"Hindustan Zinc Q4 FY '20 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hindustan Zinc Q4 FY '20 Earnings 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Preeti Dubey from Investor Relations. Thank you and over to you, Madam.

Preeti Dubey: Thank you, Aman. Good Evening everyone and thank you for joining us for Hindustan Zinc's fourth quarter and fiscal year 2020 results call. Today, we have with us Mr. Arun Misra – Deputy CEO; and Mr. Swayam Saurabh – our CFO. Mr. Arun Misra jointed the management team in November last year from Tata Steel and has been an integral part of our Executive Committee. He has a diverse experience of 31 years and we are very excited to have him with us. Mr. Misra will begin today's call with an update on business performance and then Swayam will present financial performance after which we will be happy to take your questions. Over to you, Mr. Misra.

Arun Misra: Good Evening and a warm Welcome to all of you. I hope all of you and your family are safe and maintaining all precautions against spread of COVID-19. It is certainly a very difficult time for all of us. We are doing our best to steer through the unprecedented challenges set out by this pandemic. Our focus is on keeping our people and physical assets safe, operating mines and plants with minimal workforce to sustain metal supply to our customers and most importantly supporting communities around us while our active outreach programs in that providing food, PTE, sanitation, and all other necessary support in order to help them overcome this crisis. Nothing is more important than the health and safety of our employees including our contractors and we have implemented extensive protocols to safeguard them at workplaces as well as residential colonies. Our CSR team has taken the lead to prepare and protect our communities through our extensive grass root network and mapping up vulnerable communities with an emphasis on delivery of essentials like dry ration, ready-to-eat meals, and safety masks, sanitation drive in villages and doorstep healthcare through mobile health vehicles. We have provided support to districts and administration with PTEs and hydrochloride solutions covering towns and villages we operate in. We are also proud to have contributed Rs. 101 crores to PM CARES fund and Rs. 5 crores to Rajasthan Chief Minister's COVID-19 mitigation fund. All our sites are currently operating and ramping up. We are back on our feet in a fairly short period of time post the suspension of operations in late March after COVID-19 lockdown was announced.

We restarted a couple of our smelters and Zawar mines from April 8th and by mid-April all our smelters and mines are operating expect Rampura Agucha, which restarted from April 20th onwards. Initially, capacity utilization was low, less than 25% and gradually ramped and by the end of April mines were at 40% utilization whereas smelters were at about 80%. As of today, I am pleased to inform that we are operating our mines and smelters to 80% to 90% of capacity even though we do not have full workforce. Despite COVID-19, we had a very good quarter and a strong finish to the year. All our mines achieved high production rates during the quarter and were ready for greater production before the lockdown began. Due to fewer days of production in March, mine metal production fell short of the target, however, I am pleased to say that we maintained a run rate of our 1.13 million tons throughout Quarter-4. Hence despite the lockdown and lower production impacting April and May performance, we are confident of delivering good performance during FY '21. We continue to share the wealth generated from our operations with our shareholders. Earlier this month, we declared an interim dividend of 825% of Rs. 16.5 per equity share amounting to Rs. 6972 crores which has been paid out. This dividend implies a dividend raise of 7.6% based on average closing size during last financial year. I am delighted that all major projects in our mining with expansion to 1.2 million ton per annum were completed during this quarter. The expansion which started in 2013 quadrupled our underground mining capacity from about 300 kilo tons to 1.2 million tons per annum. During this time, we not only increased capacity but also upgraded our mines in terms of safety practices, automation, connectivity, and productivity as well as made our operations more sustainable through reuse of waste and water, improve metal recoveries and ensure our R&R maintains a life of over 25 years throughout this growth journey.

During the year, we focused on upgrading our resources to reserves through increased drilling activity and I am pleased to report that we have significantly improved our core reserves during the year, which had increased from 92.6 million tons to 114.7 million tons over the last one year. We replenished all the ores that we consumed and put a reserve on resource has remained unchanged at 403 million tons with a metal content of about 32 million tons. We continue to maintain mine life of over 25 years. I would now like to speak about our minor metal finish initiative, minor metal extraction from smelter residues offers an innovative opportunity for us to recycle our waste to generate wealth. We are creating our smelter residues to recover contain metals mainly copper, lead, zinc, and silver. We expect cadmium recovery plant to be operational by Quarter-3 followed by raw zinc oxide treatment plant before the end of the year. The fumer plant is said to be commissioned in Quarter-1 which will be a game changer not only in terms of high silver recovery, but also in **06:43 (Inaudible)** and Jarosite. We have been successful in replicating delivered ancillary ecosystem at Chanderiya where plant for copper sulfate production from our smelter residues was commissioned in April. We will be completing the PFK treatment plant at Chanderiya this quarter to recover zinc, copper, and cadmium sponge. This project has enabled recovery improvement of 0.35% in zinc, lead and silver while we are constantly looking for the run rate newer technologies for other mineral extraction.

Coming to market update, base metals including zinc and lead were impacted by COVID-19 at the outset of late January due to lockdown and consequent slowdown in manufacturing activity in China which accounts for about 50% of global demand and supply of base metals. Zinc prices declined sharply in Quarter-4 to touch multi-year lows. The pandemic forced zinc prices to below $ 1800 per ton which then picked up in May on fundamental support. In our view at the current crisis of about $ 1950 per ton, about 15% of high cost mines may not be able to maintain positive cash flows which is likely to live through translate in production cost supporting future prices. Furthermore, more than 25% of global annualized zinc supply has been impacted by lockdowns and workforce curtailments due to COVID-19. In several countries across the globe, plans to restart mines or resume normal production have been pushed back due to restrictions and short-term absence, therefore, global zinc mine production is expected to witness contraction in 2020. As per Wood Mackenzie, mine production is expected to contract by about 5% this year, however, we believe that the risk of further downside given the ongoing situation. On the smelting side, Chinese smelters resumed production towards the end of March, though smelters in the rest of the world have been impacted by manpower issues. With constraints in mine supply, it is expected that smelter will also cut output which was reflected in spot prices tumbling in China from $ 300 to $ 150 per DMP at the end of April. The last few weeks have seen weak demand for metals and zinc is no exception. Steel companies are gradually increasing their production and there are green shoots and demand uptick with manufacturing picking up in China, auto plants in Europe restarting production, and US auto plants expected to restart from first week of June. We believe that zinc metal supply will match up to demand over the next two quarters and while ore stocks may have trended up recently, zinc prices will find support from lower mine and smelter production expected this year.

Now, I will update on operations. During the quarter, we had 10 fewer days to production due to lockdown related to COVID-19. Despite that, our mine metals production increased 2% year-on-year and 6% sequentially to 249 kilotons on account of higher ore production and better ore grades. For the year, our ore production was a record 14.5 million tons while mine metal production was 917 kilotons down by 2% year-on-year. The impact of operation shutdown due to lockdown on mine metal production in Q4 was an estimated 34 kilotons. Including this lost production, we have met with our guidance of 950 kilotons for the year and deliver 2% year-on-year growth. Rampura Agucha operated at 4.5 million ton per annum run rate for the quarter and produced 3.9 million tons of ore for the year, an increase of 18%. Zawar has also been an exceptional performer producing 3.3 million tons of ore for the year which is a year-on-year increase of 14%. Sindesar Khurd mine has done well both in terms of grade and volume during second half of the year before it reaching slightly below last year's level. Rd and Kayad mines operated at close to their respective GC limits. We have now received environmental clearance to increase ore production at RD Mine from 1.2 to 2 million tons per annum and ore beneficiation from 1.2 to 2.5 million tons per annum. This will also allow us to increase production from RD in the current year.

Integrated metal production for the quarter was 221 kilotons down 3% year-on-year and up 1% sequentially with zinc production at 172 kiloton and lead production at 49 kilotons. For the year, integrated metal production was 870 kiloton down 3% year-on-year. The impact of shutdown on metal production was an estimated 27 kilotons which would have translated in sequential and year-on-year growth of 13% and 9%, respectively, for the quarter where financial year production would have remained unchanged. Deliver lead smelter resumed normal operations after two quarters of lower production at temporary operational issues were resolved. Sequentially, lead production was therefore up 20%, but it was down 7% year-on-year due to fewer days of production. For the full year, lead production was lower by 8% to 181 kilotons on account of both these reasons. For the full year, zinc production was 688 kilotons down marginally by 1% in line with availability of mine metal. Silver production improved 12% sequentially to 168 tons and lead production improved and also recoveries are better though it was down 12% from a year ago due to fewer production days on account of lockdown as well as lower lead production. For the full year, silver production was lower by 10% to 610 tons due to lockdown, lower lead production and lower silver grade partially offset by higher silver recoveries. The impact of shutdowns on silver production was an estimated five tons.

Coming to our growth projects, we have reached an end of 1.2 million ton expansion at all our major projects are complete. The Rampura Agucha shaft is now fully commissioned and overhauling has started via the shaft. This will allow us to deliver over 5 million tons of ore from this mine as the shaft is ramped up in the current year. The two back feed plants at Zawar and the fumer plant at Chanderiya are also complete and we expect them to be commissioned in this month. We are in the process of operating the underground shaft at RD Mine from 0.7 to 1.3 million tons per annum, which will be done over two phases. In the first phase, we will upgrade the shaft to 0.9 million ton per annum in the current year and in second phase it will be upgraded to 1.3 million ton per annum in the next financial year. With an expanded EC, the upgradation of this shaft will lead to significant volume improvement and operational efficiencies. We are perceptualizing our next phase of growth to 1.35 million ton per annum and finally to 1.5 million ton per annum. For this, a detailed life of my planning and visibility study is currently being done by renowned global expert and we expect their report in the next three months. I am quite excited about this new phase in our company, which will create substantial value for our stakeholders. Before I hand over to Swayam for an update on financial performance, I would like to comment on our annual production guidance. These are unprecedented times with a lot of uncertainty around lifting of restrictions on people and goods movement as well as demand recovery. We are therefore, deferring, guidance for FY 2021 to the end of Q1. Our focus is on sustaining our normal production levels and active cost control to overcome the pandemic. Now, our CFO, Swayam Saurabh will provide some update on financial performance. Over to you, Swayam.

Swayam Saurabh: Thank you, Mr. Misra and Good Afternoon all of you. Revenue from operations during the quarter was 4391 crores, a decrease of 6% sequentially and 20% year over year. Our financial performance was dented by decline in zinc, lead LME by an average 11% from prior quarter and an average 19% from a year ago as COVID-19 outbreak spread across the globe. Silver prices were steady, declining only marginally sequentially and up 9% from a year ago. The turmoil in market due to COVID-19 pandemic also lowered premiums that we are not our metal sales, while Rupee depreciation aided our realizations. Zinc and lead sales volume improved sequentially while there were slightly lower from a year ago as lead volumes were lower. Silver sales were lower in line with the production. For the full year, revenue from operations was 18,561 crore, down 12% YOY on account of average 12% decline in LME prices and lower volumes partly offset by higher silver prices and Rupee depreciation. Cost of production before royalty for the quarter was $ 997 per ton improving by 7% sequentially and higher by 4% from a year ago. Cost benefited from better grades, lower employee expenses, lower mine development expenses and lower input commodity cost, while repair maintenance costs were higher. Power generation cost were flat sequentially and higher from an year ago despite lower coal cost price due to 50% increase in electricity duty which was implemented from July 2019. Asset prices were lower during the quarter on account of weak demand leading to lower asset credit. We came very close to meeting our cost guidance of $ 1030 for H2 against which we have reported $ 1037, but for the year was $ 1047 per ton higher by 4% from a year ago due to higher mine development expenses and repair maintenance cost, lower rates and volume, lower asset credit, higher electricity duty partly offset by lower coal cost. The resulting EBITDA for the quarter was 19,061 crores and for the year it was 8849 crores, both lower from last year's comparable period primarily on account of lower LME and lower volume.

Sequentially, EBITDA was lower mainly due to lower revenue. Net profit for the quarter was 1339 crores, a decline of 17% sequentially and 33% YOY. Besides lower EBITDA, net profit was lower by higher tax rate, investment income was higher sequentially on account of mark-to-market gains, but lower from a year ago due to lower rate of return despite larger corpus. For the full year, net profit was 6805 crores, down 14% wherein the impact of lower EBITDA and higher depreciation and amortization expense was partly offset by higher investment income due to higher rate of returns and higher corpus, and lower tax rate due to one-time reversal of deferred tax. Depreciation was higher due to capitalization of completed projects and amortization increased due to higher ore production versus last year. Our cash balance at the end of March 2020 was 21,616 crores. We had paid an interim dividend amounting to 6972 crores this month, which will lower our cash finance. With this, I open the floor for questions.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Amit Singhal from Bank of America. Please go ahead.

Amit Singhal: Sir, one question regarding the guidance on the CAPEX side while you have deferred the guidance on the production growth side, on the CAPEX side what kind of CAPEX should we be expecting for FY '21 and maybe some color on FY '22 given the growth pipeline which you have?

Swayam Saurabh: The growth CAPEX for FY '21 will be lower, focus is on conserving cash and most of our growth projects have completed, so it would be significantly lower, I would not put a number to it because we have deferred guidance till the end of Q1, but we are looking to conserve cash.

Amit Singhal: Regarding our 1.2 million target, now in this quarter as well if I annualize the run rate, this is seasonally the strongest quarter even if I annualize it will still be around 1 million tons, obviously there were some loss of production on account of the last week, but when can we see that run rate factoring through any of the quarters, the 1.2 million ton run rate which we have been targeting for quite some time?

Arun Misra: We have commissioned all the projects of 1.2 million and as of now, we have been impacted by COVID as we are currently saying in the month of March going into April and also we are looking at it day-to-day situation in the month of May, but I have full trust that we have the capacity to demonstrate and it is just a matter of time that it will get demonstrated in any quarter's performance going forward.

Swayam Saurabh: If you take out the 10 days of lost working in Q4, for the quarter we had been hitting a run rate of 1.13.

Amit Singhal: Sir, lastly on the cost side, now with the shafts having been commissioned, obviously we should be expected some cost saving going into next year as shaft at Rampur Agucha ramps up fully, so is there some kind of color you provide on in terms of maybe dollars per term what kind of number we could look at?

Swayam Saurabh: Absolutely, cost because of sharp and otherwise as well is our key focus. We are looking to see, we are targeting a cost reduction of at least 5% to 10% from current levels, partly it would come from operational efficiencies, which is via shaft and others, but also we will take advantage of weakening commodity prices globally.

Amit Singhal: Sir, this 5% to 10% will be on a base of 997 or the 1050 base which we have done for the full year?

Swayam Saurabh: It will not be on a full-year base because some commodity savings are already in, so it would be better to look at from a full-year base.

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

Amit Dixit: Sir, I have couple of questions, the first one is again on cost, so out of your total cost of production, what percentage would be fixed cost and what percentage would be variable?

Swayam Saurabh: We have given an input earlier about 35% of the total cost will be pure fixed.

Amit Dixit: In this quarter, we saw manpower cost coming down significantly, I joined call a little later so maybe you would have given it in your opening remarks, but is it the trend that we will see in this quarter or was there some one-off in this quarter?

Swayam Saurabh: The manpower cost reduction is largely due to one-off, which were essentially the provision reversal which we did on account of performance base since we stopped operation towards end of the March, however, we also expect manpower cost trending lower and we expect this to be between 190 to 200 crore of quarter of going forward.

Amit Dixit: My last question is on essentially your project, if you look at fumer, if you look at some of the other projects, the initial timeline in the last quarter was given in February, but now it has been given as May, so any specific reasons for that, are you kind of timing it with the market condition or is it the general delay in the project that you encountered?

Arun Misra: If you recall we would have commissioned the fumer in beginning of March, but the COVID breakup happened in Wuhan from where most of the experts were to come, it happened only towards the end of February and we took precautions around ourselves that how do we ensure that our people do not get affected, moreover, the first set of flight bans and people were stopped coming it also happened, so to that account our expert visits were delayed, however, they were made up by online commissioning of the facilities and throughout the March we provided connectivity from China into the working systems of fumer through which and with the guidance from their and with the local help, we could commission the plant and we have done some cold trials and we are in a position of start-up of the fumer towards the end of this month.

Amit Dixit: What about the Paste Fill plant at Zawar, the earlier guidance was February 2020, but now it has been extended to May?

Arun Misra: Most of the cases, it is the final commissioning we are concerned towards the end of February, it was slightly delayed to beginning of March, but then again we could see people visit getting restricted, people not visiting the site and then finally locked down, now we expect that plants to be commissioned again by the end of this month I think after 25th of site restrictions will be lifted and we will see people coming in.

Amit Dixit: This May is the kind of deadline that we should expect, it is not likely that it would be moved further?

Arun Misra: Normally, such projects would not be a 0-1 kind of a status, it will end of May, maybe in the first week of June.

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

Pinakin Parekh: Sir, three questions, first a quick clarification that when you mentioned that the mines and the smelters are operating at 80% to 90% utilization is the underlying capacity at 1.2 million tons or 1 million ton which was earlier?

Arun Misra: In the mines, the capacity that we have planned our daily production levels with the number of people that are available there, at that current level compared to last year, we had at about 80% to 90% capacity.

Pinakin Parekh: But if you were to annualize it, what would it work out to, will it work out to be 0.92 million tons of production that we saw in F ’20 or the 1.2 million tons for which the expansion project have been completed?

Arun Misra: If you look at it, right now our focus is on holding the production and stabilizing it. There are two risk factors, one the people are less and that has an impact on certain aspects of production which in normal condition would not have happened. Second part is, we are also struggling everyday to ensure that during this operation none of the workmen who are on the ground are detected COVID positive and huge amount of checks and procedures have been put around that and through this we are only now focusing on how we come up with the full utilization of the capacity exactly there and we will see at the end of Q1, we will be in a better position to give a guidance as to what would be the annual number that we will look at.

Pinakin Parekh: My second question is that one of the reason that has been attributed for the higher mine metal production is better overall grade, now grades have been cited as one of the big problems over the last few quarters, now can you give us more color if the weakness in the overall grades is behind us and these grade should sustain or it is too early to say what the grades look like for the next few quarters?

Swayam Saurabh: We reported a grade of 7.9% in Quarter-4 and going forward, we expect the grades to be in the range of 7.5% plus/minus 0.5%.

Pinakin Parekh: To that extent, this Q4 may not be sustainable going forward, this is broadly the best of the grade we can expect?

Arun Misra: Grades will keep on, the primary focus in the grade would be to get the maximum silver out of it, maximum zinc out of it, and do that account the mine planning is being done in a way that we sustain the good grades that we see year-on-year.

Pinakin Parekh: Sir, moving onto lastly silver, silver production has been down on a year-on-year basis because of the low-grade at Sindesar Khurd and Kayad mine in the lead production, now what is the outlook for lead and silver in particular, because silver is tied to lead and lead is not a Rampura Agucha product but more SK and Kayad product, so how should we look at it going forward in terms of lead and silver production?

Arun Misra: Overall, if you look at it in the SK production, primarily because of the lockdown, we had lead production which has contributed to lesser silver production. As far as the grades are concerned, there is no inherent grade reduction of silver in that case, it is more of a sequential mining, which is determined primarily by the geotechnical conditions as we encounter in the slope that we open up, so it is a factor of time and there is nothing on inherent degradation of ore or anything like that.

Swayam Saurabh: Just to add to that, our SK silver grade improved to 128 ppm and we also exited the year with quite significant WIP inventory, so we think silver production should pick up in coming quarters.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Sir, two questions, first on your cost ballpark how much of your cost is Dollar linked and how much of your cost is Rupee linked?

Swayam Saurabh: Approximately 40% to 45% of our cost is Dollar linked primarily driven by coal.

Indrajit Agarwal: When we talk about this 5% to 10% reduction, this is on Dollar basis, right?

Swayam Saurabh: Correct.

Indrajit Agarwal: Second question is on the CAPEX, on the growth CAPEX to arise at 1.2 million ton, how much of it is still pending?

Swayam Saurabh: So versus original plan, we are looking at about 100 to 120 million additional cash flow to happen before we complete our current work project.

Indrajit Agarwal: To arrive at 1.5 what will be the incremental CAPEX for that?

Swayam Saurabh: As Arun mentioned in his speech that study is currently undergoing, which includes life of mine planning and design. We will have a better view of this in two quarters.

Indrajit Agarwal: In terms of inventory, what is the kind of inventory that we have of mine metals that you can any color on that or you are running neck on neck?

Swayam Saurabh: The mine metal inventory we exited on higher side simply because operations stopped roughly, so we exited with 35 KT of MIT while the normal MIT level would have been close to 20 KT.

Moderator: Thank you. The next question is from the line of Vishal Khandel from Emkay Global. Please go ahead.

Vishal Khandel: Sir, my first question is with respect to your manpower cost, you mentioned that you are 80% to 95% utilization today both mines and smelters despite a sharp reduction in your manpower deployment, so somewhere down the line is there a strategy to make this kind of a permanent reduction in your employee costs, employee workforce and increase automation?

Arun Misra: First thing higher productivity is a constant function of any business performance and we are no exception, so we will be handling a huge amount of mine digitalization and equipment which are much more automated investment in automation in the fixed assets. We would pursue higher productivity, so that is a constant factor, but it has nothing to be taken as a fall out of the current deployment. Current deployment is mostly towards deploying lesser footfall in the mines and factories to ensure social distancing and to ensure that the disease does not get into our factory area and our health and certainly on the employee are our primary concern.

Vishal Khandel: Sir, second question was slightly related to the same, despite the challenges faced from the COVID front, we are back to work 90% of the capacity utilization and we are still saying about that 15% of the global supply base can get impacted in this year and we are seeing China already recovering and lot of other countries are also opening up, probably do not we expect that some kind of a productivity gain or some kind of a smart work culture will also come up in the way we have adopted and the 15% supply impact may actually come down to just 5% and you may end up with a surplus on this as well?

Arun Misra: As we look into the future, so there are various expert opinions going in both directions, one opinion says supply will be muted, other opinion says demand will be muted. Now, fortunate part of this COVID outbreak has been, it has not happened all over the world at the same point of time in a similar manner, it has varied impact and various geographic of the world for various reasons where the experts are now trying to figure out what would be the reason of lower death rate or lower success rate or lower infection rate in various countries. Now, China went through it first and come out of it, if I look at China today, they are targeting a higher growth rate which their steel plants are all coming up full steam in a month's time and if that happens in China and in USA, the Government is pushing for opening up faster than what it was anticipated earlier and then there the economy is also to rebound by June with about the elections coming in and Europe, the worst part of Italy and Central Europe are over, so their auto sectors are supposed to look up and in India the personnel part is continued through this crisis at 40% to 45% production and as India went through the longest kind of a lockdown period and our rate of infections are supposed to go down, I am seeing a future wise the steel plants will come up with a better market scenario, so you can be pessimistic or you can be optimistic, I believe Hindustan Zinc is preferred to be on the optimistic side and prepare itself to search customers in a optimistic scenario.

Swayam Saurabh: Just to add to that the question around whether there will be a surplus, the fact that situation right now in India and also globally from a demand as well as supply is being fluid, also the reason why we have decided to defer our guidance, so let some clarity emerge and we would adopt if needed.

Moderator: Thank you. The next question is from the line of Rajesh Prashant from HSBC. Please go ahead.

Rajesh Prashant: Sir, my first question is basically if you see, we have been seeing that we have issues with demand per se and also there is an issue with the transportation, so are you seeing a scenario where the plants are running at 80%-90% but the sales are not happening up to that extent and we are building inventory?

Swayam Saurabh: When we restarted our operation in April, we clearly had that risk, but at this moment we are much more confident. We did encounter problems not only on road transport but also our ability to move goods faster at ports, I think situation is getting better and we have confidence that by the time this month ends and quarter ends, we will go back to normal closing stock levels and we have a side to this.

Rajesh Prashant: Yeah, but are we currently seeing an increase in the finished goods inventory at our site?

Swayam Saurabh: We did exit higher and our expectation is by end of this month things should start to correct itself, by the time we are ending June we should go back to normal levels. Of course this becomes a prediction on an assumption that situation continues to improve right it has been for last two-three weeks and that is what we are watching and banking on, but we do see significant improvement what was the situation which was in mid-April from a supply chain perspective to where we stand right now, that gives us confidence.

Rajesh Prashant: Sir, has there been some change in the share of exports and domestic coal during this period, so I believe previously you were selling most of our products in the domestic market, but since the domestic market is under lockdown, has it significantly increased our export share?

Swayam Saurabh: Yes, as of now since practically domestic market in India is closed, export obviously has gone up, but as I mentioned April in the May has a month is significantly better than April and we are positive that once India completely opens up towards the last week of May, situation should start to get normalized from June onwards.

Rajesh Prashant: Sir, can you please share the share of exports and domestic a year pre-COVID and currently?

Swayam Saurabh: The domestic as a percentage would be about 74% in a pre-COVID scenario. Right now, this would have gone up to close to 70%, the export would have gone up to 70%, but that is just the last four weeks and as you know India has practically been closed last four weeks. We also see this as positive because it also tells us that no matter how long the lockdown continues or industries who are buying zinc from us, we will not be saddled with the situation where we are let us say we have significant closing stocks of SK because we will have always ability to export.

Rajesh Prashant: Sir, lastly on mentioned two scenarios where the supply could be disrupted more than the demand and the second scenario is demand disrupted more than supply, so if we are to experience a scenario to where the demand significantly lacks supply and there is a pressure on sizes, will you plan of reducing your production to adjust to the lower prices and demand?

Swayam Saurabh: This is speculative question, we have also been watching very closely how post-COVID scenario emerges. Only thing which I would like you to remind yourself is the cost position refitted so when demand slows down, prices start to get impacted. There would be supply stoppage from high cost producer and that should start to correct itself, but right now the question is speculation, we are watching as you are watching.

Moderator: Thank you. Ladies and Gentlemen, due to time constraint we will take the last question from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Sir, I have one question on mining leases we understand that our mines are captive, so we have 2030 if there is a change in their timeline, so what is the typical expiry of our leases?

Swayam Saurabh: Leases are that the expiry date depending upon the lease that we have, it varies from 2030 to 2049.

Rahul Jain: If there is a change in timeline, would all of our leases get impacted or the ones which are up to 2030?

Swayam Saurabh: I would say it is still speculative, as of now all that Ministry of Mines has changed honorable Finance Minister announced, this does not find a place.

Rahul Jain: In the situation of the changing base when the mines will come up for the auction again so would we have to be bidding again or how it will work I am just trying to understand that?

Swayam Saurabh: Again, we are in a speculative zone, as of now we are absolutely confident that risk does not exist for our current mine leases.

Rahul Jain: What is the timeline for the largest mine that we have?

Swayam Saurabh: Timeline would emerge, but also, we also have right of first refusal for our existing mines. As I said it was into again speculative zone, right now we are confident that this does not find place in the risk that you mentioned.

Rahul Jain: Also you said that you are looking to reduce cost, so do you think that the cost reduction will be more for the first half or like around the year?

Swayam Saurabh: On our normalized operation, the cost reduction should happen readily and a lot of foundation has already been built let us say in Q4 and Q3 of last year, whether it is on digitization, whether it is on equipment efficiency, the new ones which we are working on is more aggressive manpower optimization and manpower productivity, but also taking advantage of commodity prices softening, which we start to see more and more, you should start to see it in Q1 itself, however, it is a COVID quarter so we will have to wait and see.

Rahul Jain: Sir, in terms of your production you are not giving a guidance but as we can see that due to the, you would already have seen the first two months, would you have the number of utilization?

Arun Misra: This will continue at the current level and unless we are really very sure that we are out of this crisis.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I now hand the conference over to Ms. Preeti Dubey for closing comments. Thank you and over to you, Madam.

Preeti Dubey: Thank you everyone for joining today's call, I know some of you had difficulties joining in, so in case you have more questions, you can contact me or Abhishek. Thank you.

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