared to last year.

Sumangal Nivetia: So can we expect in the range of at least closer to 5-6% advantage in cost and volumes?

Sunil Duggal: That is your guess, but I would say that maybe it could be around that.

Sumangal Nivetia: Secondly, I understand we purchase some metals instead of concentrate to meet our supply obligations whereas historically we have been doing tolling to offset any seasonality introduction. So can you explain this reason and any benefit of this?

Amitabh Gupta: When we were looking for higher metal availability to service our customer need we found that the TCs in the market were extremely tight and there was hardly any margin left in the TCs because the entire concentrate markets had become very tight in the Jan to March period in particular when we were in the market. So while we did purchase a little bit of concentrate we decided we are better off purchasing direct finished goods metal to ensure that our customers' needs are met

Sunil Duggal: Above that the quality concentrate was also not available, we actually tried, but the quality concentrate was not available. So looking at that apprehension we took a call that it is better to purchase some metal for the customers.

Sumangal Nivetia: There was a small interest portion in the P&L. So what sort of spread advantage we got from taking any debt versus using our own investments to repay dividend?

Amitabh Gupta: Golden Jubilee Dividend was decided by the board rather suddenly. Had we opted to liquidate our investments, we would have lost out on the 36-months long-term capital gain advantage. So primarily the decision to go in for commercial paper was on account of the tax loss we would have incurred had we liquidated the investments to meet the dividend. But, yes we did get a little bit of interest arbitrage as well, may be about 1.5%.

Moderator: Thank you. The next question is from the line of Nitesh Jain from Axis Capital. Please go ahead.

Nitesh Jain: I have two questions: #1, you have much higher production mined output for the H2. So my question is what about the milling and the refining capacity because that remains the same, so how would you plan to make concentrate from a much higher ore production and then refined Zinc?

Sunil Duggal: Yes, I think some capacity is available and we have also been able to de-bottleneck some of our mills like Zawar mill we have been able to de-bottleneck to certain extent, of course, the large de-bottlenecking initiative also in pipeline and we are expecting that the bigger de-bottlenecking of this mill will take place in the third quarter. Similarly, you see we have saidthat we are in the process of shutting up a new mill at Sindesar Khurd where 1.5 mt capacity work is in full swing and we are expecting the work to get completed by the end of the third quarter and it will become operational in the Q4. So with these 2-3 initiatives, we will be able to meet whatever the additional concentrate will be available. Apart from that I may also tell you that we have been able to debottleneck the existing Sindesar Khurd mine mill from 2 mt to 2.8 mt. So this has also given us the additional treatment capacity. With all these measures, we are confident that we will be able to do it. So as far as the smelters, what we also had built in our project plan that we will de-bottleneck our smelters when our MIC capacity is rising from 1 mt to 1.2 mt. Going forward we may set up a plan that what can be the options, so we had two option, one was that new smelter, other was that we de-bottleneck the existing smelter. So we have taken a call that we will debottleneck the existing smelter. Debottlenecking work at our hydro-smelter is going on which will get completed in the 3rd quarter. So we will be able to treat the additional quantity of the metal there.

Nitesh Jain: So precisely like the management team is quite confident about handling this higher ore output?

Sunil Duggal: Sure.

Nitesh Jain: Secondly, I have one question on Zinc prices. How much of this buoyancy in last 4-5-months in LME Zinc you can attribute to Hindustan Zinc's own lower mining output? Should there be a case in H2 when Hindustan Zinc ramp up the volume, then the Zinc prices might reverse because of the higher supply?

Sunil Duggal: It does not look like because we have seen balance, and if you ask me the buoyancy or the change in the output from quarter-to-quarter has not happened in the last two-three quarters. So this quarter we were low, last quarter we were okay, but a quarter before that was quite robust quarter. So I would not say that it has contributed in any way to the buoyancy of the prices. The international volume has itself played a role, if you see Q1 of this financial year the maximum deficit between the demand/supply has come. So with this deficit which we can attribute to if we do the research it has come from many corners of the world. So the concentrate supply has also tightened and the finished metal also tightened and this is also visible from the TC trends, the TCs are becoming lower. When the TCs are becoming lower, it is putting a pressure on the smelters itself. So smelters will also have no option but to ask for the better premiums going forward.

Moderator: Thank you. The next question is from the line of Dhaval Doshi from PhillipCapital. Please go ahead.

Dhaval Doshi: Sir, you mentioned the mined metal production is going to be higher compared to the last year. How would you see the refined metal production because if we look at FY'16 we had used a good amount of opening concentrate inventory which helped us improve our refined metal production, so are we still looking at a higher production compared to FY'16 or?

Sunil Duggal: No, metal as such we are looking at higher and the Silver significantly higher because the increased contribution from the Silver rich mine is going to take place. Apart from that contribution of this Silver from the higher Silver rich mine, the internal drive to expect the Silver from the other corner like what goes into the Zinc, we have been able get some success in the past quarter to get the Silver out of the Zinc and the projects which are internally being driven to get the Silver from the Zinc. What I mean is that modification of our smelter is going on, and internally also we are doing a lot of research work in which we are trying to control the

Silver which goes into the tailing which is a waste. So all these measures I am expecting that the total metal and the Silver in the current year will be higher.

Dhaval Doshi: So Silver will be significantly closer to 500 tonnes?

Sunil Duggal: We are eyeing that.

Dhaval Doshi: Secondly, when you mentioned the outlook for Zinc prices continue to stay strong and higher output from our mines is not likely to have any impact on the prices in the second half. But I was just looking at the premium. So when we are talking of concentrate shortage and TCs getting impacted, that really has not shown up in the physical market premiums, those still continue to stay a bit lackluster. So what kind of inventory is there within the system and how much of that has already been liquidated?

Sunil Duggal: I do not have a figure off hand with me, but I have studied that the inventories are going down, and the deficit was also higher in the last quarter. So with this although the premium may be subdued at this level, but going forward there should not be any logic of premium going up.

Dhaval Doshi: If there is going to be a shortage in concentrate that eventually has to come to the refined metal as well?

Sunil Duggal: Yes, that is what I am saying.

Dhaval Doshi: With refined metal shortages, the premiums logically should go, but they are not. So that is what my question is, can higher Zinc inventories come and play a spoilsport or you do not think so?

Sunil Duggal: It is a question of the existence, let us suppose the TCs are going lower, the margins of the smelters will be under pressure, after all smelters have to expect some power from somewhere. If the TCs will go down, how would they survive, how do they recover their cost? Only other route will be premium, because the customer will put the pressure on them to reduce the premium, and if the premium goes down, the only way there are only three things -- one is free metal percentage is fixed, the other is the TC will be under pressure and the third route the only way they can extract their margin is by premium only.

Dhaval Doshi: So you feel eventually even the premium should start looking up? The inventory which is locked up will not really have any impact?

Sunil Duggal: Yes, that is my belief.

Dhaval Doshi: Any idea on what is the inventory outside the LME warehouses?

Sunil Duggal: I have really no figures with me.

Dhaval Doshi: What is the quantum of Zinc that we purchased in this quarter?

Amitabh Gupta: Total about 24,000 tonnes.

Dhaval Doshi: Of that, how much has been booked in this quarter?

Amitabh Gupta: About 19,000 tonnes has already been sold.

Moderator: Thank you. The next question is from the line of Ravi Shankar from Credit Suisse. Please go ahead.

Ravi Shankar: Two questions: One is on the CAPEX for the full year and how they are split between various mine development activities and debottlenecking to increase the capacity? The second is the rationale behind changing the depreciation method from straight line to written down value?

Sunil Duggal: First on the CAPEX I would say that compared to last year $200 to $225 million, this year the CAPEX would be higher… it will be plus $300 million, so the difference of $100 million. So this will be primarily because the furnishing of both the shafts will be coming up during this year, and apart from that the expenditure on the mills and the de-bottlenecking of the mills and then on the smelter de-bottlenecking. So the total overall with these initiatives it will be somewhere between $300 million to $350 million.

Amitabh Gupta: On depreciation, this is primarily on account of change in method on plant & machinery from straight line method to WDV on the remaining useful life. We have done this because we believe it represents a better way to allocate depreciable amount of an asset on a systematic basis over its useful life.

Ravi Shankar: Does it have anything to do with how Vedanta accounts it for?

Amitabh Gupta: Not necessarily.

Ravi Shankar: Similarly, on this corporate bond M2M, this was not possible earlier, is that how you would put it?

Amitabh Gupta: That is correct, we had adopted for Accounting Standard 30 under which we could not do this. The Ind AS gives us the option of capitalizing mark-to-market gains on corporate bonds. So whether it is zero coupon bonds or tax free bonds, the gain and loss thereon can be capitalized to reduce the P&L volatility under Ind AS. So we have opted for that.

Moderator: Thank you. The next question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: A couple of questions: Sir, by the time the entire underground mine development is done at Rampura Agucha, in terms of steady state ore production I think last year was around 10.5

million, out of which Rampura Agucha accounted for 4.75 million, so 45% Vs 55% in FY16. What will be the new ore production whenever say steady state across all the mines and how will broadly be apportioned across the various mines, because each of the mine has a very different Zinc content, Silver content, so just trying to get a sense of how does the individual streams of production look over the next two to three years?

Sunil Duggal: As far as the Rampura Agucha is concerned, in the current year, we will have the production from the open cast as well as the underground. The total production as a location will almost remain same in this year compared to what it was there last year. So in the next year also we are expecting the same volume. So although what is happening is that the volume from the open cast is ramping down, the volume from the underground is ramping up. So as we said that what we produced last year for the complete year from the underground mines, much more from that we have already got in the first quarter. So because we are into a main ore body and we are doing regular stoping at underground, I would say that the volume from the open cast reduced by around 25% and that much volume will come from the underground. So the total volume from the Rampura Agucha location will be flat, but what we are expecting from SK mine, from where last year ore production was around 3 mt, we are expecting it to go to around 3.75 mt, we will see if it could be more because we are in the process of getting the increased environment clearance which as of now is for 3.75 mt, which we recently took at the beginning of this calendar year. Similarly the Zawar the volume is ramping up. So overall I would say compared to the last year ore production there will be around 20% higher ore production. So this is giving us a confidence that though the overall grades will not fall the volume may take upturn.

Pinakin Parekh: So this is for FY'17 ore production and as you move towards 1.2 mt mined metal production this ore production should further increase from where we are, right?

Sunil Duggal: Absolutely. Overall I would say we started with 4 mt of ore production from underground mines, which will eventually go to 15 to 16 mt from underground mine when the open cast will become zero. So the rise of the production from the underground will be four-fold and with the average grade of the ore coming down and the increase would be from let us suppose the 10 mt to 15-16 mt so it is 50-60% rise and the metal volume will rise 20%. So 30% will compensate the lower grade.

Pinakin Parekh: Second question is whenever Hindustan Zinc hit **1.**2 mt of mined metal production, 15 mt of ore production from 10 mt, where should Silver production settle at because some of these mines obviously have a much higher silver content. So wherever we are running at Silver, where do you see steady state Silver production at?

Sunil Duggal: This Silver contribution will not only come from the ore alone as the Sindesar Khurd mine is ramping up which is a Silver-rich we are getting contribution of the Silver. Internally, the plan is to get the Silver where it is getting wasted. There are three things: The major quantity of the Silver gets reported in lead, which we expect from our plant. There is a large quantity which also goes into the Zinc and into the tailing also. From mine to mine the recoveries are different depending on the methodology of the ore, the recoveries are different. So luckily what happens is that the affinity of Silver towards Lead in the Sindesar Khurd mine is very high. So here we get the maximum Silver in the Lead. So whatever volume rise comes in the Sindesar Khurd apart from contribution of the input Silver, the Silver which reports to the Lead becomes very high. So what I am saying is that this we are trying across all our mines is to optimize our own process and the concentrator in such a manner that more Silver reports to the lead, but we are also modifying our smelters in which we should be able to extract the Silver from the Zinc. Part of the success is already there but we are trying to modify the processes in all our smelters in a manner that we get total silver which is reported into the Zinc, and along with that we are also modifying the process in which the waste generation would be zero and whatever the waste comes out it will be in the form of this lag which can be used by the cement industry as a substitute of the clinker.

Pinakin Parekh: Smelter debottlenecking, what is the CAPEX that the company would need to incur?

Sunil Duggal: Not much, it should be in the range of around Rs.200 crores or so.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: I had a question on the power and fuel cost. This quarter obviously the level of activity has been lower. So power and fuel cost have been low. But with the coal cost staying at these levels can we expect similar levels of lower coal cost in FY'17

Amitabh Gupta: The power and fuel line I think it is not comparable in the financials, because we had a write-back if you recall, there was a renewable power energy write-off we had done of Rs.176 crores in the last year Q1. So if you reduce that from Rs.537 crores, that is about Rs.360 crores. So we would expect power and fuel line to be somewhere in the region of Rs.300-350 crores per quarter.

Moderator: Thank you. The next question is from the line of Amit Dikshit from Edelweiss. Please go ahead.

Amit Dikshit: Sir, what was the capital expenditure in this quarter? What was the cash flow from operations?

Amitabh Gupta: Cash flow from operations you can simply take the PAT and add back depreciation and treasury income, that would be about closer to almost Rs.2000 crores.

Amit Dikshit: Sir, how much working capital changes over there?

Amitabh Gupta: In this quarter we have put in almost Rs.600 crores into working capital partly on account of imported FG, partly on account of some excess coal that we procured and some WIP, etc.,

Sunil Duggal: Accretion to the ore and some Silver was also there.

Amitabh Gupta: About Rs.600 crores has gone into working capital this quarter which will get rectified in the current quarter.

Amit Dikshit: You said that we purchase around 24,000 tonnes of Zinc. Is there a similar plan to purchase Zinc in Q2 as well?

Amitabh Gupta: No.

Sunil Duggal: Our volumes are ramping up and even this month is better than all the previous three months and from 15th August onwards we are on full throttle.

Amit Dikshit: What was the CAPEX in this quarter?

Amitabh Gupta: It is about 50 million.

Moderator: Thank you. The next question is from the line of Abhisekh Podar from Kotak Securities. Please go ahead.

Abhisekh Podar: Just two questions: One is regarding your employee cost. If I look at the number, I think for the last 8 or 9 quarters, this probably is the weakest and it has not seen an increase. So, I would assume that there will be some increase in salaries. So how is it going down – are there any retrenchment or something?

Amitabh Gupta: There were some VRS Schemes earlier in the year and I think the Rs.200 crores kind of level is going to be fairly steady.

Abhisekh Podar: So as we ramp up into the underground mining and all, this will remain at around Rs.200 crores with normal inflation maybe?

Amitabh Gupta: There were some true-up on variable cost, etc., in this quarter. So probably Rs.200 crores odd would be the right number to look at.

Abhisekh Podar: Once you complete the open cast mining in Rampura Agucha, I do not know about the regulations but are you required to do some back-filling or environmental upgradation, should we expect any cost on that regard in '19 or?

Sunil Duggal: No, it cannot be backfilled. We have the mine closer plan in which we are not supposed to fill it, rather we are utilizing the open pit because we have built one of the portals through the open pit through which we have started hauling the ore from the underground to that level. So it has optimized our hauling cost. Some of the ventilation fans also we have installed in the open cast. So, there is no plan to fill it up and it is never done anywhere in the world.

Abhisekh Podar: In terms of mine closure, there will not be any significant cost that we should expect?

Sunil Duggal: There will not be any significant cost, but we build up that cost internally to take care of that.

Abhisekh Podar: So it is anyways part of the CAPEX plan that you have built in?

Sunil Duggal: No, CAPEX plan, we have deserved for that.

Moderator: Thank you. The next question is from the line of Rajendra Mishra from IDFC. Please go ahead.

Rajendra Mishra: Can you just repeat your outlook on the Zinc pricing and your sense on inventories globally which you shared earlier in the call?

Sunil Duggal: The broader sense on zinc outlook what I see is that the current quarter or the last quarter, Q1, of the financial year, the deficit was maximum of the last few quarters. So it is an indication that the volumes are shrinking. So it has come through the concentrate route. We also study and whatever the effect of some of the bigger mines which have been closed down in the last two years, now the effect is reflecting. With this effect and the concentrate supply tightening and the demand and supply deficit also going higher, this is an indication that how it is going to be there, and if we plot how the concentrate supplies will be there in the next few quarters from various mines internally we have researched that there will be deficit. So with this deficit, this will definitely put the pressure on the smelters and on the TCs. So ultimately this will continue and will help the rally in zinc prices. This is what is my belief. The smelters margins coming down with the lower TCs. They will have no option but to take the premiums up. So I am expecting that in the next few quarters this rally should continue and the premium should also look up.

Rajendra Mishra: In terms of pricing, we know that different players have different cost of production. So at what price do you think lot of margin start getting closure, so some would have closed because of their own reasons, but at what Zinc price levels, it really puts pressure on marginal players to close down your operations, now Zinc is at $2200?

Sunil Duggal: Currently, there should not be any pressure on the mines as such, but it is not something like that the mines can be used like a switch. So I think when the prices are around $1600-1700, it must have put lot of pressure on marginal mines. Not only that, some of the bigger mines which are closed, Century, Lisheen, that also has resulted into the deficit in the market. We also shared when the prices were down at that point of time, we also took an internal call to hold on this Zawar project temporarily because it was a marginal grade mine. So at that time lot of people take a call like we could take a call that there must be lot of people who must have taken a call at that point of time.

Rajendra Mishra: The mines which got closed last year bc of prices falling really low, so how much time would it take for them to come back into operations normally what is the turnaround time to open the closed operations?

Sunil Duggal: I cannot say, it depends on the mine-to-mine that how much of care and maintenance they have taken about that mine and what was the state of affair of the mine. We were holding our expansion for a while, but we were running our mine. This was the operational mine. If the people closed down the mine and take it into the care and maintenance, what care and maintenance they have taken during that time, it depends on how much of time it would take to open up the mine.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand over the floor to Ekta Singh for closing comments. Over to you, ma'am.

Ekta Singh: Thank you for joining us in the call today. If you have any further questions, please contact Investor Relations.

Moderator: Thank you very much, ma'am. Ladies and Gentlemen, on behalf of Hindustan Zinc, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.