“Hindustan Zinc Limited Q4FY 2017 & Full Year Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hindustan Zinc Q4FY 2017 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ekta Singh from Investor Relations – Hindustan Zinc. Thank you and over to you, Ms. Singh.

Ekta Singh: Thank you. Good Afternoon and thank you for joining us for Hindustan Zinc's Fourth Quarter and Full Year FY2017 Results Call.

For our call today, we have with us Mr. Sunil Duggal – CEO of Hindustan Zinc and Mr. Amitabh Gupta – our 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. I am pleased to inform that Hindustan Zinc has surpassed its previous records and achieved new performance levels.

On 22nd March 2017, the Board declared a special interim dividend of 1375% or Rs. 27.50 per share on equity share of Rs. 2 each. This, together with the interim dividend paid in October 2016 and the Golden Jubilee dividend paid in April 2016 is the highest dividend payout in a financial year in Indian corporate history.

Now to give you an update on the progress of expansion projects during the quarter. Total mine development across all mines increased by 3% sequentially and 19% YoY to 19,159 meters during the quarter. During the year, the total mine development was 67 kilometer, up 15% from a year ago.

At Rampura Agucha underground mine, after four successive quarters of over 4,000 meters of mine development we finally crossed the 5,000-meter mark. It was gratifying to see Rampura Agucha ramp-up with ore production reaching 1.4 million tons this year compared to 0.2 million ton a year ago. While the main shaft reached its ultimate depth of 955 meters in the previous quarter, the south ventilation shaft sinking has also been completed now. Further, cold commissioning of both, production and service winder, was completed and shaft equipment work continues to progress satisfactorily.

The new 1.5 million ton per annum mill at Sindesar Khurd mine was commissioned in January in a record time of 14 months. As reported in our last Earnings Call, we had an unfortunate accident at our project site where a rare crane collapse caused four fatalities of our contract employees. Sindesar Khurd achieved a record ore production of 3.7 million tons during the year against 3 million tons last year. The winder foundation work of the shaft has been completed and head gear erection is nearing completion now. We expect Sindesar Khurd mine to reach its targeted capacity of 4.5 million ton, ahead of schedule in the current year.

Zawar mine also achieved record ore production of 1.8 million ton during the year, an increase of 31% from a year ago. Environment clearance of 4 million tons of ore production and beneficiation was received in January, following which consent to establish and operate has also been received. Zawar mill expansion took 2.5 million tons and associated upgradation power project is at advance stage now with completion planned in June 2017. The recently announced fumer projects which has been undertaken to further improve silver and other recoveries from our hydro plants is progressing well with schedule completion in mid FY2019. This is also one of our key sustainability initiative which will favorably impact our land and waste footprint.

During the quarter, we successfully commissioned 16 megawatt captive solar farms on the waste land at our Dariba and Debari sites. With a CAPEX of Rs. 82 crores it will help us partly meet our renewable power obligation while utilizing the waste lands like Jarosite Pond at Debari and Tailing dam at Dariba.

On our reserves and resources now, taking forward our successful track record of adding more to R&R than depletion, our exploration efforts resulted in gross addition of 26.4 million tons to R&R prior to depletion of 11.9 million tons. Total R&R at March 31st 2017 was 404.4 million ton containing 36.1 million ton of zinc-lead metal and 1032 million ounces of silver. Overall mine life continues to be 25 plus years.

Coming to the operational performance now. We achieved an all-time high mined metal production of 312 KT during the quarter, up 13% from previous quarter and 66% YoY. The increase was on account of higher volumes from Rampura Agucha opencast in accordance with the guidance of substantially higher production in second half of the year. Mine metal production during the year was at 907 KT, up 2% YoY in line with guidance. Production from underground mine ramped up significantly during the year to achieve a substantial 44% YoY increase in ore production and 32% YoY increase in mine metal production.

During the quarter our smelters operated at full throttle with close to 100% utilization. Integrated zinc metal production during the quarter was 215 KT, up 5% from previous quarter and 40% YoY. Integrated salable lead metal production during the quarter was highest ever at 45 KT, up 15% sequentially and 18% YoY. The increase was in line with availability of mined metal supported by enhanced smelter efficiencies. Total integrated zinc-lead metal production was at all time high of 260 KT. Integrated salable silver production during the quarter was also a record at 139 ton, up 18% QoQ and 14% YoY due to higher grades and volume from Sindesar Khurd mines.

For the full year, integrated zinc metal production was lower by 12% at 670 KT and integrated lead metal production was flat at 139 KT. This was on account of low availability of mine metal in H1 due to cyclical pattern of Rampura Agucha opencast mine. Highest ever integrated silver production was achieved during the year at 453 ton, up 7% from a year ago driven by higher volumes from Sindesar Khurd mine. Substantially higher mined metal production in H2 resulted in accretion to inventory, of which 26 KT was sold during this quarter, leaving 80 KT in closing stock at year end which will get converted into refined metal in the coming quarters.

On outlook for FY2018, I am happy to share our successful transition journey to underground mining with 52% of total mine metal production during the year coming from underground mines as compared to just 15% in the year 2013 when the expansion was announced. We planned to take this figure to 80% in the current year before becoming completely underground in FY2019. Both the Rampura Agucha and Sindesar Khurd shafts are on track for completion in FY2019. As we continue our journey towards achieving 1.2 million tons mine metal capacity in FY2020. During these four years, since expansion projects were undertaken, we have ensured stable COP which is a testimony to the company's increasing prowess in underground mining and its successful transition.

Our guidance for FY2018 is 950 KT of zinc-lead metal production which will be evenly spread from quarter to quarter through the year. Silver production will be over 500 tons, our dollar COP is expected to be marginally higher, but of course it will be based on coal and input commodity prices.

To give you an update on the market, zinc has been amongst the best performing metals during the year. The LME surge is attributed mainly to dwindling global mine supply with end user demand remaining firm.

In Q4, spot TCs dipped to five years low prompting many smelting capacities to go on care and maintenance as margins became unviable. Zinc benchmark TCs for has been negotiated at 15% lower level than the previous benchmarks and with no price participation element. The quarter also witnessed major drawdown in inventory levels, driving both concentrated and refined metal stock levels at multi-year low.

The supply shortage that had propelled zinc to be the top pick of 2016, still continues. It is widely believed that the deficit in the concentrate market will persist in the near future and with continued increase in demand the deficit in finished metal will only increase.

Now, our CFO, Mr. Amitabh Gupta will take you through financials in detail.

Amitabh Gupta: Good afternoon to all. Gross revenues during the quarter were Rs. 6,699 crores, an increase of 97% year-on-year. This increase is primarily on account of strong zinc, lead and silver prices which had a positive impact of almost Rs. 2,000 crores. Secondly, higher volumes driven by a 40% increase in zinc production volume and sale of 26 KT mine metal together contributing about Rs. 1,350 crores increase in revenues.

For the full year revenues were up by 22% at Rs. 18,642 crores, primarily for the same reasons, and which was partly offset by lower zinc volumes. The zinc metal cost of production per ton before royalty or COP was Rs. 53,226 for the quarter, or $794, which is lower by 8% year-on-year, 7% in dollar terms. Sequentially also the COP was 8% lower.

The year-on-year decrease was due to higher average grades on account of higher production volumes from Rampura Agucha opencast mine, in accordance with the mine plan, better smelter efficiencies and reversal of some old liabilities. This was partly offset by higher input commodity prices, mainly coal, coke and diesel, lower acid realizations and higher mine development. For the full year zinc COP was Rs. 55,679 or $830, up 6%, 3% in dollar terms, from a year ago, on account of higher coal and input commodity prices as well as due to lower integrated production, lower average grades and lower acid realization.

The increase in revenue and lower cost of production resulted in a 190% increase in EBITDA during the quarter to Rs. 3,770 crores. For the full year, EBITDA increased by 46% to Rs. 9,734 crores. Net profit for the quarter increased by 42% year-on-year to Rs. 3,057 on the back of higher EBITDA, though its impact was partly offset by higher tax and depreciation as well as lower mark-to-market gains on a smaller investment corpus. If you recollect, the provision for tax during Q4 of FY2016 was negative, largely on account of substantial liquidation of investments at year end for payment of special golden jubilee dividend. The corresponding realized profits were set off by carried forward tax losses, thus significantly lowering the tax for the previous year. For the full year 2017, net profit increased by 2% to Rs. 8,316 crores, again due to the impact of higher EBITDA which was offset by higher tax, higher depreciation and lower investment income.

Our gross investment as at 31st March 2017, were at Rs. 23,972 crores invested in high quality debt instruments, including Rs. 19,336 in mutual funds, Rs. 4,446 crores in bonds and the balance in bank. The gross investment figure includes Rs. 7,908 crores of short-term commercial paper raised to meet this special interim dividend fund requirement due to tax efficiencies. The net cash and equivalents as at March 31, 2017, was Rs. 16,065 crores after accounting for the special interim dividend outflow.

The CAPEX plan for FY2018 involves an outflow of about $350 million to $360 million, this includes mine expansion projects, smelter debottlenecking and fumer projects.

Coming to the treasury income and tax outlook:

Our treasury income is expected to be lower in the current year due to reduction in the investment corpus and current softening in the rates. Tax rate for the financial year 2018 is expected to be slightly higher than MAT.

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

Sunil Duggal: So to sum up:

It was a robust quarter with highest ever mined metal and integrated land and silver production. The fiscal 2017 ended with new production benchmarks and we expect to surpass these in FY2018. We are on track to increase our mining capacity to 1.2 million ton per annum of mined metal in FY2020 and expect both the shafts to get commissioned next year, that is FY2019. We remained focused on asset optimization and operational efficiencies to maintain our cost leadership. We have been consistently adding to our resource base and continue to maintain mine life of over 25 years.

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 the first question from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: Sir, my question is regarding the refined output over the next three years, we are going to see 1.2 million ton full capacity by FY20, so how do you see on an annual basis is it safer to assume 50 KT to 100 KT of addition over 2019 and 2020 going forward? And how will the smelter expansion take place along with this mine expansion? And second question is regarding silver, how will the volumes increase with this mined metal expansion to 1.2?

Sunil Duggal: So, to come to the first question, as you rightly said that we will be ramping up our mines and you must have also seen if you independently see the underground mines so these are all ramping up at a CAGR of around 35% - 36%, which gives us a confidence that even if the open cast will close in the current year, we will be able to achieve that volume, that confidence is there. And the finished good or the finished metal is a resultant of what we will get from the mine. So this year we have given the guidance that we will be making over 950 KT, which is a substantial jump of maybe around 20% - 25% from what we have produced this year. And as the mines will ramp-up the volume will also ramp-up, similarly the silver is also ramping up, in the current year we have given the guidance of more than 500 tons, so that means 950 KT of finished goods, both zinc and lead, and 500 ton of silver.

As you are saying that how we are trying to prepare ourselves to have a increased quantity of finished goods as we will ramp-up our mine, and as we have also said in our talk track and we have also previously said that we have taken up the debottlenecking in all our smelters together. And along with that we are also putting up the fumer, the fumer also gives us the additional quantity of around 25 ton of silver from each of the hydro plant, so around 75 ton of total silver can come out from the smelters and some quantity of zinc and also lead comes up. But principally we are doing the debottlenecking of all our hydro smelters and we are also doing the debottlenecking of the lead smelter. So as the mines will ramp-up this additional volume will come. What was your second question?

Anshuman Atri: What would be the silver volume, say when we get 1.2 till the silver move to 700 tons?

Sunil Duggal: Could be around, somewhere between 700 tons to 750 tons, it should be like that because if in the current year, you see the 3.7 million ton of the production we had from the SK Mine, next year we are planning 4.5 million ton. So as the underground volume ramps up, the silver will go up and some quantity will also be added from the additional recoveries from the smelters, as I said we will put up all the three fumers and which will also contribute somewhere between 75 tons to 100 tons. So the total volume could rise to 700 tons - 750 tons in the year FY20 as the mines volume will ramp-up.

Anshuman Atri: And just last question, can you say the net revenue numbers? The gross number is given, the net revenues?

Amitabh Gupta: Excise duty will be about Rs. 496 crores in the current quarter. Which quarter do you need this for, just the current quarter or for the full year?

Anshuman Atri: Only the current quarter.

Amitabh Gupta: So about Rs. 496 is the excise duty, so you can reduce that.

Moderator: Thank you. We have the next question from the line of Saumil Mehta from BNP Paribas Mutual Fund. Please go ahead.

Saumil Mehta: Sir, my first question is, were there any concentrate sales for this quarter and going forward what is the view in terms of any mismatch in terms of concentrate production vis-à-vis the final….

Sunil Duggal: The last quarter the concentrated sale was 26 KT because even after selling this concentrate of 26 KT we had the opening stock of 80 KT. So going forward if we are taking a volume on (+950) KT, we do not have the plan to sell the concentrated because the FT plan is very evenly spread from quarter-to-quarter, unlike last year in which we had the famine in the first half and feast in the second half.

Saumil Mehta: Okay, so Q4 was about 26 of concentrate?

Sunil Duggal: Yes, that is right.

Saumil Mehta: And sir my second question is in terms of when we achieve the final 1.2 million tons of final production, what would be the utilization rate we were looking at FY20, so will the exit rate in FY19 be about 1.2 and the full utilization come in FY20 or it will be a year down the line, FY20 and FY21?

Sunil Duggal: So, we have always maintained that we will setup a total capacity of 1.2 million tons in the FY20. So after setting up a capacity of 1.2 million ton the capacity utilization could be a little lesser, and as the year will progress the capacity utilization may slightly go up.

Saumil Mehta: And sir my last question is with respect to cost of production, now obviously the underground portion of the total component has been going up but you will also see a significant volume growth in this year i.e. FY18. So on a full year basis should we expect cost on per ton to come down or they are likely to be flattish?

Sunil Duggal: It could be slightly going up, but it all depends on the commodity prices, as of now the coal is somewhere between $75 to $80, and the pet coke is also at its peak. So it will depend on that.

Moderator: Thank you. We have the next question from the line of Dhawal Doshi from Phillip Capital. Please go ahead.

Dhawal Doshi: Sir, just wanted to clarify one thing. You mentioned 950 KT of zinc and lead in FY18, is this the integrated refine metal or the mine metal?

Sunil Duggal: It is integrated finished goods.

Dhawal Doshi: Okay, so mine metal could be a bit lower, given we are carrying 80,000 tons of inventory?

Sunil Duggal: No, it could be almost same because it is always comfortable, we have now felt that, to carry this type of inventory gives a breathing space to the smelter and the running efficiency also becomes higher.

Dhawal Doshi: Sir secondly, was just wanting to have your view on the overall zinc prices, so when the zinc prices had touched almost $2,900 plus, did we see some risk of incremental supply coming in or have we seen some Chinese mines restarting?

Sunil Duggal: Yes, there is a lot of news coming up, of course this is an individual view. Last year we had the concentrated deficit of around 0.7 million tons - 0.8 million tons wherein the consumption was more than the smelting capacity and the concentrated supply, the stocks of the concentrate from 15 to 16 has come down from 49 days to 29 days. So people are saying some of the mines are coming up, of course some mines will come up. But over the last two years there is a depletion of both the finished goods from the warehouses and the concentrate. So that means the depletion has come at both the level. So even if the supply comes up, how much supply will come up, if a deficit is 0.8 million tons and somebody adds 0.3 million tons, 0.4 million tons, 0.5 million tons, the deficit could come down which we ourselves are estimating maybe around 0.2 million tons of the concentrate deficit. In a worst case when all the supplies come up and we also see on the finished goods also, even if the smelters operations come on stream, still the number of days of stock will come down from 51 days to 38 days. So the vacuum which has been created in the market both on the concentrate and the finished good cannot be made up even if the supply comes up. So with the continued deficit and even if the margin of the deficit year-on-year goes down, still it cannot fill the vacuum. So my own personal feeling is that the LME should still go up.

Dhawal Doshi: And sir, when you said that supply to come up, you were not factoring in the Glencore mines, right?

Sunil Duggal: In the worst case I have factored.

Dhawal Doshi: So in the worst case even if Glencore starts you will still perceive a 0.2 million ton deficit?

Sunil Duggal: Yes, that is right.

Dhawal Doshi: Sir, somehow the regional premiums are still not indicating that bullishness, so is the inventory outside the exchanges still at an elevated level or any sense on that?

Sunil Duggal: Premiums are not looking up, we are also a bit confused that why the premiums are not looking up, because if the deficit of supply is really in the market but who thinks two things together. So the way the LME has gone up the derived premium also goes up. So if the premium goes up and the duty benefit is also over and above that so the desired premium, that means the total premium which the consumer has to pay gets a double lift. So I think with the stabilization with the LME at certain level the next thing which would happen is that the premium will go up.

Dhawal Doshi: Sir, where do you really expect the LME to stabilize at?

Sunil Duggal: That is anybody's guess, but I would personally say it should stabilize somewhere between 2800 to 3000.

Moderator: Thank you. We have the next question from the line of Anshuman Deb from ICICI Securities. Please go ahead.

Anshuman Deb: Quickly on the volume guidance that you have given out for FY18, which is almost 17% to 18% increase over current year. So just want to understand what kind of middle door volumes you are considering for the Rampura Agucha? And what kind of grades you are factoring in for the same.

Sunil Duggal: It may not be possible for me to give the exact equation as of now. But the ramping up is coming in all the mines. So what we are looking at is that a combination, I mean overall a combination of the lowering of the grade and the increase of the volume, because the current year will be the last year of the open cast, we have considered the ramping up of the underground mine. So put together, we may fetch the same volume what it was last year. But apart from that, the volume from the other mines will ramp up. So, a combination of that, that is why we have predicted that both the MIC and FG should be more than 950 KT in the current year.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Sir, the first question is, you made an investment remark that incrementally on TCRC you do not have any price participation clause. So sir my question is, can you explain what exactly the TCRC is and what sort of money are we making on selling concentrates versus selling actual metal?

Amitabh Gupta: See, selling of metal will always be more profitable for an integrated company like us where we have the mine also and we have the smelter also. So, inherently we always smelt together. We sell only finished metal, we generally avoid selling any concentrate. It is only when we have too much of surplus that we get tempted to sell concentrate. And in the last quarter we sold a little bit of concentrate because the TCs were very attractive. Spot TCs we were able to get less than $30 per DMT. And we had some surplus concentrate, so we took and the LME was also very nice, so we took opportunity. It was more an opportunistic sale than an inherent business model.

Ritesh Shah: And sir, when we see that there is no price participation clause, is it the 10% -12% table of metal, is it the same thing?

Sunil Duggal: No, it is like in the international market, when the LME goes beyond a certain level, the increase in LME is normally shared within the mine and the smelter. But because of the special situation now the mines are in where the shortage is much more than the smelter, so they have taken a call that they will not participate in the price sharing. They will not have the smelter's participate now in the price.

Ritesh Shah: You said spot is $30 and how much has it been in contracted for next year?

Amitabh Gupta: No, we do not contract any...

Sunil Duggal: We have not done but what report we have is that it is about 15% to 20% lower than last year.

Ritesh Shah: Sir, my second question is, you have indicated 1.2 million tons of mine metal production. I understand the in the prior question you indicated that you would not give mine wise breakup. But sir, would it be possible if you could quantify what is the quantum of ore mine that we are looking at, will it be around 14 million tons - 15 million tons?

Sunil Duggal: No, it will not be 14 million ton or something like that. In the current year, it was around 11.8 million ton, the next year could be around 13 million ton.

Ritesh Shah: And just a follow-up on this. Sir, how should one look at it as an output from the shafts? So, is it something that is also included in the 13 million ton?

Sunil Duggal: No, the shafts are not getting commissioned in this year, the shafts will get commissioned in 2018-19. And the actual contribution, the 2018-19 will get commissioned and stabilized, some ore will be produced during this year from the shaft, but the actual contribution will come in

2019-20. And that is why the step jump we are anticipating in 2019-20, and because of which we are saying that the 2019-20 we should be able to produce 1.2 million ton.

Ritesh Shah: Sir, just two follow-up questions. So does this 1.2 million tons include full-blown output from both the shafts?

Sunil Duggal: Yes, that is right.

Ritesh Shah: And this would be factoring the EC limit for SK at 4.2 - 4.5 million tons?

Sunil Duggal: That is not a problem for us because the SK we have been taking EC clearance every year, so last year we got two clearances, one was 3.75 million to and then we got 4.5 million ton. But now we are also going ahead with the increased EC clearance for SK Mine, even in the current year.

Ritesh Shah: Sir, this 4.5 million tons, to what level can it go to? Can it be 9 million tons?

Sunil Duggal: You can guess anything you like, but the initial plan was 3.75 million tons, we increased the plan to 4.5 million ton, and now we are taking the increased EC clearance. And we will see what we will be able to do going forward because we will have to create a mine plan, we have to take the IBM clearance and all those clearances are also important. We have to convince them that this mine is capable of producing the volume which is anything more than 4.5 million tons.

Amitabh Gupta: And if I may add to Mr. Duggal, the mining industry now has a rating system, a star rating system, where they have 3 star, 4 star, 5 star mines. Three of Hindustan Zinc mines are 5-star rated, and that is only company with three 5-star mine rating. Now what that means is when you have this many 5-star rated mines, clearances in every aspect, whether it is environment clearance, whether it is forest clearance, everything becomes much simpler for a 5-star rated mine. So we have not experienced problems about clearances and increased EC limits nor with three 5-star mines in our pocket, nor do we expect any issues in that respect.

Ritesh Shah: Sir, sorry to just dig into this, but I think the 1.2 million ton number, what we are giving probably is there could be an upside risk, because if you are assuming a higher EC limit for SK, given the shaft is also coming through, then this number should look a bit higher, a lot higher than 1.2 million tons. So is it fair to assume that our number is conservative factoring the current EC limit that we have for SK Mine?

Sunil Duggal: You remain satisfied with what you are saying.

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

Ravi Shankar: Sir, two questions. One is a clarification on the 26 KT of concentrate sales. So, did that lead to Rs. 13.50 crore of increase in the top line?

Amitabh Gupta: No, how did you arrive at Rs. 13.50 crore? That will be about Rs. 400 crores.

Ravi Shankar: About Rs. 400 crores. No, during the earlier remarks I think I picked up this Rs. 13.50 crore number. So Rs. 400 crores is the incremental sales sum from this concentrate sales?

Amitabh Gupta: Right.

Ravi Shankar: And secondly, on the COP front without royalty, the dip that we see sequentially from $861 per ton to $794, is this all because of higher volume or there is a sense of some cheaper mining costs / power-fuel costs as well?

Sunil Duggal: It is a combination of everything you see. The combination of grade, because we have the higher volume from Rampura Agucha opencast, so the overall weighted average grade went up and the higher volume is also there. But the commodity prices were also highest ever. So the coal price what we used was more than $80 in quarter four. The pet coke price was more than Rs. 28,000. So it is a combination of all these factors.

Ravi Shankar: Right. So then at least on the fuel cost front there was a rise, but despite that the overall COP is down.

Sunil Duggal: COP is down primarily because of the higher grade and the volume.

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

Pinakin Parekh: Sir, a couple of questions. You replied that the ore production should go from 11.8 million tons to roughly 13 million tons, and mine metal should go from roughly 907 KT to 950 KT. So that implies a 10% increase in ore production, but only a 5% increase in mine metals. So this should primarily be given that the grades are mostly coming from the SK Mines and the Kayad mines where the grades are lower. And this is a trend which should continue as we move from 900 KT to 1.2 million tons over the next three years?

Sunil Duggal: But this will be the trend. To what extent this will get impacted, it will all depend on which mine will contribute what. But primarily, it will all depend on how shall we be able to ramp up our Rampura Agucha underground mine. Like you see the confidence was very high last year when we ramped up the mine from 0.2 million ton to 1.4 million ton.

Pinakin Parekh: Sure. And sir, regarding the R&R addition that we have seen, broadly, sir, which mines would we have seen the bulk of the net addition of 14.5 million tons of ore that we have seen. Where would you have seen those additions and which mines?

Sunil Duggal: Mine wise, I may not be able to tell you exactly but the lot of addition is coming from Zawar mine. So Zawar mine is giving us a very high confidence because the resources, which is being added and the drilling which we have taken in the coming quarters is also very aggressive target we have taken for Zawar.

Pinakin Parekh: And just to clarify this question further. You have mentioned that the overall mine life continues to be 25-plus years. It would be fair to assume that Rampura Agucha's life should be materially lower than this overall 25-years number?

Sunil Duggal: No, not exactly. So Rampura, I mean, if we see we are giving you an overall figure. Okay? So this Rampura Agucha life is 35-years plus. So it is a combination of everything. So average life for the total company as such looking at the present capacity or increased with capacity is what we are seeing. The life from mine to mine maybe different, but we have also seen that while we are doing a brownfield drilling in various mines, the resources keep adding. So it gives some kind of gut feel and a security to the mind of the people that overall the company life is more than 25 years.

Pinakin Parekh: Understood. And sir, lastly, if I were to look at FY18 versus FY17, silver production would be materially higher versus what was in FY17, 500 KT versus 453 KT. The refined metal production in 950 KT versus 811 KT, that's as much of an 18% - 20% hike. So if I were to put this two together and given that there is an 80 KT inventory that we are carrying, at constant LME prices it will be fair to assume that there should be a very large step-up in EBITDA in FY18 versus FY17? Would it be a fair assumption or are there some other costs of which we can see increasing from here?

Amitabh Gupta: I think that is a fair assumption. We have already given guidance of our cost that the cost will be very marginally higher in FY18 relative to FY17. Now, it also depends very much on LME and so many other factors, the commodity prices, the LMEs, etc.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Just one question, it is on balance sheet. This is about net debt calculations. So on the press release you are talking about Rs. 16,000 crore of net debt...

Amitabh Gupta: Net cash.

Sanjay Jain: Sorry, net cash, yes. But if I look at the reported balance sheet, I am not able to reconcile that number because in the investment you are talking about 20...

Amitabh Gupta: It is very simple. You just take the figure of investment, which is Rs. 23,783 crores, and cash and cash equivalents of Rs. 190 crores, that will give you Rs. 23,972 crores. From Rs. 23,972 crores, you reduce the figure of liabilities, short-term borrowing, Rs. 7,907.75 crores, which is the commercial paper we have raised. That will give you the net Rs. 16,000 crores you are looking for.

Sanjay Jain: Then what is this Rs. 8,190.97 crores?

Amitabh Gupta: That is the balance in the dividend account, which theoretically is in our books but doesn't belong to us.

Moderator: Thank you. We will be taking the last question from the line of Abhishek Poddar from Kotak Securities. Please go ahead.

Abhishek Poddar: Two questions from my side. First was regarding this RA open cast mine production, you said that this will be the last year of production FY18. And FY19, you have said that 100% of production would be from underground mines. So how should we see this in the context that shaft sinking will only be coming in FY19? And you said that full benefit of that will be coming in FY20. So FY19 how the volumes will be shaping up and which are the mines that should be contributing to the volumes?

Sunil Duggal: You see, in the current year also there is not a very huge contribution, the 80% plus metal will come from the underground mines. And we also said that we have been ramping up the underground mine at this year at the rate of 35% to 38%. So, if there is a 20% contribution from the open cast mines which comes and next year I fill up a gap of another 30% also, so still my volume will rise from the current year to the next year.

Abhishek Poddar: So the production would be mainly two ramps because the shaft will not be there?

Sunil Duggal: Yes, mostly from ramp. Some contribution may also come through the shaft.

Abhishek Poddar: Sir, and the last question is on the fumer plant. Could you give us what is the CAPEX you are doing on this plant and what is the production or incremental volume that you are going to generate or what is the cost economics or business case for this?

Sunil Duggal: So, as I said, the total CAPEX is around Rs. 550 crores. And the current year CAPEX could be around $50 million. And the recoveries I said that the one fumer, that means the one we are setting up now will contribute the silver to the extent of 25 tons to 30 tons. And the zinc recoveries could improve to 97.5% to 98%. And around 8,000 tons of the lead will be contributed through this. Plus, some power generation benefit and some other benefits will also come.

Abhishek Poddar: Sir, I didn't get it. 8,000 tons of lead and any zinc also will be recovered or...

Sunil Duggal: Zinc will be recovered. The current recovery of 96.5% could go to 98%.

Abhishek Poddar: Okay. And that will be for the all these smelters combined or just...

Sunil Duggal: Of course, all the smelters you will put up.

Abhishek Poddar: Okay. So again this Rs. 550 crores of investment, how much extra metal would we be getting combined of all smelters?

Sunil Duggal: So you see 1.5% of, let's suppose 200,000. So how much is it? 2,500 tons?

Abhishek Poddar: Yes, sir.

Sunil Duggal: 2,500 tons and 8,000 tons of lead, so around 10,000 tons, 10 KT of the metal will be contributed, and you can say the silver will be contributed between 25 tons to 30 tons.

Abhishek Poddar: And obviously that will not be at any incremental cost, so the cost will remain...

Sunil Duggal: That is not at any incremental cost, so that directly contributes to the bottom line, plus some power generation is also there, so it is a double-digit IRR. Power generation is there then you do not require the land to dump your jerosite and you also do not require some other additives we feed in that like cement and lime and all that. So there also the cost that is involved to the extent of Rs. 650 per ton of metal, so that also goes off. So there are various benefits. It is a very positive environment-impact project.

Abhishek Poddar: Fair enough. Sir, you have bumped up your CAPEX guidance from Rs. 250 million to Rs. 350 million to Rs. 360 million. So that is mostly because of fumer plant and then should we expect CAPEX to come down in FY19?

Sunil Duggal: Yes, it will definitely come down. It is on two accounts. One is the fumer CAPEX, and other is the debottlenecking CAPEX of smelters.

Amitabh Gupta: So we have said our guidance is about $250 million per annum for mining projects and that continues.

Abhishek Poddar: Okay. So just last thing, could you just give us some sort of light on the debottlenecking project on smelter? And how much volume can that generate?

Sunil Duggal: We are wishing that we should get a total volume, that means the total mined metal of 1.2 million tons should get converted from the existing smelters because that will improve our productivity and debt control over the cost.

Abhishek Poddar: Yes, so the current capacity is 1.064 million tons, so that should go to 1.2 million tons because of this project?

Sunil Duggal: Yes, that is right.

Moderator: Thank you. I would now like to hand the conference over to Ms. Ekta Singh for the closing comments.

Ekta Singh: Thank you, all, for joining us in our call today. If you have any further questions, please feel free to reach out to me. Thank you.

Moderator: Thank you very much members of management. 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.