



“Hindustan Zinc Limited Q4 & Full Year FY22 Earnings Conference Call”

{April 22, 2022}



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Moderator: Ladies and gentlemen, good day and welcome to the Hindustan Zinc 4th Quarter and Full Year FY22 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. Shweta Arora, Head of Investor Relations, thank you and over to you ma’am.

Shweta Arora: Good afternoon, everyone. I welcome you all to Hindustan Zinc’s 4th Quarter and Full Year FY22 Results Briefing. Today on the call we have with us our CEO, Mr. Arun Misra and our Interim CFO Mr. Sandeep Modi. Mr. Misra will begin with an update on business performance, while Mr. Modi will walk you through financial performance, after which we will open the floor for questions. I now request Mr. Misra to begin today’s call. Over to you Mr. Misra.

Arun Misra: Good afternoon, everyone. Thank you for joining us today for the 4th Quarter and FY22 Results Briefing.

I hope you and your loved ones are doing well and have taken the booster doses as per government protocols. I am happy to inform that we are progressing well on our administration of the booster dose, for our employees and business partners, as well as their families to curb the positivity rate and keep it under control.

Before I begin today’s results presentation, I regret to inform you all that we have lost one of our business partner colleagues in an unfortunate accident that happened at our Rajpura Dariba Mine on 11th March this year. I would like to offer my deepest condolences to the bereaved family and friends of the deceased. “One life lost is one too many” we commit to stand by the family in this hour of distress.

An in-depth incident investigation is conducted through an independent investigation committee. The learning from the incident have been reviewed and are being implemented across all our operating assets. Further, we have deployed additional safety measures to mitigate any such incidents in the future. We have also initiated the appointment process for three global mining safety experts as safety officials for different mining locations. In addition, we have appointed ex-DGMS officials to enhance safety practices via rigorous training programs. And we have also initiated automation and mechanization plans in high-risk activities to the extent possible.

In these trying times, our people have made us proud and have come together as one Hindustan Zinc family, against all odds. Wellbeing of our people is a key priority for us and where we don't leave any stone unturned and invest both time and necessary resources to nurture them.

From Employee Mental Health and Assistance Programs, to upskilling workshops and trainings, our people are at the heart of everything that we do. At Hindustan Zinc, we strongly believe that change is the only constant, and it is to be driven from the top to effectively percolate down into every facet of our organization. Towards this we have conducted world-class training with external trainers on global concepts like Theory of Constraints, TQM, to drive the change agenda, and with a sub-focus on outcomes, which challenges traditional mental blocks, and helps transcend boundaries in terms of performance.

We also have a dedicated program running for Talent Identification and Development, particularly focusing on younger talent and diversity mentoring. It gives me immense satisfaction to see that Hindustan Zinc has also broken many stereotypes, from employing women in mining, to providing equal opportunities to members of the LGBTQ community. We continue to nurture and protect the diverse and inclusive fabric of the company.

I am delighted to share that company has received the leadership in HR Excellence Award from CII for best-in-class HR Practices.

Coming to an update on the ESG front, it gives me immense satisfaction to witness that we are marching ahead on our ESG initiatives and working hard towards our commitment of Net Zero by 2050. I am happy to share that we have received Board approval to undertake a long-term captive Renewable Power delivery plan, up to a capacity of 200 MW. This is in-line with our unwavering focus to reduce dependence on thermal power and bring the share of renewable energy to cover 50% in next three years.

Hindustan Zinc has also put into operation its first batch of passenger electric vehicles (EV) for employees. The recent additions to the EV fleet are electric scooters for security staff, passenger EVs at locations, and specialized, smart underground service EV for mine.

We have also initiated task force on climate-related financial disclosure, qualitative and quantitative study across Hindustan Zinc, to identify the climate-related risks and opportunities, and the financial implications of the same on our business.

We have signed an MoU with CDP science-based incubator program for setting the targets in line with Science-Based Targets Initiative requirements for our commitment to reduce the greenhouse gas emissions to zero by 2050.

I am also elated to inform you that Hindustan Zinc has featured in the Sustainability Yearbook for the fifth year in a row. We are also ranked in the Top 100 Global Companies by the Global



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Sustainability Magazine. This is extremely encouraging and gives us confidence to progress ahead and deliver on our ESG vision.

Coming to an update on CSR activities, as a group our core value and priority is to give back to the society. And our CSR team has doubled up on their efforts on ground training during these trying times. They have carefully balanced both the ongoing long-term core initiatives along with health and COVID-related support to the villages, and communities surrounding our operations.

The team has put in well-rounded efforts towards Education, Sustainable Livelihood via Skill Development and the establishment of self-reliant financial ecosystems for the communities, Women Empowerment, Health and Sports. I am happy to inform that our Zinc Kaushal Kendra received the Indira Mahila Shakti Protsahan Avam Samman by Honorable Chief Minister, Shri Ashok Gehlot in the field of Women Empowerment.

Turning to a market update,

On the global supply side equation, we don't see any major new development in the short-term, which will impact price significantly. Inflationary pressures have continued to pile on globally. As for zinc metal inventory stocks are slowly and steadily moving from Europe to Asia. The zinc market did witness backwardation during the quarter. On demand side, we haven't witnessed much impact despite Europe being most exposed to Russia, Ukraine unrest. We see manufacturing PMI hovering around 55.

Touching briefly on lead, lower lead LME stocks have a little impact on prices, with battery demand generally soft and moving into seasons, quiet period after winter, additional output from Chinese smelters only led to rise in deficiently warehouse stocks. We do not foresee any significant change on this count in the short term.

Coming to silver, investment demand remains healthy, while industrial demand for silver is expected to grow by 5% in 2022, according to Silver Institute. With expectations of an increase in interest rates by the freight at one hand and ware led situation leading to supply chain uncertainties on the other, precious metal prices will at best remain in a delicate balance.

Talking about the domestic market demand remains healthy, and we were getting good realizations for our products. And I am happy to report that we reached our highest ever market share in primary zinc segments reaching 83% by FY22.

Coming to an update on operational performance

We have continued to set new operational benchmarks and delivered a year filled with new milestones. It was a stellar year with mined metal production crossing 1 million tonnes up to

1,017,000 tonnes. This was possible only through higher ore production from all locations, driven by concerted efforts and grit of all our teams.

Hindustan Zinc also produced its highest ever annual refined metal production and witnessed record high mine development during the year. All of these while maintaining our mine life at 25 years.

During the quarter mined metal production was at 295,000 tonnes, up 3% year-on-year. This was on account of higher ore production at Rajpura Dariba, Sindesar Khurd, and Rampura Agucha mines. Sequentially mined metal production grew by 17% with higher ore production from Rajpura Dariba, Rampura Agucha, Sindesar Khurd and Zawar mines supported by better mining grades.

Integrated metal production was 260,000 tonnes for the quarter, up 2% year-on-year, and remained almost flat sequentially. This was supported by better plant and mined metal availability and improved operating parameters.

Integrated zinc production was 211,000 tonnes up 8% year-on-year, and was 1% lower sequentially.

Integrated lead production for the quarter was 49,000 tonnes, up 5% sequentially, but was down 19% year-on-year on account of our Pyro plant facility, running on zinc and lead mode compared to last year lead only mode operation.

For the full year refined metal production was 957,000 tonnes up 4% year-on-year on account of better plant and concentrate availability.

Integrated silver production was 162 tonnes, down 20% year-on-year and 6% sequentially, in-line with WIP buildup in Quarter 4, and change in mix of lead concentrate. For the full year silver production was 8% lower, year-on-year to 647 tonnes in-line with lower lead metal production and reduction of silver WIP.

At the current run rate production, we are confident to deliver another stellar performance in the fiscal year 2023.

Coming to projects update

I am elated to inform that our alloys project under Hindustan Zinc Alloys Private Limited, has progressed ahead, and has received consent to establish for a 30,000 tonnes plant. We look forward to meeting the demand for zinc alloys in the Indian market.

On the fumer commissioning we see the long wait coming to an end. The visa process for technical experts is in advanced stages. And we expect the commissioning to be completed by the end of Quarter 1 of this year. Post which we can expect output stepping up in a phased manner.

I am also happy to update you on the progress of our mill revamping at Rajpura Dariba mill for 1.1 million tonnes per annum capacity. Construction is ongoing, and we expect commissioning to be completed by Quarter 3 of this year.

Before I handover the call to Sandeep for an update on financial performance, I would like to present our production guidance for the fiscal year 2023. We expect mined metal for the year to be in the range of 1,050 to 1,075 thousand tonnes, and refined metal production for the year to be in the range of one million tonnes to 1,250,000 tonnes, while FY23 saleable silver production is expected to be between 700 to 725 tonnes.

With this, I hand over to Sandeep to give an update on the financial performance.

Sandeep Modi:

Good afternoon everyone. It was a record fiscal year where we touched significant milestones and continued positive momentum of our financial performance. We delivered historic high annual revenue, EBITDA and net profit.

This winning streak is supported by our consistent efforts on operational efficiencies, volume delivery, cost rationalization, as well as favorable LME environment. Being in the first quartile global cost curve, our margins exhibit resilience even in an input commodity inflationary environment, as positive correlation to LME prices create a favorable trade off for us.

Coming to an update on financial performance for the 4th Quarter and full year ended March '22, revenue from operation during the quarter was at record Rs. 8,797 crore, an increase of 27% YoY, led by higher zinc volume and better premium as well as higher zinc and lead LME prices, which were partly offset by lower lead and silver volumes. Zinc sales volume increased 8% YoY in-line with higher production as robust demand. Over the year zinc and lead LME prices were up 37% and 16% respectively.

Sequentially, revenue was up 10% primarily driven by higher zinc prices and lead volume, partly offset by lower silver volumes. Zinc LME prices were sequentially up 12% while lead volume were up 5%. For the full year, revenue was higher by 30% to a record Rs. 29,440 crore, led by higher zinc volumes and stellar zinc and lead LME as well as higher silver prices from a year ago.

Zinc COP before royalty during the quarter was \$1,136 per tonne, lower 1% sequentially, though it was up by 24% YoY in INR terms and up 21% in USD terms. For the full year Zinc COP excluding royalty was \$1,122 per tonne higher by 18% YoY. Overall COP has been adversely

affected by higher coal prices, and higher use of imported coal, owing to lower linkage coal availability. This was partially offset by operational efficiencies, higher volume and better recoveries.

EBITDA for the full year was a record Rs. 16,289 crore, up 39% from a year ago primarily on account of higher volume, rise in LME prices partially offset by higher imported coal prices, lower domestic linkage coal availability as well as rise in HSD and met coke prices.

EBITDA for the 4th Quarter was at Rs. 5,007 crore, 29% higher versus last year, same quarter, and is up 14% sequentially on account of higher prices, better premium and well-managed operating cost.

Tax rate for the year was at an average of approximately 31.7%. The higher level versus previous year was mainly due to the end of certain tax holidays and change in proportion of total business profit versus the total taxable profit. Our cash tax rate would still be around 17%, and we have MAT credit available.

For the full year consolidated net profit was Rs. 9,629 crore, up 21% wherein the impact of higher EBITDA was partially offset by lower investment income due to declining interest rate environment, and higher ETR.

Consolidated net profit for the quarter was Rs. 2,928 crore up to 18% YoY and 8% sequentially, due to lower interest income and higher taxes.

Another key update this quarter is on locking in future zinc prices. During the quarter the company sold zinc forward for nearly 15% of FY23 projected zinc volume. Given fast evolving business situation, we have embarked on strategic hedges and will remain flexible and dynamic to harness right opportunities.

Coming to our cost and CAPEX guidance for the fiscal year 2023

We expect zinc COP in the range of \$1,125 to \$1,175 per tonne for upcoming fiscal year, which is inclusive of higher mine development expenditure to support future volume growth. You would appreciate this guidance comes in an extremely uncertain environment with rising imported coal prices, lower domestic coal availability quality and geopolitical tensions, which is impacting supply chain globally. Given the fact that we have maintained our leadership position in the global cost curve, we remain confident to protect and improve our margins.

Project CAPEX for this year is expected to be in the range of \$125 to \$125 million, we will continue to have a focused approach, to invest in a strategic project with higher IRR and towards sustainability aspect of the business. With this I open the floor for your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: I have two questions. The first one is essentially on the guidance. So, guidance for FY23 as far as mined metal production and refined metal is concerned, it seems that you are a little bit soft when compared with the initial guidance for FY22. And with Fumer volume expected to come in and we are already operating at 1.2 mtpa. So, this seems to be a little bit soft, I just want to know what we are missing here, that is my first question.

Arun Misra: And how do we look at it, last year, we crossed the one million threshold as far as metal in concentrate is concerned. And the focus shifts to smelting which always had the capacity to produce one million tonnes metal, but we have never been tested on that ground. This year is the testing ground for smelters to be tested to produce 1 million tonnes metal, in a way that maximizes revenue from the quality of metal that it produces, along with the different value-added products, along with our ratio of domestic is to exports. So, that's why if you look at the guidance, the focus has shifted more towards the metal than from the mining, because on the MIC one million tonnes plus we will be producing in any case, and that guidance will not be perhaps necessary guidance going forward. Going forward the guidance will be more on the metal where we are focusing on one million tonnes plus production is the focus, but however our commitment remains to deliver 1.2 million tonnes metal as quickly as possible.

Amit Dixit: The second one is essentially on the zinc forward, you mentioned that you have the forward contract for 15% of volume for zinc. Have you done anything for lead also and is there some currency hedging and at what price we have hedged?

Sandeep Modi: So, we have hedged the 15% of volume of our zinc, no hedging has been done for the lead. And the prices are above the \$4,000.

Amit Dixit: Okay, and there is no currency hedging.

Sandeep Modi: No currency hedge for this specific hedging.

Moderator: Thank you. The next question is from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla: My first question relates to the cost of production. There is a decline of around 1% QoQ. Can you talk about the key drivers and also what was the coal linkage materialization in this quarter?

Sandeep Modi: So, during the coal linkage materialization, situation did not improve, we received a mere around a 3% of the linkage coal in our overall coal basket. So, the better COP or the well-managed COP was attributable on account of the higher volume, operational efficiencies and various operational parameters, recovery kind of things, which have been helping us to improve the cost.

Anuj Singla: And secondly, so we, I think, a couple of years back, we were looking at 1.2 to 1.5 million expansion for the mining capacity. And we are still a long way away, or maybe a couple of years away from achieving 1.2. Can you give us some kind of timeline? When do we start investing for these 1.2 to 1.5 million tonne expansion? And is there some amount of CAPEX already included in the CAPEX guidance for FY23? And also an update on the custom smelter which we were contemplating, in Gujarat?

Arun Misra: So, I will start from the last, custom smelters are still a way off, because the public hearing has not been held. And once the public hearing is held then we will perhaps come back with our project proposal. What's in hand right now is, as I said earlier, to cross one million tonne plus, in the smelting capacities, and to put up some balance facilities that the smelting itself, it's not only tested for one million tonne, also, he is able to produce slightly over and above 1.2 million tonnes. So, that sets the pace for going to 1.5 mtpa.

All practically speaking, we should see that design work for 1.5 mtpa being over by another two quarters. And then perhaps we will be able to let you know, what would be the project plan and when we would be commissioning those, when we will be embarking on those projects.

Moderator: Thank you. The next question is from the line of Abhiram Iyer from Deutsche CIB Center. Please go ahead.

Abhiram Iyer: Could you give us any guidance on the sort of an inorganic expansion plans that you were looking for in the last couple of quarters, particularly, let's say Zinc International and other companies that you were looking for an expansion? That's the first question.

And the second question is, could you give any guidance on any dividend payout that the company is thinking about or the management is thinking about?

Arun Misra: So, again, let me, Arun Misra here, let me do it in the reverse order. As far as dividends are concerned, it's a matter for the Board to consider and approve. Whenever they do so surely, we will be able to let you know very happily.

On the other hand, as inorganic growth, yes, it's a part of our overall vision to be number one lead and zinc producer in the world. And we are including the target that you are speaking of, Zinc International, if we add that to Hindustan Zinc, we are already number one in the world, if we add these two, then one plus one would make 11 that's our belief. However, if it were to happen, it will happen with new regulatory approvals from all fronts. So, we are still on the drawing board and wherever we do get the approvals we will surely let you know.

Abhiram Iyer: So, as of now, it's not imminent on the horizon, it's still going to take some more work. Is that understanding --?



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Arun Misra: So, such kind of discussions cannot be time bound. The tipping point can arrive sooner or later. However, I would not speculate on the time when the tipping point arrives.

Moderator: Thank you. The next question is from the line of Vishal Chandak from Motilal Oswal Financial Services. Please go ahead.

Vishal Chandak: So, my first question was with regard to the 1.2 to 1.35 million tonne expansion. So, you have mentioned that your first target would be achieving a million tonne of metal sales. So, when do we plan to hit 1.2 million tonne of metal sales?

Arun Misra: So, first task as I said, our smelting already has one million tonne plus capacity. The guidance that has been given is on the 100% confidence factor on achieving those numbers, and on that the guidance is given. So, that itself puts us closer to 1.2 million tonne. However, there would be certain balance facilities that we would require so that we can produce the product of the grid, all that can be saleable with the maximum return. So, those design work, we are already in and we should be able to commission certain projects, like we are doing the melting and casting project in Hindustan Zinc through a subsidiary, that would see addition of about 30 kT of value-added products in our product portfolio that we already have. 1.35 mtpa includes some of the expansions like Zawar mine has to go from 4 million tonne to 8 million tonne, ore mining capacity. Our Rajpura Dariba mine, which is currently one million tonnes to be taken to 4 million tonne. While we have launched the work through sustenance CAPEX of the seeding work for expanding these mines. Just to give you a few examples, suppose Zawar mine have 4 to 8 million tonnes, couple of new portals to be made, some of the underground tunnels to be widened. So, without launching another growth CAPEX through the sustenance CAPEX route, we have already started addressing few of that work, which provides us a base.

Similarly, Rajpura Dariba mines, complete hydro geological study for the best way to enter the deep floor of the mine that is being done now. So, that's why I said another couple of quarters, we should be able to come back with a firm plan that this is the route to 1.5 million tonnes and these are the timelines. Of course 1.35 mtpa is an intermediate milestones and that will also be equally clear at that point of time.

Vishal Chandak: My second question was with regards to the coal cost and coal sourcing, if you could please help us with what kind of coal sourcing are we currently doing and what are the costs?

Sandeep Modi: So, if you see the total cost bucket, coal used to be 25% to 28%. So, I can give you the ballpark number, it's currently around 35% in my total cost. And the coal sources are mostly from the South Africa, Indonesia, and Australia. And largely, as I said earlier, domestic coal availability is meager and we are getting only 3% to 4%. So, obviously my large chunk is coming from the imported coal.

- Vishal Chandak:** I see. And finally, if I miss squeeze in just one more, you just mentioned that we have now started the process of hedging forward sales, and 15% has been done at \$4,000 plus. So, does that give you confidence that the \$4,000 plus may not remain at the current levels? And are you expecting a correction or is there any other thought process for hedging?
- Sandeep Modi:** There are concerns on global growth and expected ease on the supply constraint in Quarter 2, Calendar '22, situations remains quite dynamic. So, we believe that it was the right timing to enter hedges. And we locked in a 15% of the volume. And 85%, you can assume it still open. So, we are keeping the wait and watch and see what can be the best in the interest of the business.
- Moderator:** Thank you. The next question is from the line of Vikash Singh from Phillip Capital. Please go ahead.
- Vikash Singh:** Just wanted to understand our CAPEX on the balancing facilities to make the smelter to 1.2 million tonne. What could be the CAPEX or the CAPEX has already been happened for that. If you could shed some thought process on that?
- Arun Misra:** Just now I said, we have already had the CAPEX approved by the Board for forming a subsidiary company and add 30 kT of value-added product additions. So, that will take a little more above 1,123,000 tonnes capacity that this smelter is at. We also have a CAPEX has already approved for debottlenecking of current smelters to push up their capacity. So, as of now, I see no reason why we should not be producing close to 1.2 million tonne finished good metal through the existing facilities, whatever little balancing facilities required for to come to 1.2 mtpa we will do that. But as I said, the way I would be working is first assure the mines produce equivalent amount of metal in concentrates. Last year, we have demonstrated 1 million plus, this year we have to go even further than that, and at the same time test the current smelting capacities. So, that's why I say 1.2 mtpa will just be crossed intermediately while we start launching program for 1.35 mtpa and then 1.5 mtpa.
- Vikash Singh:** No, so basically I just wanted to know the CAPEX, if you have already firmed up for these incremental volumes?
- Arun Misra:** It is already approved, so there is nothing, no new CAPEX is considered for that.
- Vikash Singh:** Amount actually, so how much we are going to spend in FY23, if I may ask differently --?
- Sandeep Modi:** In the smelter, there is no CAPEX to be done for achieving the capacity with Mr. Misra has said.
- Vikash Singh:** And overall FY23, CAPEX would be mostly maintenance CAPEX now then?
- Sandeep Modi:** So, Project CAPEX are \$120 to \$150 million that is the CAPEX guidance which we have given, that will be largely pertaining to our RD mill revamping, our alloy facility setup and the new

renewable energy power project which we have announced, these are the three projects and the remaining that will be the sustaining CAPEX or maintenance CAPEX whatever you say.

- Vikash Singh:** Just one last question, any thought process up to what percentage we would like to hedge, currently we are 15% but any threshold which you have decided that up to this percent we want to go to hedge or they have put be dynamic in it?
- Sandeep Modi:** So, as I said if the situations remain dynamic. So, as we see the prices move forward and how the geopolitical situation improves. And we will continue to be the wait and watch and take the decision which is in the best interest of the business.
- Moderator:** Thank you. Next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Couple of questions, first is can you provide some details on what the zinc TC-RC trends are and physical market premiums? That's the first question.
- Arun Misra:** We are integrated producer; it is not applicable to us. So, I don't think I will be commenting on TC-RC trends in the market.
- Ritesh Shah:** Physical market premiums --?
- Sandeep Modi:** So, on the zinc and lead, the premiums while we can't disclose the full number, but I can say it's an increasing trend.
- Ritesh Shah:** Would it be possible to quantify how it has moved on a sequential basis?
- Sandeep Modi:** Sequentially it will be up with a good amount.
- Ritesh Shah:** My second question is I think the company had taken approvals regarding shifting capital from general reserves to retained earnings. Would it be possible for you to qualify what this quantum was?
- Sandeep Modi:** The quantum was around Rs. 10,000 crore and we have received the NOC from the National Stock Exchange. And as of now, we are awaiting the SEBI clearance. And they have asked the question, for which we have submitted the reply.
- Ritesh Shah:** And how should one understand the rationale for this Rs. 10,000 crores of movement, should one assume the more flexibility of funds, which could eventually translate to dividend payout or how should one read into this?

- Sandeep Modi:** So, this was done in the last quarter, when we announced about this scheme. It takes around a year to get it completely done. Obviously, it gives the flexibility, however, it is an enabling provision, and at this point of time, I would like to limit my comments to that extent.
- Ritesh Shah:** And my third question is on Hindustan Zincs stake sale, has there been any progress from the government or is the company trying to move forward? Where exactly is it stuck right now?
- Arun Misra:** I didn't get you Hindustan Zinc, you are asking about disinvestment?
- Ritesh Shah:** Yes.
- Arun Misra:** So, no so disinvestment, it was approved by Supreme Court, and after that there were certain procedural issues that had to be cleared. And as far as my information is concerned government is ready for that. Only government is working out what could be the modalities, should it be done in one go or should it be done in many tranches? So, that's what they are working out and whatever suits to them, they will do that.
- Ritesh Shah:** So, this is something which is entirely with DIPAM right now and there is no legal hurdle which are there, right, would that understanding be correct?
- Arun Misra:** I didn't get you, there was some, not clarity in the voice. You were asking about this is with the government. Government has to do that, right.
- Ritesh Shah:** Okay. And is there any timeline here?
- Arun Misra:** No, there's no timeline. I think the sooner the better. And you know, as a citizen, I can say all of us expect that government has no business being in business. So, the sooner they do it, the better it is.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** I have two questions. First question is, if you can, highlight the ore production from some of your key mines for the fiscal year 2022. And the total milled ore that you have seen for the fiscal as well as feed rate that you have seen for the fiscal? That's the first question
- Arun Misra:** So, you want the full table of ore production, ore grade, treatment, mill grade --?
- Abhijit Mitra:** Ore milled and --
- Arun Misra:** I will tell you the large number, okay. It's year-on-year about 5.7% increase in the ore production. It's about this year we finished at 16.34 million tonne, the breakup of mine wise it

will be too time consuming and will take away questions from others. I will request our, Shweta Arora to get in touch and give you the mine wise details. Ore grade was 7.08 in this year, this was slightly lower than our business plan that we had and it was lower than FY last year also, because we are going deep in underground, however, this year the areas in the mine we have reached we see the possibility of a better grade coming in.

Abhijit Mitra:

The idea was to understand the drop in lead and silver production so --?

Arun Misra:

No, that is not the reason for drop in production. Drop in lead production and silver production is because we were producing huge amount of zinc concentrate and our Pyro facility can be run in two modes one when it runs with both zinc and lead concentrate to produce some PW zinc and SHG zinc as well as some lead or it can be done only 100% lead mode. Last year we operated this facility on 100% lead mode because our mined metal production was low. This time mined metal production has crossed 1 million tonne and zinc LME being more than \$4,000 per tonnes, we wanted to take advantage of that and we operated Pyro mostly or all the time in zinc plus lead mode to produce more and more zinc.

So, to that account consumption of lead concentrate has been less. And lead concentrate is staying with us as a stock. So, this year we are planning that we will convert even with more zinc plus lead, but we are trying to create that balancing facility that I was talking about to see that how can I increase with little bit of tweaking in the process or some balancing facility in the process, consume more and more lead and produce the silver which is locked in that lead. So, that is the reason, there is not no reason that the ore production has been less or mills have not operated.

Abhijit Mitra:

So, essentially what we have seen as a total production is the peak production unless there is some debottlenecking which comes through probably over the course of the next year?

Arun Misra:

Only in the lead circuit, I need some amount of debottlenecking.

Abhijit Mitra:

And generally this debottlenecking will sort of take place through FY23 or you see it sort of spilling over to FY24 as well?

Arun Misra:

See we are already on the job and with this first quarter maybe we will be still running on zinc and lead mode. And we are suitably evaluating both on the LME depending upon how it goes and on the mined metal production wise, whether we run on zinc plus lead mode or only lead mode, or we are also parallelly debottlenecking work is on by quarter two, I think we should be able to push up our lead processing facility.

Moderator:

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

Pallav Agarwal: So, I had a question on the supply side, so we have seen such elevated energy prices, which is probably leading to some smelter cuts on aluminum etc. So, have we started seeing something similar in zinc as well.

Arun Misra: I think the gas prices being high and Europe being badly affected because of the gas prices. So, supply side there is still constraint, the smelter capacities are still not the full capacity that they were earlier. So, that's what is supply constraint in the market and we see that prices are there. And this input side of the pressure is not easing any sooner. And our prediction is maybe another quarter or so, this will remain. And that is the opportunity we are looking at.

And in fact the amount of mined metal we have produced last year and the zinc production the way last quarter we finished that 260,000 tonnes and we continue like that, we will have to have more, good amount of export of zinc as well. And Europe and America are the two continents which provide lucrative business but the shipping freight costs are quite high. So, that is another bottleneck we have to perform to find the solution how to cater to those markets, while paying lesser freight cost and get maximum earnings, because those are the continents where there will be high demand, but the supplies are constrained.

Pallav Agarwal: Also the situation in China with again Corona cases going up over there. So, are we actually seeing the utilization levels over there also, zinc smelters declining and probably you know they anyway never used to export too much, but probably there, some sort of, we can actually start importing some amount of zinc and lead, is that a possibility?

Arun Misra: So, in China, mostly, the news that we get to is, the city based population, urban population are affected as of now. As of now it is not showing any impact on the industry as such. However, the question is, although the Russia-China trade remains all time high last quarter, also, the trade between Russia-China was all time high, and that means their internal trade volumes -- China's economy, so to say. So, their production levels are not an issue. Issue is, its mostly the European production level, because there energy prices are too much. China already had huge amount of coal production by themselves.

Pallav Agarwal: So, last, if you could just give us a broad percentage of our zinc volumes, how much is domestic and how much are we exporting, let's say in FY22?

Arun Misra: So, roughly about 60% to 62% of our productions are domestic, and that quantity itself is 83% of our domestic market.

Moderator: Thank you. The next question is from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: One thing again on your, coming to your guidance, we are consistently missing our guidance quite sharply. And especially on silver, how confident are we with a fumer commissioning and other things -- expansion that we will move closer to our guidance for FY23?

Arun Misra: So, this time, the guidance that talks about 700-725 tons of silver includes Quarter 3 and Quarter 4 production of silver through the fumer route. The fumer experts where we were stuck with the visa not being approved or they were not able to travel because of various COVID restrictions, as well as Indo-China relations. But now about seven or eight experts have already gone there, got their visa, rest of the workmen are getting the visa. As I say we our team is working with the project of getting their visas done.

And then we are expecting that this quarter end most of the repair work is already over. It's only they are coming and commissioning, which should be anytime between towards this quarter end, the commissioning should be over. And then slowly it will ramp up. So, Quarter 3 or Quarter 4 we should see full volume coming from there. So, that should add another 16 to 17 tonne of silver from there. The rest of the silver will come from our current operation that way we have designed this year.

Rahul Jain: Also on the government slowly probably exiting in say next two to three quarters. So, do we see any kind of change in our management approach, in the sense will we be more willing to take up more projects or doing more acquisitions, I am sure there will be lot of smelters, which would be available cheap in today's market? Would that be a possibility in future?

Arun Misra: Possibility of, your meaning, merger and acquisition on smelters?

Rahul Jain: Or some kind of because it's like, we have had government hand in our company, and with that getting away, would there be a change in approach?

Arun Misra: So, let me put it the other way of government being in the Board restricting our ability to expand, perhaps that's not true, government still remaining in the Board, we have expanded from hundred thousand tonnes to about 1 million tonnes which is 10 hundred thousand tonnes. So, we have been able to do that. So, I don't see that as the bottleneck.

What is at stake is private participation in management brings in more innovation and creativity. So, disinvestment happens it throws up more opportunities very difficult to fathom just now. But one thing for sure the company with its cash reserves can grow both organically/inorganically with a much speedier decision making perhaps. And also, there are certain articles of shareholder agreement and limitations that puts in, but those will be the issues to be talked about. But I would not put that our current growth in any way is impeded by government being on the Board, rather they have been very supportive.

Rahul Jain: And the last mine we opened was Kayad after that we really haven't done much in terms of new mining exploration, any possibility on that also?

Arun Misra: So, new mine if we say exploration, we have already waiting for, we had some earlier prospecting licenses on which we are talking to government. At the same time, we are waiting



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for the sector to be thrown open, like what has happened in the bulk mineral category, and expecting more and more blocks to be offered to companies like ours for participation in both prospecting as well as mining lease. So, whenever they are open, we are in touch with state government of Rajasthan whenever they are open, Hindustan Zinc will be the first participant at least to all the nearby blocks wherever we can mine.

- Moderator:** Thank you. The next question is from the line of Mr. Dixit from Edelweiss. Please go ahead.
- Amit Dixit:** I have a couple of questions. The first one is on the Capital mine development in this quarter, if you can give the number?
- Sandeep Modi:** 13 kilometer of the Capital mine development during this quarter.
- Amit Dixit:** And the second question is on essentially tax guidance. So, you mentioned in your opening remarks that the tax rate was 31.7% due to tax holiday ending. Now what would be the tax guidance for FY23?
- Sandeep Modi:** This continues to be remain largely at the same level for FY23.
- Amit Dixit:** That is 32% or there about.
- Sandeep Modi:** Yes.
- Moderator:** Thank you. The next question is from the line of Saket Reddy from Polsani Enterprises. Please go ahead.
- Saket Reddy:** The FY23 15% of projected sales that we have sold through moving forward, so what we have committed, what is the pricing for that, moving forward price?
- Sandeep Modi:** So, the hedging price has been above the \$4,000 per tonne.
- Saket Reddy:** And the second question is we have been doing a lot on the ESG front, be it EVs, be it the Captive powerplant. So, just wanted to know over the longer run say over 5 to 10 years post effect, post commission, will these be cost accretive for us the powerplant or usage of EVs in the mines in....
- Arun Misra:** So, you are talking about on the ESG vision, what we do with the powerplants in the long run?
- Saket Reddy:** No, the ESG vision for the powerplant is fine, the renewable power plant, but will it be cost accretive for us over a longer run?

Arun Misra: It will be, looking at the geographical location of our facilities, where we are not surrounded by huge coal mining blocks or domestic coal suppliers. And as you can see our cost pressure also, over the years our domestic coal supply has not been up to that percentage that we require. We require about 30% in our mix as domestic coal which keeps our costs down, but we have not been getting more than 2% or 3%, some quarters, absolutely nothing. So, when we look at our current purchase price cost with the RE power as of now whatever options we have looked at, it is economically lucrative as well.

Saket Reddy: And last question. What is the guidance on debt? We have reduced it by more than 50%. I think we have taken it in FY21. Any plans to be debt free again or do we plan to raise some more debt?

Sandeep Modi: If you see our net debt levels, we are already debt free. We have NCD of Rs. 2800 crore so which will be paid as per the schedule maturity. So, Rs. 700 Crore will be paid in September '22 and remaining Rs. 2100 in September '23. So, there is no plan on taking any new loan.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Vishal Chandak from Motilal Oswal Financial Services. Please go ahead.

Vishal Chandak: My question was with regards to the merger with Zinc International again. You mentioned that there are a lot of possible synergies if these two entities merge. But what I was trying to understand that, is there really a talk going on? Is there a possibility in the current year, next year for the merger or we are just envisaging that if this happens then there would be a lot of synergy?

Arun Misra: So, as far as what is happening now is we have done our homework and understanding the properties, resources, how to upgrade them, what would be the project plan. Because current status of Zinc International is somewhat like what Hindustan Zinc was at the time of first disinvestment. So, how do we bring it up to speed the way Hindustan Zinc is now, that will be one value addition #1. And with our experience, we feel that we can do that a bit better.

And #2 when and how it will happen, of course, this takes a lot of approvals, which are in progress. And whenever it happens, we can let you know. But also that does not stop us from thinking, growing, our numbers here in India as well. Our entire game plan was, once we crossed 1 million tonnes we should start our project thinking for 1.35 million tonnes and once we go past 1.2 million tonnes, we should start project work of 1.5 million tonnes in India. In the meantime work on at least 0.5 to 1 million tonne capacity abroad, which will be maybe Zinc International provided everything goes through.

Vishal Chandak: My last question was with regard to your guidance. The guidance that you have given for FY23, in terms of volumes, how much of that takes into consideration that the fumer would get commissioned by the end of Q1. And what is the fumer contribution in that volume.

Arun Misra: Fumer contribution as far as this number is concerned important contribution is in terms of silver. If you look at zinc contribution, this is marginal. Silver contribution would be about 30 tonnes in the year, if I get two quarters, then it will be about 15 tonnes.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Shweta Arora for closing remarks. Thank you. And over to you ma'am.

Shweta Arora: With this, we close today's earnings call. For any follow up questions or clarifications on the result please feel free to reach out to Investor Relations Team. Thanks for joining.

Moderator: Thank you. 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.