"Hindustan Zinc Limited Third Quarter FY2016 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hindustan Zinc Limited Third Quarter FY2016 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ekta Singh – Investor Relations. Thank you and over to you, ma'am.

Ekta Singh: Good morning and thank you for joining us for Hindustan Zinc's Third Quarter FY2016 Results Call. For our call this morning, we have with us Mr. Sunil Duggal – CEO of Hindustan Zinc and Mr. Amitabh Gupta – CFO of Hindustan Zinc. 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.

Now about the quarter result, we are pleased to report another quarter of good operational performance.

Our mined metal production during the quarter was 228 kt as compared with 242 kt a year ago. Taking the production for nine months' period to 700 kt, an increase of 13% from corresponding period of last year. The marginal decrease in Q3 year-on-year basis was largely on account of change in mining mix due to increased contribution from Sindesar Khurd mine and Kayad mine, resulting in lower average grades.

Our integrated zinc and lead metal production during the quarter increased by 8% and 42% respectively on a year-on-year basis and was at 206 kt of zinc and 35 kt of lead. This increase was driven by enhanced smelter efficiency which we have continuously improved during the year and conversion of existing inventories. For the nine months' period integrated zinc and lead metal production increased by 20% and 42% respectively from corresponding prior period.

I am pleased to say that we surpassed our previous record of integrated silver metal production and achieved a new high of under 60 tons which is an increase of 67% from last year. Higher volume and better grades from Sindesar Khurd mine were the primary drivers for the increase along with higher smelter efficiency. We expect to continue outperformance of our silver production. For the nine months' period integrated silver production increased by 56% from a year ago to 300 tons which is more than full year silver production of 266 tons in FY2015.

In the coming years one feature that will stand out is the variation in production volume on quarter-to-quarter basis as witnessed in recent quarters also. Consequently, there will be cyclical swings, even though full year volumes will continue their upward trajectory.

We maintain our full year guidance of marginal growth in mined metal production even though our mine plan is for weaker Q4. Production of integrated refine metal will also be quite ahead of previous year, silver will be significantly high as we have already crossed our last year's full production.

Now to give you an update on our ongoing expansion projects:

You would be happy to know that company achieved an all-time record of almost 16 kilometers of mine development during the quarter which is 55% more than corresponding period of last year. In Sindesar Khurd mine we achieved a rigid milestone crossing a production run rate of 3 million ton per annum during the quarter, which is ahead of schedule. This fast track ramp-up was supported by development of two auxiliary lenses as separate production centers. Meanwhile the mill debottlenecking project has been completed in line with a mine production, while we also commenced a new mil project of 1.5 million ton per annum capacity during the quarter which is expected to be commissioned in next year Q4. The shaft sinking project continues to be ahead of plan. I am also pleased to inform you that we received the environmental clearance just this week for expansion of Sindesar Khurd mine from 2 million ton to 3.7 million ton per annum.

The main shaft sinking at Rampur Agucha crossed 860 meters during the quarter of the ultimate depth of 950 meters. While the shaft is now progressing well, we are running significantly behind the decline development. The decision to simultaneously mine in open pit and underground has indeed slowed us down temporarily in the underground with much higher rock support and safety precautions being taken than originally envisaged. However, pre-slipping for further deepening of the open pit by 50 meter is progressing well and will mitigate the risk of delay in decline development and shaft commissioning.

The ramp up of Kayad mine is on track and is expected to achieve 1 million ton per annum production capacity run rate by this yearend which will make it one of the fastest underground mine ramp ups. We are pleased with the pace of work at Kayad and continue to explore the ore body and it's surrounding with optimism.

We are viewing Zawar and Rajpura Dariba mine at expansion project in the light of current environment of low commodity prices and to ensure their sustainability in the present weak zinc market.

Global zinc demand is forecasted to grow at a compounded average annual run rate of 2% per annum according to public sources. However, with most of the world's developing economies especially China facing economic advents it is difficult to predict the future demand scenario.

The fundamentals of zinc continue to remain strong on the back of large mine closures and medium term supply shortages. However, recent announcements of production cut backs by Glencore and Nyrstar provided only temporary respites amidst the weak commodity environment and LME prices and premiums continue to drift downwards. Top 10 Chinese zinc smelters also announced a collective cut of about 500 kt of output for 2016. We believe that the current weakness in zinc prices are the result of weak sentiment and nervousness on the faltering of Chinese economic engine and is contrary to the emerging demand and supply imbalances in the zinc market.

On the domestic front, the steel industry is competing with cheap imports. The recently announced imposition of minimum import prices and WTO compliant tariff barriers to curb the spread of cheap imports into the country is expected to give some support to the domestic manufacturers. Considering that, steel or galvanized steel sector to be more specific, is the main demand driver for zinc along with the effort to increase zinc intensity domestic zinc market growth is forecasted to grow at a pace of 4% to 5% in 2016.

We have associated with International Zinc Association and Academia for raising awareness on the benefit of using galvanized steel in vehicles and steel bars in construction. Use of galvanized steel in car bodies is a norm in Europe, North America, Japan and South Korea but it is an exception in India, a perception that is slowing changing. Bureau of Indian Standard is engaging with industry experts on formalizing a set of standards in line with international standards for automobile and construction, this will give a fillip to the domestic zinc demand.

I will now hand over to Mr. Gupta for an update on our financial performance after which we will be happy to take your questions.

Amitabh Gupta: Thank you Mr. Duggal. A very good morning to all of you.

Revenues during the quarter were 3385 crores which is 11% lower from a year ago. The impact of higher volumes and rupee depreciation during the quarter was more than offset by lower LME prices and zinc premiums.

The zinc metal cost of production per ton before royalty during the quarter was Rs.52383 or $795 which is marginally higher by 4% in rupee terms but lower by 2% in dollar terms from a year ago. The year-on-year increase is attributed to 16% lower average grades due to change in the mining mix, increased an additional, regulatory levies, and depreciation of the Indian rupee. In particular, provision for renewable power obligations, water cess and electricity duty on consumption of power impacted our costs adversely by Rs.48 crores, this was partly offset by lower coal and commodity prices and higher volumes with better efficiencies. Looking at the current downturn in LME prices the company has embarked on a journey of reducing its cost structure to sustain the competitiveness of our operations.

EBITDA during the quarter was Rs.1469 crores which is 30% lower from a year ago. This decrease was largely on account of lower LME prices and impact of contribution to the district mineral foundation of Rs.84 crores.

Net profit decreased to Rs.1,811 crores during the quarter as compared to Rs.2,380 crores a year ago in line with the decline in EBITDA and further on account of lower investment income particularly when compared with the record high income of the earlier quarters, this was partly offset by lower tax.

Our tax rate for the first nine months of the year is at 11% and we expect a similar rate on an annualized basis for the current financial year though it is likely to increase from next year. The reduction in tax rates is largely due to higher proportion of tax efficient investment income and change in methodology of accounting for long-term capital gain with significant investments now becoming long-term.

We had cash and cash equivalents of Rs. 32639 crores or a little under $5 billion as on 31st December 2015 which is 13% higher than a year ago. We have invested in high credit quality debt instruments or bank deposits.

With this I will now request Mr. Duggal to sum up today's discussion.

Sunil Duggal: Thank you, Amitabh.

To sum up:

It was a strong operational quarter where we achieved robust growth in refined metal production with silver touching new highs.

We are carrying out a review of our high cost operations to ensure all our operations are sustainable in the present zinc market.

The current prices are contrary to the market fundamentals and we expect it to correct as mine supplies are reduced, although impact of Chinese economy remains uncertain and a key determinant.

We are maintaining our guidance of marginally higher mined metal production and quite higher refine metal production for the full year as compared to fiscal 2015 with silver being significantly higher.

We remain focused on maintaining our cost leadership and competitiveness by reducing our cost structure, asset optimization and augmenting operational efficiency especially in the current context.

With this we now open the floor for the questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Anshuman Atri of Haitong Securities. Please go ahead.

Anshuman Atri: My question is regarding the volumes post with review of projects like Zawar and Rajpura Dariba, so how do you see it through the next two, three years in terms of MIC production?

Sunil Duggal: See we are going to maintain the trajectory we had earlier planned and our ambition of reaching 1.2 million ton of production in the next three to five years. So if you actually see the contribution from Zawar and RD is not very high of the total proportion. If we go mine by mine we have taken up the project of deepening of the open pit by another 50 meter to de-risk the Agucha location as a whole. But we have also spoken that we are ramping up Kayad mine faster than the original plan, that means for the life of mine plan of 0.8 million tons in the next year we are planning to ramp it up to 1 million ton because we are getting a confidence that we will be able to ramp up this mine to 1 million ton in the current quarter. Similarly, in the SK Mine we are ramping up this mine and as I told the last quarter we achieved a run rate of more than 3 million tons for the quarter as a whole. For quarter four we are planning to ramp it up to 3.5 million ton, this will give us a confidence that next year we will be able to ramp up to the level that is 3 million ton to 3.75 million ton from original mine plan of 3 million ton. But if we look at Zawar and RD which are more marginal grade and deep seated over bodies, in the current context we are trying to have a relook at what we are doing and there are many pieces of the project, the Zawar group is a group of mines so there are individual pieces mine by mine, ore body by ore body then there could be opportunity of looking at the mill debottlenecking, the new mill. So there are various pieces. What we are trying to say is that we are trying to look at the individual pieces piece-by-piece and whatever piece makes sense in the nearer term we are trying to go ahead with that and which does not make sense in the current context we will try to hold on for a while and see how the market behaves in the time to come and then take a call, but overall as I said our trajectory will be maintained.

Anshuman Atri: And the second question is on the silver volumes, so what could we expect given the SK is being ramped up, how much can you expect next year and say next two three years?

Sunil Duggal: So we told you from a volume of 266 last year, three quarters we have crossed 300 tons so we may have same run rate with volumes going up from SK Mine in the current quarter also. But as far as the next year or two-years are concerned, we are still working and we are on a black board, we are working on the numbers. But broadly when I told you that we are trying to ramp up our SK Mine faster than the original plan, you could expect the increased number from the current year.

Anshuman Atri: And sir one last question is on the cost front, so can we expect this current quarter cost to be a run rate for next year?

Sunil Duggal: No, I would not say that. You see the market is passing through a toss and we are trying to have a relook of all our cost structures, we also have to relook that what will be mine mix when our blackboard exercise will finish and how the average grade will work out. The average grades and along with that the mine development figures, but we are looking at the internal efficiency improvement, asset optimization and there are a lot of opportunities which are available to tighten our belt in the current context. So final numbers will come somewhere in the month of April but these are the broader spectrums on which we are looking at.

Moderator: Thank you. Our next question is from the line of Sumangal Nivetia of Macquarie. Please go ahead.

Sumangal Nivetia: Sir my first question, if you can share just some details with regards to cash flow. If we see quarter-on-quarter our cash balance has reduced by close to 2,000 crores and this quarter we must have generated cash of close to 2000 crores. So even if we assume dividend payment there is still a gap of close to 1900 to 2000 crores, so if you could just share what CAPEX we did this quarter and any other expenditure we incurred?

Amitabh Gupta: So in terms of cash, as we said the aggregate cash is 13% higher than the cash balance a year ago in the same quarter. Having said that, if you compared it to September 30th, yes there is a slight dip in cash, there are several reasons for that. Firstly, in September 30th we got some advances from some of our customers for which the money was pre-received, they gave us customer advances in September, so the cash balance as of 30th September was a little higher than normal and obviously the cash has already come in so it will not come in the subsequent quarter. Secondly, there was a dividend payout and if you recall we gave a special interim dividend equal the interim dividend on account of our 50th year, so that consumed about 1940-odd crores in dividend payout. Then there was the third advance tax installment that consumed another 700-odd crores and finally the fixed assets capitalization and cash outflow on account of our project, etc., was another somewhere in the region of about 500 crores.

Sumangal Nivetia: So the dividend and the dividend advance tax total was close to 2700 crores, is that correct?

Amitabh Gupta: Correct, advance tax and dividend.

Sumangal Nivetia: Sir secondly with regards to Agucha underground, I understand we have reached the orebody, so has there any production started in any few pockets?

Sunil Duggal: Yes, we have reached the main ore body, we have reached the block. In the block first the decline goes and then the footwall drive is there, so we have finished the footwall drive and now we have entered the stope, so regular stoping from this block has started in the month of December which is continuing in the current quarter also.

Sumangal Nivetia: And if you can quantify, I mean it will be very marginal, right?

Sunil Duggal: No, I cannot say it will be very marginal, for the quarter as such it will be in line with what was the plan.

Sumangal Nivetia: And just one last question, if you can just share your integrated metal volume outlook for next year, I mean can we expect close to 1 million ton run rate in FY17?

Sunil Duggal: No, as I said that for the current year we said that from a figure of 826 kt last year we will be quite higher, we are thinking of crossing 900 kt for the current year. For the next year, I said that the work is on and we are deep in the midst of planning of the business plan.

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

Pinakin Parekh: Sir my first question is, when the new MMDR bill had come and there was a lot of talk about the previous PLs being converted into MLs and the company had a quite a few in the state of Rajasthan and since then we have not really seen any progress but at the same time there has been a lot of news flow about Rajasthan state government possibly moving to auction even the previous PLs, so where do we stand as of now and how do we see the company's prospects in terms of getting new mines particularly in lead and zinc?

Sunil Duggal: You see there are two pieces of this question, one, you said that the auctioning is going on, the auctioning is going on in all the states but this is going on for the mines which have not come through the PL route. We have certain mines where PL application got there through which we want to get the RPs. So the applications are at various stages of processing, but I can say that this is not progressing ahead.

Pinakin Parekh: So just to confirm, given that there has been regulatory noise that those PLs were made to be again brought back to the auction route, so is there clarity on whether those PLs should eventually get converted into RPs and MLs or you see the possibility that they will also have to come through the auction route?

Sunil Duggal: No, no the clarity is very much there that the RPs which will come through the PL route and which were already in the process those mines will not be auctioned and the people who are doing the work on that they will have the preferential rights.

Pinakin Parekh: And sir my second question is on cost of production, now on a sequential basis there has been a slight uptick, now obviously coal, diesel prices have been moving all over the place, how should we see the cost of production trend from here? I mean did the cost bottomed out and therefore there is not much more scope for further decline or do you think that we can see a letdown from here in cost of production?

Sunil Duggal: No, actually I would like to say two, three things on that. Looking at the cost quarter wise is a myopia because when we pass through the famine and feast of certain mines like the Rampura Agucha open cast, so the moment the volume is up we see that the cost has come down. So we have to see the cost as a whole for the year. So what I would say that the cost for the year must have come down but there are factors responsible for that, number one, you will see average grade. So average grade will come down with the years because the volume from SK Mine will go up, but what is the business, the business is the contribution pattern of ore, because of the higher contribution of silver from our SK Mine the contribution from SK Mine today is higher than Agucha. So overall maximizing the bottom-line for the company is more important and there are cost drivers like the grade is there, then the mine development is there, when we are trying to focus higher on the mine development because we want to secure the future, so cost could be a little higher. But going forward there are opportunities, when the shafts will get commissioned the haulage distance will get reduced because that work will be done by the shaft, such type of project there are more capital intensive but the cost reduces. So overall we are looking at the opportunities in the current context where overall renegotiation of the various contracts, renegotiations with the suppliers for various commodities, natural commodities have come down but sometime the natural passing on the benefit to the purchaser would not be there but there are huge opportunities and we are looking at how to optimize the cost in the current context and improve the productivity also. So in the longer run I do not see the cost going up.

Pinakin Parekh: And sir lastly, the policy environment, I mean the royalty rates were increased around 18 months back then there was a DMF imposed but now the commodity price environment has completely changed, I mean zinc is at whatever $1500. Now Hindustan Zinc is obviously very profitable and hence we cannot expect the same kind of support from the government like we have seen in steel and aluminum, but the government taxation obviously while it cannot be unwound from here do you see the possibility of some kind of policy support maybe in terms of hike of import duty or I do not know, what else can we see from the government in the upcoming budget?

Sunil Duggal: You see there are opportunities, it may not be direct but we talked to the government, there are die cast alloys, there are ZAMAK alloys which are imported and we told that these are the small scale industries and how this could be supported and the government is very positive that how this small scale industry could be supported by a campaign of Make in India movement in which the support to this industry will come. And when these industries grow, the die cast alloys which are imported could be made here and the domestic demand can go up. We are into that working and this is a part of the marketing initiative apart from making many other value added products wherein the customer could be facilitated in terms of the usage, customer could also be facilitated in terms of the specific requirements and their efficiency also goes up. And as I also said in my talk track that the regulations are very important, in certain countries there are regulations for the galvanized thickness on the sheets, there are regulations for car galvanization, there are regulations for the galvanization of bars. We are working at the various levels with the government and other stakeholders and this is a part of the market development. So I feel that the zinc intensity will go up in the times to come year-on-year.

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

Ravi Shankar: Two questions, one was on what would be the full year CAPEX and specifically now given that the new mill work has also commenced, how would the next year CAPEX turn out to be?

Amitabh Gupta: So this year CAPEX should be in the region of $200 million to $225 million and that includes routine sustaining CAPEX. Next year CAPEX could be slightly higher because some of the

SK Mill and winders, etc., would come in. So we will give detailed guidance in the April press conference.

Ravi Shankar: And what were the sale of zinc, lead and silver for this quarter?

Amitabh Gupta: Volumes would be about this quarter 204,000 tons for zinc and about 35,000 tons for lead and 115 tons for silver.

Moderator: Thank you. Our next question is from the line of Saumil Mehta of IDFC. Please go ahead.

Saumil Mehta: Sir I have question in terms of silver content, so with your SK now going to about 3.75 are you seeing the silver content improving and what has been the trend for the last couple of quarters?

Sunil Duggal: You see the trend also depends on the mine sequence, there are various pockets and areas in the mine where we actually plan to mine. If I would say last quarter, the silver content has gone up definitely because there were pockets where the silver rich pockets were there. We are trying to look at how to optimize the various pockets in the coming quarters so that overall silver PPM could be optimized.

Saumil Mehta: Sir in terms of when you say content has gone up so could you give a ballpark number, is it about 130, 140 parts, how much that number would be?

Sunil Duggal: Last quarter it was around 120 PPM overall and going forward as I said there are two separate production centers like SK6 and SK2 also, so the silver content varies from the pockets of the mine so the overall silver content is a overall weighted average from the total mine.

Saumil Mehta: And sir I just missed out on the volume guidance you gave for mine and refined for this year and next year, if you can just repeat that would be great.

Sunil Duggal: Next year I said that we are working out the figures and we are on the blackboard and this year I said it will be quite higher compared to the last year, the last year was 826 kt and this year we will cross at least 900 kt, this is zinc plus lead finished metal.

Saumil Mehta: That is refined production, right?

Amitabh Gupta: Yes, and MIC will be marginally higher.

Moderator: Thank you. We have the next question from the line of Ritesh Shah of Investech. Please go ahead.

Ritesh Shah: Sir three questions, one is, if you could provide some color on the dividend policy, how do we look at it?

Amitabh Gupta: So dividend policy is a board matter, generally speaking, our payout ratio has been significantly increasing. If I recall the last year's payout was about 25% so there is no reason for it to go down, it should only stabilize or perhaps even be higher in the coming year, though there is no specific board approved dividend policy.

Ritesh Shah: Sir secondly on the CAPEX side would it be possible to provide some split or more color on $225 million what you indicated for this year and you expected a higher number for next year?

Amitabh Gupta: So this largely 80% of this number would be on project CAPEX and project CAPEX is largely on mining equipment, shaft decline development, mill, the usual Rampur Agucha SK Mines are the biggest consumers of the project CAPEX along with perhaps Kayad mine. And the shafts of course their development continues. So it is a part of the original expansion project, so there is nothing significantly new in the project CAPEX.

Ritesh Shah: But sir how would you look at the 1.5 million ton incremental new mill that we have mentioned in the press note, so how should one look at it and what is the timeline that we are looking at over here?

Sunil Duggal: See this is a part of the project, of course I said that we have been able to ramp up the mine before schedule, so next year original mine plan was to make 3 million ton, now we are looking at 3.75 million ton, so we have to rush up the mill. We have ordered the mill to L&T and in the current context of the market they have taken up the challenge of commissioning the mill in 12 to 14 months' time, so that means the mill will get commissioned in the quarter four of next year. But we have also debottlenecked the existing two mills which was the installed capacity of 2 million ton, recently we have debottlenecked to a level of around 2.6 million ton to 2.7 million ton per annum.

Ritesh Shah: And sir one last question, if you could breakup our volumes between domestic and exports and also help us with some color on domestic, premium and the premium that we have in the international markets?

Amitabh Gupta: So as far as volumes are concerned, at the current volumes we are exporting in zinc about 30% to 35% of what we produce because we have a very substantial share of the domestic market and beyond a point it becomes difficult to sell in the domestic market. So roughly at the current volumes we are exporting 30% to 35% of our zinc. In terms of premium, the premium has fallen so if I look at the derived premium it has come down a little bit in the last couple of quarters but we feel that the premiums have bottomed out and going forward there is no reason for premiums to be even flat or further down, we believe the premiums should start climbing in the next few quarters.

Ritesh Shah: Sir just a follow-up over here, how should one look at the premiums, is it specific for a particular ingot or we have different shapes, there is something like we have slabs or billets, so are the product premiums different for different categories, if you could provide some color on the sales volume and some breakup which you can possibly make a case for say if you say the premiums have bottomed out, so is it something which is product specific or when we say it is purely for ingot. So I am more looking at it from a volume mix and a product mix perspective and the perspective of premium per product.

Sunil Duggal: So I may not be able to give you the exact breakup but I will tell you how the premiums are different. So the basic product is ingot, so we have been traditionally making ingots, in the last two to three years we are making jumbos, now we are making CGG alloys which is an aluminum alloy which traditional these galvanizers put some quantity of the aluminum into the bath but we make the aluminum and the zinc allow ourselves specifically to the sizes of the jumbos and CGG alloys as per their requirement which is specific to the technology they adopt. So this fetches us the additional premium, this also helps them that the dross generation becomes less, the thickness becomes more even, the product becomes more quality driven product and the acceptability of the product also becomes better. So what we have done is that we have built the capacity of the jumbos and CGGs at our Pantnagar operation and Chanderiya which the people are able to accept better in order to optimize their efficiencies and it fetches us an additional premium of $10 to $20 at least. And more over it gives us an assurance of the domestic demand, because when they were trying to take this product from abroad or at least we are able to bind these customers with us. The other opportunity which we are catching up is the production of the ZAMAK alloy which is used for production of die cast alloys. So ZAMAK normally made by some of very small parties and a large quantity is also imported, we are into the setting up this facility at our works at Chanderiya wherein the production facility will start by the end of this year and will also be able to fetch to the market. So basically there is a difference between the export premium and the domestic premium, if we increase the market share or the zinc intensity in India so that means the overall product which is sold in the country or in India will be higher going forward and it will fetch us the additional premium because of the domestic sale, number one, and number two, the headline premium also go up because of the value added product by another $10 to $20.

Ritesh Shah: And sir just last question, ingots will be what percentage of our volumes?

Sunil Duggal: Today I think it should be around 85% which was 100% two years before.

Moderator: Thank you. Our next question is from the line of Bhavin Chheda of Enam Holdings. Please go ahead.

Bhavin Chheda: Sir any guidance on zinc cost of production, it has gone up I think mainly due to Rampur Agucha volumes falling, but we were looking at the zinc exit cost of production which would have been lower by $50, $60, I think we were looking at $725 to $750 per ton without royalty. So any new guidance on that and how the cost will shape up going into FY17?

Sunil Duggal: No, actually FY17 as I said that we are working out the number and we are trying to optimize the mix. As you rightly said, the cost because of the mine mix change changes from quarter-on-quarter so I also said that it is a myopia to look at the quarter cost, it is more important to look at the yearly cost. But because of the change in grade this would happen but overall business sense we look at maximizing our revenues, that means whatever mine gives us more revenues we try to focus more on that. But we are looking at the internal efficiency improvement and current context of the fuel prices, coal prices, commodity prices and I am hopeful that the trajectory we will be able to maintain in the next year while the overall the average grade may not go down but will be able to make ourselves slim on the overall cost.

Bhavin Chheda: And just you said that there would be delay in Dariba ramp up and all that and you are evaluating the same, so I was wondering even on the current zinc prices when those volumes come I think it was FY19 and FY20 plan, your cost of production of that mine also would be sub $1100, $1200 even considering. So why the reason to evaluate a higher production building up mine?

Sunil Duggal: I am not saying that it will be $1100, $1200, it is not that.

Bhavin Chheda: No, it will be even less than that, so even the current zinc…

Sunil Duggal: It is quite less than that.

Bhavin Chheda: Yes, so even the current zinc prices would justify development of that mine, so what has lead to evaluation here?

Sunil Duggal: So what I said that we have not stopped the total project as a whole and as I said that we are looking at various pieces, what piece makes a sense at this point of time, what does not make a sense at this point of time, we are under evaluation and taking a call to hold up which does not make a sense and continue which will deliver the volume in the time to come and make sense.

Moderator: Thank you. Our next question is from the line of Abhishek Poddar of Kotak Securities. Please go ahead.

Abhishek Poddar: Just looking some clarity on the Rampur Agucha mine plan, I know it is still in the planning stage, last year you did 5.5 million tons of ore from R.A. (Rampura Agucha) Mine and your plan by FY2019-20 is to take it to 3.75, so when you think that 3.75 major deployment happen and what is your estimate of FY2016 and 2017 production from this mine? That is the first question.

Sunil Duggal: You see, we have a plan to take it to 3.75 million ton from the underground, so it is a combination of the upper blocks and the lower blocks, so we will be mining at two levels, that means from a shaft level which is as 800, 700, 900 meters and to mine at upper levels, that means below the open cast mine, so it is a combination of that. So this volume will ramp up when the shaft will get commissioned, but to secure the overall volume from Rampur Agucha location as a whole and for the company as a whole we decided to deepen the open pit to compensate for the delay in the decline which will reach at the bottom of the shaft so that we start production from the shaft level. Otherwise, from the level below the open cast the regular stoping has already started.

Abhishek Poddar: So how should we see FY17 and 18, will there be a decline from 5.5 million ton that you did in FY15 or you would be able to maintain that run rate in FY17-18 because of the deepening of open pit?

Sunil Duggal: See we are in the process of developing a plan of course but there could be a marginal dip from 5.5 million ton for the location as a whole. But overall we will be able to compensate it from the other location as I said will be faster than SK Mine and Kayad.

Abhishek Poddar: Sir second question is more regarding tax rate, should we expect the similar kind of tax rate in FY17 as a whole or there might be a little bit of increase there?

Amitabh Gupta: So we are still working out our numbers, we might yet go out of MAT in the next financial year but we will come to our detailed guidance in April. The tax rate for the current year and for the nine months' period is 11% which is fairly similar to what we had in the nine months' period of last year which was about 12%. So we expect for this financial year it will remain at this, it could even marginally go down in the next quarter. For the next year we will give the detailed guidance in April.

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

Ekta Singh: Thank you, Inba. Ladies and Gentlemen, for any further questions please contact Investor Relations and thank you for joining us today. Good day.

Moderator: Thank you members of the management. Ladies and Gentlemen, on behalf of Hindustan Zinc Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.