"Hindustan Zinc Limited Q2 FY-19 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Hindustan Zinc Second Quarter FY2019 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. Preeti Dubey, Investor Relations. Thank you and over to you, ma'am.

Preeti Dubey: Thank you, Aman. Good afternoon and thank you for joining us for Hindustan Zinc's Second Fiscal 2019 Results call.

For our call today we have with us Mr. Sunil Duggal – CEO and Mr. Amitabh Gupta – CFO. Mr. Duggal will present an update on business performance while Mr. Gupta will present financial performance after which we will be happy to take your questions. Over to you, Mr. Duggal.

Sunil Duggal: Thank you Preethi and a warm welcome to all of you. I am delighted to announce that Hindustan Zinc was ranked first in environment category globally by the Dow Jones Sustainability World Index in the metals and mining sector. We were also ranked fifth in overall sustainability in the sector amongst 58 global metals and mining majors.

Sustainability has always been our core value which is why we have integrated the best global environment practices in our operations. The significant improvement in ranking from previous year was made possible by several new initiatives and disclosures including lifecycle assessment, using the approach of cradle to grave for zinc, led and silver; stakeholder and customer perception service, tax transparency reporting, commitment to reduce greenhouse gas emissions under sites based targets, participation in climate change and water CDP program among others.

There are various other initiatives in the pipeline and we will contribute to take more actions to make our environment practices more robust going forward. We are happy to be recognized with this ranking in DJSI board a testimony to our commitment towards zero harm to the environment.

I am also happy to note that the board has approved a 1,000% special interim dividend of Rs. 20 per share on equity share of Rs. 2. This will result in total outflow of Rs. 10,188 crores including dividend distribution tax and is reflective of the company's optimism in the accelerating production from underground mines.

I would also like to inform that we have received environment clearance from MoEF for 20% expansion of ore production at Rajpura-Dariba mines and regulatory approval for further expansion to 2 million tons is under process and is expected by this year end. Now update on zinc market. Global demand supply for zinc have been volatile recently primarily driven by the rapidly involving trade dispute between the US and China. According to Wood Mackenzie Chinese metal output for 2018 have been forecasted to 5.45 million tons which is 9% reduction from previous year primarily due to ongoing environment crackdown in China.

As a consequence and despite mine supplies steadily improving the metal market continues to tighten and refined zinc stocks remains at low level. Global zinc consumption is forecast to grow from 14.2 million tons in 2017 to 15 million tons in 2020 with higher growth in emerging markets and even higher in India.

The global refined market is forecasted to remain deficit providing fundamental support to pricing in the short to medium term. Update on operating performance. MIC production was up 6% Year-on-Year to 232 KT driven by 44% increase in core production across all underground mines which more than offset closer of opencast operations. MIC production was up 10% sequentially primarily due to ramp up of Rampura-Agucha underground mines which was up 35% sequentially.

Year-to-date MIC from underground mine was 444 KT, 27% higher from the previous year even as the closure of opencast operation in March 2018 caused total MIC production to decline 2% Year-on-Year. Integrated metal production 212 KT during the quarter flat sequentially down 7% from a year ago. The gap between MIC production and metal production was on account of temporary mismatch in MIC availability due to low beginning inventory and higher mine production in the second half of the quarter. Consequently zinc metal production declined 5% sequentially and 16% Year-on-Year to 162 KT.

The situation was quite reverse in the case of integrated led production which jumped by 17% sequentially and 30% Year-on-Year to 49 KT. Integrated silver production was in line with higher led production and better silver grades from Sindesar Khurd mine and record 172 metric tons up 25% sequentially and 23% Year-on-Year. Integrated zinc, led metal production for H1 was 425KT down 7% Year-on-Year in line with availability of MIC while silver production was 300 tons up 22% Year-on-Year on account of better grades and higher led production.

We will continue to maintain our momentum in underground mine production which we expect to increase progressively every quarter. We are confident of delivering our guidance of over higher MICs than last year. Metal production will keep pace with MIC production and silver production will be in the range of 650 tons to 700 tons as guided earlier.

We expect our global silver ranking to move up two notches to eighth by the end of this year. Now a brief on progress of expansion projects during the year. I am pleased to report that our mining projects progressing in line with the expectation of reaching 1.2 MTPA of MIC capacity next year. Rampura-Agucha underground mine continue to maintain a high total development rate of 5.3 kilometers during the quarter. It is gratifying to note that mine metal production increased by 94% Year-on-Year and 25% sequentially to 96KT.

Mid-shaft loading system was commissioned at the end of the quarter we are now hoisting the waste through the shaft and will facilitate higher volumes until the shaft is fully commissioned. North side of mine ventilation was liberated with the commissioning of north ventilation shaft. All shaft development is on track and commercial production from main shaft is expected to start from quarter 4 FY2019.

Sindesar Khurd mine achieved 5.2 kilometer total development. During the quarter the production shaft work is progressing well with windups commissioned in manual mode and material collecting from shaft is expected to start in the current quarter. The new 1.5 MTPA will expected to be commissioned in the current quarter but as we speak our trials have started and we are expecting the production in the next month.

At Zawar civil and erection work on the two MTPA mills is on track and expected to commission by quarter 4 FY2019. The ground improvement work of dry tailing plant commenced in full swing and expected to be commissioned by quarter 1 FY2020. The fumer project in Chanderiya is expected to commission in the current quarter. So we are also planning for the next phase of expansion to 1.35 MTPA as we reported earlier.

Now Mr. Amitabh would now will take you through the financials in detail.

Amitabh Gupta: Good afternoon to all. The revenue from operations during the quarter was Rs. 4,777 crores, a decrease of 10% Year-on-Year and sequentially primarily due to lower metal prices and lower zinc metal volumes partly offset by higher led and silver volumes and rupee depreciation.

For the six month period revenues were marginally higher by 2% Year-on-Year on account of higher led and silver volumes; zinc LME and rupee depreciation offset by lower zinc volumes. The cost of production before royalty for zinc during the quarter was $1,034 or Rs. 72,449 up 5% Year-on-Year and 14% in rupees and down 1% in USD and up 4% in INR compared to previous quarter.

For the six month period COP was higher by 6%, 13% in rupees at $1,039 which is Rs. 71,211. The Year-on-Year increases were primarily on account of lower volumes, higher mine development, steep increase in commodity prices especially coal and diesel and long term wage settlement with our labor unions partly this was offset by higher asset credits. COP in rupees was further hurt by rupee depreciation.

Against our linkage entitlement of over 40% we continue to get in single digit only due to lower allocation to captive power plants and evacuation issues. The resulted EBITDA for the quarter was Rs. 2,315 crores down 24% Year-on-Year and down 17% sequentially. YTD EBITDA decreased by 7% Year-on-Year to Rs. 5,100 crores. Net profit for the quarter was Rs. 1,815 crores down 30% Year-on-Year and 5% sequentially while for YTD net profit was down by 17% Year-on-Year to Rs. 3,733 crores.

Depreciation was higher largely due to a 33% increase in underground ore production resulting in higher amortization. The 2.9% reduction in YTD tax rate was on account of a fall in treasury income due to spike in interest rates, higher COP on account of stubbornly high commodity prices and lower LME. Our gross investments were at Rs. 23,304 crores at the end of the quarter invested in high quality debt instruments.

From an outlook perspective project CAPEX is expected to be in the range of 400 million to 450 million this year as guided. We expect COP to reduce to $950 to $975 in the second half of the year on the back of increasing volumes and shaft commissioning partially offset by continued high level of commodity prices, lower linkage coal availability and long term wage settlement.

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

Sunil Duggal: To sum up outlook for zinc continues to remain robust on the back of low inventory levels and tightness in refined metal production we expect significant increase in volume in H2 and COP to reduce and are confident of making our guidance. Our mining projects are ramping up as per expectations and we are on track to achieve MIC capacity of 1.2 MTPA next year.

Preeti Dubey: Thanks, Aman. Aman, we will take questions now from people who have joined on the call.

Moderator: Sure, ma'am. Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: My first question is on the cost of production. If we look at the rupee cost of production in the first half was Rs. 71,201 and if I were to use this spot exchange rate of basically Rs. 73.5 it works out to $960 per ton to $970 per ton. So I am just trying to understand is there going to be any actual rupee cost decline or most of it is this translation because of the weaker currency?

Amitabh Gupta: There will be definitely a significant account on due to the translation impact. But going forward I think we can definitely expect a reduction in cost because of significantly higher volumes which will happen in Q3 and Q4 as our sharks on come in place. Secondly we have also booked some good parcels now in coal and so I believe the coal prices might have peaked out and our linkage volume which so far remains in single digit is likely to get us spurt in the coming quarters. That is our belief. So that would certainly help. So these are the two areas and third as Rampura-Agucha ramps up consistently the grades total TMC should improve and that also gives us leg up in terms of cost reduction.

Pinakin Parekh: And just two more additional questions. One quickly given that there was a mismatch between mine metals and refined integrated was there any concentrate sales incurred in this quarter?

Amitabh Gupta: So we were talking about rupee cost. So I think the broad answer I had given I do not know what point I was cut off but basically what we were saying was that the rupee depreciation definitely hurts us in the rupee costs for a very simple reason that almost two-third of our costs are dollar linked. So even when we pay for example in explosives or for diesel in rupees but these costs in turn are connected to the dollar very integrally. So very large majority of our costs are linked to the dollar and hence rupee depreciation has a significant bearing on our costs.

Pinakin Parekh: And just sir, two more questions. One have we sold concentrate in this quarter given there was a mismatch?

Amitabh Gupta: No, it is there in the system which is why we are very optimistic on Q3 volumes.

Pinakin Parekh: And lastly, this is a question we are getting from investors is that Hindustan Zinc has a very large net cash balance sheet and it does invest in listed-unlisted corporate bonds and given what is happening. Sir, can you give us some sense of your treasury portfolio is this is something which investors would like some more clarity on?

Amitabh Gupta: So we monitor our portfolio very, very carefully. We do a weekly review of our portfolio with the help of Crescent. So we have retained them for a very, very regular and frequent review of our portfolio. So I am glad to inform we do not have any of the so called suspect in reference in our treasury portfolio. Our portfolio of Rs. 23,000 crores is very substantially invested in two or three areas. One is on FMPs and we ensure that the underlying portfolio is at all times at least AA+ and we do a constant review. So FMPs is one. There are some short term income funds as well. We have AAA tax free bonds and we have Zero Coupon Bonds all AAA. AA+ may be one or two but virtually all AAA.

So happy to tell you that none of our investments are currently impacted by the ongoing NBFC crisis.

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

Amit Dixit: Couple of questions. One is on exit rate of mine metal production in Q2 what was the exit rate of mine metal production in Q2 and how much is it expected for Q3 and Q4?

Amitabh Gupta: So the exit rate that means the quarter to the volume was 232. So it is 930 KT rate and going forward we expect that in H2 we are expecting around 500 plus KT at least. So that will be a total volume of underground will cross 1 million tons run rate steadily from quarter 3 to quarter 4. So quarter 4 will be higher but it will be definitely more than 232 which is the current quarter volume.

Sunil Duggal: September exit rate was about 245, quarterly run rate on September.

Amitabh Gupta: Which is the yearly run rate of 980.

Amit Dixit: So can we expect that the exit rate in Q4 let us say March would be around about or in excess of 1 million tons?

Sunil Duggal: Definitely it will be more 1 million tons. Our endeavor is to go as close to 1.2 million tons as possible so that we set a strong foundation for the next year.

Amit Dixit: Sir, a follow up question on this. You have said that mine metal capacity would go up to 1.2 million tons for FY20. Is it fair to assume that the mine metal production would also go to the same amount or is it just the capacity which you are talking about?

Sunil Duggal: You see there is always a capacity utilization of any facility we have. So currently also we have had the 1 million tons capacity and our metal used to vary from 90% to 95% somewhere. So it all depends on how good we are able to perform in that particular year. So 1.2 million tons will be the capacity that our mines will be prepared to deliver 1.2 million tons but there could be a capacity utilization here and there. So that is why I said that in the month of March our endeavor is to go as close to 1.2 million tons as possible. But my own expectation should be that it should be at least 1.1 million tons next year actual volumes.

Amit Dixit: The second question is like my usual one. On grades of zinc and led in this quarter?

Sunil Duggal: So the grade in this quarter was 7.8%, lead and zinc together. So this was the overall grade.

Amit Dixit: And is it possible to specify for Rampura-Agucha 7.8% is their average grade that you do not want to disclose?

Sunil Duggal: Actually let me correct. The actual grade was 7.6% not 7.8%. So it was a combination the weighted average of all the mines together. But as the volume from Rampura-Agucha ramps up which is around 13% to 14% overall grade, the weighted average grade goes up. So coming quarter we are expecting that the volume from Rampura-Agucha should ramp up.

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

Ritesh Shah: First is if you could please dissect $400 million to $450 million of CAPEX and are we looking to invest anything in to the value chain specifically when we are looking at this CAPEX going forward?

Sunil Duggal: Value chain means you are saying the value added products?

Ritesh Shah: Yes, sir.

Sunil Duggal: So value added products we have been putting up the capacity steadily in the last few quarters in terms of making jumbos, making CGG. Now we have started making the alloy which is used for making die cast alloys and convert it to the auto parts or the oil accessories. So these are some of the alloys capacity which we are adding up. We have just commissioned last two quarters our alloy capacity and we are steadily stabilizing it and getting the confidence of the market as we have to give a lot of quality assurance and they also do lot of the inspection of audit for plant going forward. But our share of value added product going forward is going up.

Ritesh Shah: And sir, specifically referring to any plans to set up a fertilizer plant or anything going forward that we have or?

Sunil Duggal: We have been evaluating. The environment clearance we will get in the next one or two quarters. Our public hearing is due in the month of December and in the meantime we are trying to prepare ourselves, we are talking to the vendors, the EPC contract talks are going on. We are preparing ourselves.

Sunil Duggal: But answer to your question about $400 million to $450 million almost $400 million of that would be related to the mining CAPEX and balance project CAPEX would relate to some of the other initiatives like we have a fumer ongoing, we have some solar energy coming up. We have the silver capacity we are running out of in Pant Nagar, we have some smelter debottlenecking going on. So all those put together some innovation and digitization CAPEX, all those put together we estimate that the overall project CAPEX for the year would be $400 million to $450 million.

Ritesh Shah: Amitabh sir, just a follow up to this fertilization planting. It seems like we are in advance stages even we are speaking with vendors over here. So sir, how should one look at the return ratio profile and as compared to our core business of mining and smelting? So does it deviate the ROC profile, how should one look at it? So is it something like on the byproduct credit side which makes it more lucrative?

Sunil Duggal: We are working on all these numbers. I cannot reveal the number at this point of time. But I will broadly explain you the advantage we are going to have. It will make our the operation more robust because there have been few instances because of the acid evacuation, our plant has stopped and every start and stop of the plant not only damages the plant it also incurs power because you have to heat up and cool down your plant. So this is one. Another area where we can have is that the local rock we use. The third thing is that the local areas within Rajasthan is deficit DAP. This oil is suitable for the use of DAP so the consumption center will be not very far off.

The other advantages are the gypsum generation could be of 99% purity and the high purity gypsum is being imported at the higher cost from some of the countries like Oman, Pakistan or some other countries which will be supplied from here against that purity of 80% to 90%. Within Rajasthan, the purity of gypsum is going down. So there are lot of exciting themes but we are working on all the numbers that what will be the return of the project. But definitely it have the opportunity of improving our NSR of asset and making our operation more robust and giving some of the opportunities I have talked.

Amitabh Gupta: Having said that it is a very small investment and we have not yet approached our board for approval.

Ritesh Shah: Sir, my second question is we were exploring other over what is I think there was some litigation which was going on SK North, SK South and specifically the Baghmara Gold Mine. So if you can please highlight something on these three variables it will be quite useful?

Sunil Duggal: On SK North and SK South there are legal conflicts going on. But we have been able to establish our right on both these licenses and going forward I think it is a good progress we will be able to report. But I think these could be good resources on both our side but in any case we will be the natural acquirer of these resources because these resources from our mine are dipping at the depth.

So that means we are able to work at that level. No other mining company other than us can work at that level because the infrastructure installation like shaft syncing and other infrastructure will take lot of time and resources and money for them. So I think this is we will be the natural contender for that and then you asked on Baghmara. Baghmara while I can tell you some progress but this is a Vedanta Resource. But there is a sufficient traction and the progress which is happening. The state government almost has cleared it and I think soon it will get cleared from the Mine Ministry and we may start some exploration work on that resource soon.

On one other thing I just want to tell you that the value added product percentage from quarter 1 of 11% has jumped to 15% in quarter 2 and Quarter-on-Quarter the value added product percentage of our total portfolio will keep jumping.

Ritesh Shah: Sir, my last question basically in the second half the volume ask rate to maintain our guidance it is pretty steep. Sir, where do we see is the incremental output like is it underground shaft or is it SK shaft or could you please help us from volume trajectory to help understand it will be quite useful?

Sunil Duggal: I think it is not very large. If we are at a run rate of 232 and if we compare it with the growth we have been getting Quarter-on-Quarter if we add that natural growth from quarter 3 to quarter 4 it is not a very tall number. If we look at MIC specially from a last year MIC of 950 KT and quarter 1, quarter 2 is 444 KT we only have to produce at a run rate of 250KT in both these quarters. So our guidance is not very far off from what we are talking. And from 230 KT to the level of the current quarter it is a natural progression to 250 KT which is not a very big number.

Ritesh Shah: How should one look at the refined metal number actually, the actual sales zinc plus led?

Sunil Duggal: So our guidance is very clear that we will do more than last year and last year I think we did 960KT. So we are headed towards that number.

Moderator: Thank you. The next question is from the line of Anshuman Atri from Premji Invest. Please go ahead.

Anshuman Atri: My question is regarding the various licenses we had the prospective ones, so what kind of progress has where at which stage it is after then and we are whole have been asked? And we have not seen many auctions coming up say in the Rajasthan if you want to extent it further to 1.35 million tons will we need to get more PLs or the existing ones will be sufficient to go to 1.35 million tons?

Sunil Duggal: For 1.35 mtpa, we are looking only at ground field resource. So from 1.2 million tons to 1.25 million ton of MIC to 1.35 million tons we are looking at digitizing our mines and improving our efficiencies and this is basically will give us a 10% of improvement. So this is basically a brown field expansion to 1.35 million ton. But beyond 1.35 million tons, we may have to have some new licenses. So there are we have licenses as you know which are progressing and although you know the progress of approval is bit slow in the current context but in some of the states also we have heard that the progress is taking place.

So I think it is a matter of time but after the Loka Sabha election the government will be motivated to push this sector forward because I know most of you must also be reading this boards of Niti Aayog that what is the major factor responsible for our foreign exchange and it is said that about 4 lakhs crores or $200 billion is there only because of the natural resources import bill.

So I think the government is quite excited, which we are hearing from various corridors and various corners that the government wants to push exploration, the government wants to push mining, the government wants to push the auction of the licenses going forward and allotment of the pending licenses.

Anshuman Atri: Sir, secondly what measures can be taken to sustainably reduce the cost? Can it be captive coal mines say once they have becoming once they come for auction after the elections so what are the measures given that in an inflationary environment the costs generally move up?

Sunil Duggal: Actually some of the measures, some of the initiatives or some of the verticals which will be responsible for cutting the cost as Amitabh has mentioned. Shaft commissioning is one, efficiency improvement is another; the coal cost the third. Coal cost just to let you know that the auction we won it requires a reasonable cost which is around Rs. 3.70 of the coal cost. So raising the linkage, higher sulphuric acid realization - if we put up the fertilizer plant at some point of time and with the existing sulphuric acid shortage; grade improvement as the Rampura-Agucha ramps up and then the volume. Apart from few other measures as we have been speaking.

So I think the COP has now peaked out and this quarter we have seen a $10 reduction and we should see larger reductions in the coming quarters, we are very confident. That is why we have given a firm guidance on H2.

Anshuman Atri: Sir lastly, very positive surprise on dividend can we expect more during the year?

Sunil Duggal: Difficult to answer that question. That is a board discretion.

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

Rajesh Lachani: Sir, just a follow up on this dividend question. Sir, we had a very good dividend payment in FY16-FY17 and then we had a relatively moderate dividend in FY18 and now we have again seen this huge increase in dividend. Just wanted to understand the triggers which has lead to the huge dividend payout and how do we see it going forward?

Amitabh Gupta: I think it was the board discussion it is not good on my part to diverge what was discussed during the board. And going forward also what will come, what will not come - it is the dividend policy only I can speak about.

Rajesh Lachani: And sir, the other question that I have is basically if you see although the mine metal production is down just 2% Year-on-Year for the first half. The refined metal production is down significantly and to have a better refined metal than the previous year we will have to ramp up the production significantly and just want to understand do we have the refined capacity to run that at this capacity utilizations because it might have to run more than 100% for us to achieve that refined capacity?

Sunil Duggal: So two, three things from my side. So that is there is an accretion in the inventory of around 20KT of the zinc which is a good opening stock to feed to the smelters at a steady pace. The other thing is that we were running our pyro operation for production of lead. So I think the last quarter I reported that we have created a flexibility in which whether we process lead and zinc together or we exclusively process lead. So this experiment have been established that going forward we can exclusively process lead. But as the zinc inventory has piled up we will also start running the pyro for lead and zinc production from the month of December.

So this will also give us the additional opportunity but there are lot of debottlenecking efforts which have been taken. We have tested our plants for running at a higher current and there are other debottlenecking initiatives which have been taken. So steadily,y the smelting capacity is going up. So I think with all these measures and the steady flow of the concentrate we will be able to produce the number we are talking.

Rajesh Lachani: So you will be in quite confident on your refined metal production also? You will be meeting the guidance?

Sunil Duggal: Yes.

Rajesh Lachani: And one more question on the tax? This time the effective tax rate has been quite low. Just wanted to understand the reasons for that?

Amitabh Gupta: So what happened is that two, three factors impact the tax calculation. One is of course volumes. You will start off the year with a certain set of volumes even though you do not take it in the guidance. You are a little more bullish on volume. So as the volume during the year comes down in your internal planning the volume shortfall is happens in the taxable units because you do not want to reduce any volume from the tax exempt units. So with the result the tax rate falls.

The second is that treasury income in the first half of the year has been fairly low because of what is happening in the interest markets. And treasury as you know, treasury income is largely tax exempt income. So when treasury income falls as a proportion to the total mix the tax rate reduces. And the third is the NMES fall on sharply. So these two, three factors impacted the tax rate and the tax rate would be as I have always maintained seeing on a YTD basis, 2.9% reduction on a YTD basis is the reduction because of the three factors I explained.

Moderator: Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: I have two quick questions on costs. You mentioned a third of your cost is commodity or currency linked. You referred to the number of $1,035 fixed royalty, that figure when you mentioned two-third of that cost should we take two-third of that $1,035 as the commodity and currency linked cost, is that the right understanding?

Amitabh Gupta: Yes, so 60% to 65% would be currency linked.

Abhijit Mitra: Currency and commodity linked, right?

Amitabh Gupta: Yes, of course. But I am talking specifically currency.

Abhijit Mitra: So why I was asking the move of cost from $750 two years back to now guided $975, this $225 move how much of it is currency and commodity linked and how much of it is on account of move towards underground mining if I need to understand that? So what would be your broad assessment?

Amitabh Gupta: With the $225 we say is that what percentage is attributed increase in cost of say $200 how what percentage is attributed to the commodity cost increase and how much is attributed to the underground cost. So some costs I would say it is not only two heads, the third thing also is the long term settlement also we are trying with the union. So that can only be recovered through the efficiency improvement going forward.

Abhijit Mitra: See I was expecting that. So last quarter you mentioned around $33 which was on account of this wage resettlement?

Amitabh Gupta: $33 was incremental but the total cost is about $40 for LTS.

Abhijit Mitra: So that was my second question actually. So when you reported last quarter cost you said that $33 was supposed to be on account of past provisions, right? So it was supposed to go off in this quarter but when I see your other expenses because other expenses at $1 million of additional provision on account of that if I remember but that is not declining in this quarter guessing some other cost filled its place?

Amitabh Gupta: No, what we said was $33 will be the incremental cost for LTS going forward and it was clearly an incremental cost. There is also an arrears cost which is a onetime cost which was taken outside of COP. So that was another $87, that was a onetime cost but the $33 incremental or $39 total is the component cost.

Abhijit Mitra: So this other expense of $1 million put in other expense on account of arrears it was not considered in COP?

Amitabh Gupta: Because it was for the prior years.

Abhijit Mitra: So that would reduce this quarter's other expense, right on a sequential basis we do not see that happening I mean is there some other incidents which has come up or how to look at it?

Amitabh Gupta: The volumes impact will also be there. So the LTS cost is a recurring cost. So the impact as the volume goes up the impact of this $33 or $39 will keep coming down.

Moderator: Thank you. The next question is from the line of Jigar Mistry from Buoyant Capital. Please go ahead.

Jigar Mistry: Just one question. How often is the effect on prices for metal. So you said two-thirds of the cost is dollar . Is it fair to assume that 100% of the sale is dollar?

Amitabh Gupta: That is correct.

Jigar Mistry: And the reset is pretty much how often they are not six months, twelve months contract, right? The reset happens every 15 days or something?

Amitabh Gupta: Reset of what of the said sales?

Sunil Duggal: There is a cycle, booking, inventory flowing, stocks maintained. So I think there is a cycle of two-three months on an average because lot of coal imported coal and other commodities have wherein the subject.

Amitabh Gupta:: So when we sell zinc that gets impacted immediately. So theoretically if the LMEs at let us say $2,500 and the rupee suddenly depreciate 10% overnight so the next day this would get reflected in my selling price. That is right, it is an immediate impact in the same site.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that will be the last question. I now hand the conference over to Ms. Preeti Dubey for closing remarks. Thank you and over to you, ma'am.

Preeti Dubey: Thank you, Aman. Anyone who have further questions can contact me at Investor Relations. Thank you so much.

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