"Hindustan Zinc Limited Q4 FY19 Earnings Conference Call"

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Moderator: Good day ladies and gentlemen and a very warm welcome to Hindustan Zinc Limited Q4 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Preeti Dubey from the Investor Relations Team. Thank you and over to you ma'am.

Preeti Dubey: Thank you Ali. Good evening everyone and thank you for joining us for Hindustan Zinc 4th quarter FY2019 Results Call. For our call today, we have with us Mr. Sunil Duggal, our CEO and Mr. Swayam Saurabh, our Acting CFO. Mr. Duggal will present an update on business performance and Mr. Swayam will take you through our financial performance after which we would be happy to take your question. Over to you Mr. Duggal.

Sunil Duggal: Thank you, Preeti and a warm welcome to all of you. We have delivered a good set of operating numbers in the fourth quarter despite a challenging start to the quarter. At the same time, we achieved few important milestones during the quarter. While silver production was strong every quarter in the last financial year, our numbers in the four quarters were the best ever again at 191 tonnes. At 679 tonnes for the year, we are now 9th largest silver producer in the world, one notch up from last year and the fastest growing silver company. With our planned ramp up, we expect to be among top 5 global silver producer in the next 2 years. We expect to touch 1.2 million tonne run rate as we complete our ongoing mining expansion in the middle of this year, a feat we achieved momentarily in the month of March last year, showcasing the preparedness of our mines. This expansion was started in 2013 as you know when our underground mining capacity was 300 KT per annum. And once it gets completed, our underground capacity will quadruple to 1.2 million tonne per annum. We started conducting sustainability studies at our tailing dams in fiscal 2018 in consultation with leading global experts to reassess the structural integrity and have covered Rampura Agucha, Rajpura Dariba and Zawar mines so far. In the light of recent high impact failures of tailing dams in Brazil, as a proactive measure we have decided to build all our future tailing dams as dry tailing to de-risk from dam failures. This will also conserve water and land requirement. The first such dry tailing plant will be completed in Zawar during next quarter. I am pleased to inform that we have received environment clearance to increase silver production at Pantnagar from 600 tonnes to 800 tonnes. We have returned significant cash to shareholders during the year in the form of a special interim dividend of Rs. 20 per share in November last year which is a dividend yield of over 7%. Considering this special dividend, the Board has not proposed a final dividend for the year.

To give you a market update now, Zinc market supplies continued to remain very tight. Zinc price increased steadily throughout the quarter as LME inventories continues to be drawn down to historically low levels. Reported zinc exchange stocks are now estimated at 2 days to 3 days of global consumption which is much below the average of about 25 days.

During the quarter, major floods were observed in Australia disrupting zinc supply chain in the region. High profile mining projects have had slower ramp ups than expected and supply fill in has not been there, limiting the availability of the metal. Consumption remains positive in China with increased focus on Zinc intensive sectors like infrastructure and construction and huge demand from the one road–one belt project as well as zinc intensive industries in emerging markets. With this background, we believe LME is expected to remain above $3000 level in the coming months.

Now turning to our operating performance, we continue to report excellent progress in our mining projects with MIC production from underground mines increasing by 24% YoY to 245 KT during the quarter and growing by 29% to 936 KT for the year.

It is gratifying to see Rampura Agucha operate at 4 million tonne per annum run rate during the quarter, up from 3 million tonne per annum a year ago delivering about 60% higher production for the year. Sindesar Khurd mine was at run rate of 5.6 million tonne per annum, as compared to 5 million tonne a year ago. I am pleased to inform that Rajpura Dariba has crossed one million tonne of annual production for the first time in its history and the mine operated at 1.3 million tonne per annum run rate during the quarter. Both SK and RD mine achieved close to 20% higher ore production this year.

Zawar mine is operating at about 3 million tonne per annum run rate and for the year it has delivered over 30% higher production. Kayad on the other hand has been operating at its rated capacity of 1.2 million tonne per annum for 2 years now.

As I mentioned earlier, we had a challenging start of the quarter when we faced geo technical issues that resulted in lower mine output in January and February but we saw improvement in March and production rose sharply to exit at a run rate of 1.2 million tonne per annum. Despite these challenges our MIC production in quarter 4 was maintained compared to the previous quarter. However, we missed our annual guidance on MIC by a whisker.

This year, our entire production came from underground mines as you know. Unlike last year, when we operated via open cast operation also for the entire year. So while we have ramped up our underground mines over the course of the year to the current quarterly run rate of about 1 million tonne, one total MIC production for the quarter and the year were marginally lower by 4% and 1% respectively from a year ago.

We have set new records for integrated lead and silver production in this year. During the year, we took a conscious decision to retrofit the pyro smelter to produce more lead considering the higher availability of lead MIC and increasing lead content in the ore. As a result, lead production increased by 18% to a record of 198 KT for the year. Silver which is a byproduct of lead also increased by 22% to a record 679 tonnes supported by a better grade and was in line with guidance provided at the beginning of the year.

The total integrated metal production was for the year was lower by 7% to 894 KT in line with MIC availability as underground mine ramped up to fill the vacuum from plant closure of open cast operation. While lead production rose, zinc production declined by 12% YoY to 696 KT.

Integrated metal production during the quarter showed similar trend and were 6% lower sequentially and 15% lower from a year ago.

Now an update on the progress of our expansion project; during the quarter we commissioned much awaited crusher and production shaft at Sindesar Khurd mine which is presently used for hauling waste and will be used for hauling ore from the month of June. The mine achieved its highest ever total mine development of 5.1 km during the quarter. We expect to achieve our target production of 6 million tonnne this year with the commissioning of shaft and ongoing mine development.

Rampur Agucha underground mine achieved a record total development of 7.3 km during the quarter. Production shaft along with crusher and conveyor system are expected to commission in September this year. The ramp up of mine to 4.5 million tonne per annum will be as plan and we will continue to produce from decline and mid shaft loading system in the meantime. We commissioned the second paste fill plant at Rampura Agucha ahead of schedule and now the mine is self-sufficient in paste fill to support over production capacity. We will be commissioning the second paste fill plant at Sindesar Khurd in the current quarter which will make this mine also self sufficient to support the mine capacity. These paste fill plants are not only technically superior to fill voids in underground mine but also environment friendly as we use mining waste to fill voids which otherwise would need to be stored in tailing dams. With this we will be sustainably using 60% of our tailings for void fillings.

Zawar achieved total mine production of 8.6 km which is 15% higher from a year ago. We have also commissioned a new 2 million tonne per annum mill at Zawar during the quarter, the paste fill plant at Zawar mine which is expected to commission by middle of this financial year will significantly increase the potential of doing pillar mining and recovering the left out high grade ore in those pillars, thus having high impact given relatively lower grade of the ore. At Rajpura Dariba mine total mine development continues to increase rapidly and was at 2.1km. We are also upgrading the existing production shaft from 0.7 to 1.3 million tonne per annum by end of this year to further debottleneck the mine along with the ongoing decline development work. The work of new mill of 1.5 million tonne per annum and the paste fill plant is on with projected commissioning in a years' time.

Finally, we expect to commission Fumer at Chanderiya very soon now. This plant is a major sustainability and recovery initiative as you know which will product 6.2 KT of zinc and lead metal, 32 tonne of silver and also avoid generation and storage of Jarosite.

As part of ongoing expansion capacity, we have debottlenecked our smelter to 1.07 million tonne per annum. The increase in zinc production capacity has mainly come by cell house efficiency and **roaster** throughput. The standalone lead production capacity has been achieved by debottlenecking of ISF smelter and Dariba lead plant. We are further increasing capacity through addition of new cells and improvement in cell house performance in zinc smelter and additional lead refinery capacity at Chanderiya which will increase total metal capacity to 1.13 million tonne per annum by quarter 3 of this year.

Now, to provide production guidance for FY2020, as I mentioned earlier we expect to reach our design capacity of 1.2 million tonne per annum by the exit of second quarter this year, we have debottlenecked our smelter to 1.07 million tonne per annum and will further increase it to 1.13 million tonne per annum also around the same time. We expect both MIC and metal production in FY20 to be above 1 million tonne. This implies metal growth rate of above 12%, silver production will continue to grow in double digits and expected to be in the range of 750-800 which is a natural growth looking at the growth we had last year.

Now, I will request Swayam to present financial performance.

Swayam Saurabh: Thank you, Mr. Duggal and good afternoon to all. Total revenue from operations during the quarter was marginally lower by 1% sequentially at Rs 5491 crores due to higher metal prices and scrap sales offset by lower metal volume and rupee appreciation. Q4 revenue was down 13% from a year ago on account of lower metal prices and zinc volume partly offset by higher lead and silver volume and rupee depreciation. For the full year revenues were down by 4% to Rs 21,118 crores as record lead and silver volumes and rupee depreciation were more than offset by lower metal prices and lower zinc volume.

Zinc cost of production before royalty decline marginally from previous quarters to $987 in Q4, primarily on account of decline in imported coal prices and also HSD as well as increase in linkage coal. However, the benefit of lower commodity prices was offset by higher mine development, expenses and lower volumes. Acid credit were also marginally lower.

As compared to a year ago, COP during the quarter was higher by 7% on account of higher mine development, higher employee cost and also lower volume. COP benefited from higher credits including acid where price rose sharply. And for the year COP increased by 4% to $1016 primarily on account of higher mine development, steep increase in commodity prices, especially coal and diesel, lower volume and employee cost partly offset by higher acid credits. COP in rupee was further affected by rupee depreciation.

Against our linkage entitlement of over 40%, we received about 20% in the quarter, a significant improvement over single digit allocation till last quarter.

EBITDA for the quarter was marginally lower by 2% sequentially to Rs. 2797 crores in line with revenue and flat expenses. As compared to a year ago, lower revenue and higher cost of production resulted in EBITDA declining by 23% in Q4 and 13% for the full year.

Net profit for the quarter was Rs 2012 crores down 9% sequentially and down 20% YoY and full year net profit was down by 14% to Rs. 7956 crores. Net profit for both the quarters and full year were helped by higher treasury income on account of mark-to-market gains resulting from decline in interest rate, even as corpus was lower on account of payment of special interim dividend in November last year. Depreciation and amortization on the other hand has trended up due to higher capitalization an increased underground ore production resulted in higher amortization.

Our gross investments were at Rs 19,490 crores at the end of the quarter while net investments were Rs 16,953 crores due to temporary borrowings to pay dividends. In comparison net cash and equivalents were Rs 20,395 crores at the end of FY2018.

Now looking at outlook, in this year we will be completing several of our projects, including production shaft at Rampur Agucha and RD. Paste Fill plants at SK, RD and Zawar, dry tailing plant at Zawar and SK, Fumer at Chanderiya and mill at RD. We expect project CAPEX to be in the range of $350 million to $400 million this year. Looking forward coal cost would improve supported by better linkage and benign coal prices scenario; and productivity initiative will positively impact COP. We expect rupee to marginally depreciate while commodities other than coal are anticipated to remain strong, driven by strong domestic consumption demand and global price trends. During this year, we are planning faster mine development to strengthen our assurance of output capability and expect to double our value add product portfolio which is 13% current year to 25% next year. Overall, we expect zinc cost of production for full year to further improve and be below $1000 per tonne with volume growth being offset by accelerated mine development. Cost is expected to improve progressively over the quarter in line with volume ramp ups and project commissioning including ancillary plants. I would now request our CEO to sum up today's discussions.

Sunil Duggal: Thank you Swayam. With the last two quarters reaching production run rate of 1 million tonne, we expect to achieve design capacity of 1.2 million tonne by middle of this year and touch this run rate by the fourth quarter. We delivered record lead and silver production this year and expect to be in the top 5 in global silver ranking as we ramp up production over the next 2 years. We expect to deliver double digit growth in metal and silver production in FY2020 and with zinc price holding up with anoptimistic outlook, we should deliver record operating and financial performance this year. With this I open the floor for questions.

Moderator: Thank you. Ladies and gentleman, we will now begin with the question and answer session. The first question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Sir, the first question is with respect to the cost guidance which is around $1000, very similar to FY19. Now, despite the shaft commissioning in the first half and also lower coal cost because we are expecting linkage coal supply from Coal lndia and even seaborne prices are bit lower, so the cost guidance looks a bit conservative. So if you can just elaborate what are the cost saving we expect after the shaft commissioning?

Sunil Duggal: So I think you are right that we are bit conservative on the cost guidance. So I mean the fuel prices are better off now. So we are in a much better position and our base is reset. With the base reset what I mean is that, now the, this was the first year when we didn't have the open cast and now from now on whatever the growth what we talked at 20%-30% or35% which has come in the MIC will come from the underground mining. So that means the volume will be there, the fuel will be better, shafts will get commissioned. In June, the hauling from shaft will start in SK; the hauling from shaft will also start in 3rd quarter in Rampura Agucha. There could be some initial teething troubles here and there. But these are all the advantages of cost. You are right, we are there. And we are also focusing on efficiency going forward - be it the pull of the jumbo machines, the fill factors, the cycle time. So all these themes picked up this year, but one thing we are trying to do this year is that we want to very aggressively push the development forward. So the development cost could be higher this year. So because we want to set up the mines for the future, as it is ramping up. So it is a combination of all these factors and we said that the cost will be below $1000. So somewhere below $1000, it could be in the range of $975 to $1000, bit conservative, but it is okay. This time we want to meet our numbers.

Sumangal Nevatia: Understood. On the volume part sir, we are guiding for one million tonne. Now, both RA and SK should be commissioned underground shaft in 1H. So I mean will there be any stoppage or something during commissioning and how will be 1H versus 2H? Will it be significantly skewed towards 2H?

Sunil Duggal: No. I don't think it is a very even plan, if you ask me. There is not much of the skew between H1 and H2 or quarter wise. As the shaft will get commissioned of course the volume will go up. But you also see that we have touched around 5.3-5.4 million tonne from SK and our licensed capacity is 6 million tonne. Rampura Agucha we have a margin because 3.3 last year, this year we are looking at 4.2-4.3 million tonne. So lot of uptick will come from the shaft. So it will set us up and if we take a natural growth which we have been giving from underground mine - from a production of 936 KT last year to more than a million tonne, we have said more than a million tonne. So I think our numbers will be almost there in the next year.

Sumangal Nevatia: Understood. Sir one just last book keeping question, if you could share the grade of zinc for FY19 versus FY18, zinc and lead both?

Sunil Duggal: It is almost same. The overall grade was 7.7-7.8 % and next year also it is going to be almost the same because the way we have made our business plan, the contribution from all the mines will be such that the grade will remain same. In last year, the grade has fallen by almost 1%.

Sumangal Nevatia: And if you could break this into zinc and lead?

Sunil Duggal: I would say the overall grade zinc and lead the average credit could be 1.6%-1.7% lead and rest is zinc, but it is normally if you ask me in the ratio wise it is 78% to 22% exactly, the contribution of MIC. The grade in the in-situ grade could be different but the contribution from zinc and lead in MIC term was 78% to 22% and it is almost going to remain same. It [lead] rose up from 15%-16% to 22%. So that is why you must have seen that our growth on lead is higher and that is why the silver is also higher. Of course, there are other silver initiative for recovery and few other things, but this was the basic contribution.

Sumangal Nevatia: 20 will also be…78-22 approximately, FY20?

Sunil Duggal: Yes. Overall grade will be same and the contribution will also be similar.

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

Ritesh Shah: Sir, my first question is on the volume guidance that you indicated. I think for RAM you indicated 4.2 million tonnes this year. Earlier, I think you indicated target production was 6 million tonnes for this year. So this 6 million tonnes what you indicated, I think you indicated 5 million tonnes for rRAM, was that the exit rate?

Sunil Duggal: No, the design capacity is 4.5 million tonne from Rampura Agucha.

Ritesh Shah: Okay and sir what is the target for this year?

Sunil Duggal: 4.2.

Ritesh Shah: And sir same way for SK and RD?

Sunil Duggal: SK target is 6 million tonne and RD is around 1.3-1.4 million tonne but we also require the environment clearance. The public hearing has happened. The presentation is happening and then maybe another 2-3 months we will get the environment clearance for 2 million tonne. So in RD mine also as you know the debottlenecking is going on, we are debottlenecking the shaft so that we can produce better material. So the order we have already placed with ABB for debottlenecking the shaft and ultimately we want to produce 2 million tonne and the current capacity of the mill is around 0.9-1 million tonne and we are setting up another mill of 1.5 million tonne capacity which we feel we can debottleneck to 2 million tonne. But the new mill design is such that it can give us additional recovery of 8% to 10%.

Ritesh Shah: Sir my second question is how key lease is basically if one looks at Rampura Agucha, RD and Zawar, they expire by 2030, so sir what is our strategy over here? Do we plan to ramp up the output or are we factoring that will have the right of first refusal going to 2030, so how are you looking at the mine life, how are you planning the asset?

Sunil Duggal: The right of first refusal is already there and I don't know how many of you have the information that the NITI Aayog had the very aggressive consultation with the various bodies and have a very open mind, even the mines which are not captive, the license of which will expire in 2020, government is thinking whether to do something about that or not. So 2030 is quite far away, number one. Number two, the right of first refusal is there and I think the way the government is thinking to liberate the mining on various aspects I don't think something will not happen by that time.

Ritesh Shah: Okay. Sir, is there any scope of moving Gamsberg to India. The reason specifically I am asking is, you have higher manganese ore at Gamsberg, global markets concentrate supply is in quite surplus. So is there a possibility of something of this sort actually happening wherein the Indian smelters utilize Gamsberg over by blending it?

Sunil Duggal: There is various thinking going on. One is that we do not have extra capacity at Hindustan Zinc to treat Gamsberg ore. So we do not have any intention of doing that because we ourselves are doing our smelter debottlenecking as the MIC capacity is going up. So we do not intend to bring that ore here. But there is various thinking which is going on; the thought also crossed our mind whether we should put up a smelter in India at the port somewhere in Kakinada or in Gujarat. So lot of thought goes on, but we also have in our mind that we put this smelter at Gamsberg itself. So we are in talks with the South African government and its President spent complete one day at Gamsberg recently and we are trying to motivate government to enter into some kind of partnership and whether they declared Gamsberg as the special economic zone because 250 KT PA capacity we have set up and we have the intention to double this capacity going forward and parallelly put up the smelter. So the first plan is to put up a smelter there, get some incentive in terms of after putting up special economic zone and then maybe some power tariff rebate if they can give us. So we are in talks with them quite advanced, but the first intention and the first preference is to put up this smelter at Gamsberg.

Ritesh Shah: Okay. Sir specifically to what you referred on the recent Gamsberg visit, in the presentation what we look at is the guidance what has been given for 2022 is 1.35 million tonnes for Hindustan Zinc and Zinc international together and what we understand for zinc international it would be around 500 KT. Sir, then how this number stacks up if one had to break it up between Hindustan Zinc and Zinc international?

Sunil Duggal: So that is a very conservative estimate you might have looked at. So if you look at the present capacity which we have set up at Gamsberg and Hindustan Zinc, so after it matures in a year or so, it will be 1.5 million tonne. But we have the intention to double this capacity at Gamsberg in the next 2 years' time by putting up the concentrator and the expanding the mine. This is not a difficult mine but we have learned now that how to treat that ore at concentrator and if that capacity 500 (kt) comes up and 1.2 here goes to 1.35. So it will be around 1.8-1.9 million tonne I would say put together.

Ritesh Shah: Okay, that helps. Sir just last two questions. Sir, you had indicated in the prior call that we will have a decision on fertilizer plant post March, so one is any update on that and secondly any regulatory update on SK North and SK South which has been pending since quite some time?

Sunil Duggal: Yes. So first let me take up fertilizer, the update is that the public hearing has taken place. The file has gone to MoEF. The presentation is going to take place and after the presentation takes place we will get the environment clearance, maybe another 3-4 months' time. In the mean time we consulted some experts of fertilizer and we have taken some of them on our Board as advisor. So they have been able to tell us that how we can increase our capacity with almost same CAPEX from 0.5 to 0.75 million tonne. So with that the IRR goes up and this project becomes more exciting. So we are redesigning that and at the same time when we get the environment clearance so two together could become exciting combination and then from there we will take on that we start the work on the ground. This is the update here and second thing you asked on the SK North and SK South, we have been able to establish our rights at both the places. Not that government has given the clearance, but the revisionary authority in the mines ministry decided in our favor and referred it back to the state government for a decision, not only SK North, one of the mine in the Bamniya Kalan also is in the same category. So there are 3 licenses there. So with the discussion on the saved license. This also comes in the category of saved licenses, you know. There are around 500 saved licenses in India for which the decision has not been taken by the government. 26 licenses are there of Hindustan Zinc. Some of these licenses SK North, SK South and Bamniya Kalan also there. But there are large number of license. So we told government that the easier way to open up the mine that where the exploration has already been done and the evidence is also there that the ore is there. So the government is quite positive in that. So what we think that as the new government comes, whosoever comes, the Goa mining opening, some of the saved licenses, 2020 may be the differentiation between the public sector and the government, so some of these things should go. Let us wait and see, but I think things should move in a positive direction. I am quite hopeful.

Ritesh Shah: Sir, just last follow up. So sir can SK North and SK South offset the lease expiries of 2030?

Sunil Duggal: No. That is a different thing. But I think in SK we have if I remember right, my license is there up to 2045 or something like that. SK I have a license for much longer time and this has got nothing to do with, it has got nothing to do with SK North and SK South. RA license is there up to 2030. SK license is there up to 2043-2045 something like that.

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

Amit Dikshit: The first question is with respect to the difference in mine metal production and refined metal production. So mine metal production was 936 KT while refine metal was 894. Did we make any concentrate sales this year or was it due to grades, I mean just wanted a little bit clarity on that?

Sunil Duggal: So a very good question I think. Good observation. So you are right that there is a difference between the MIC production and the finished good was little more in this year. There are 2-3 reason. Year before, we had a carried over inventory from the previous year to produce the more metal and this year there are two things which has happened. So as I said that March was at a, we produced MIC at a run rate of 1.2 million tonne. So 98 KT was MIC and 82-83 KT was the FG production. So there was the accretion to the inventory which happened at the end of the year which is carried over to the current year. So this is one reason. The another reason is that we produce zinc oxide at Dariba and zinc oxide inventory also piled up which we normally use in the ISF furnace, Pyro furnace at Chanderiya to convert it into zinc. So when the lead (concentrate) inventory built up beyond a point and we didn't have the lead capacity and we debottlenecked and retrofitted it (pyor smelter) for the lead. We converted this into lead metal and that is why we were able to make a much higher silver also. So this WIP has built up, this also given us the opportunity. What we are also doing is that, we are putting up a leaching facility both at Chanderia and Dariba and first at Chanderia which is about to get commissioned in the month of September where Zinc Oxide will be leached and we produce the Zinc Sulphate and push it to the smelters, where we convert it into finished metal. So, this zinc sulphate solution will be pushed to the existing hydro plants. So we are through the cell house route we will be able to convert this into zinc metal.

So apart from that there are other ancillary industry also, we are putting up to look at the opportunity of some of the other free metals like Cadmium, copper and other metals which can add value. But this is one such opportunity which will build up over time as I said and there will be additional opportunity to convert all these inventories, all these opportunities into the finished good. Especially last year two, one was the zinc oxide inventory built up, the second is the inventory also built up at the end of the quarter. The first two months of January and February were not good because of some safety challenges because of the Geotech issues, one of the stopes collapsed and If I may explain I am trying to explain a little more. These challenges are going to be mitigated. There are similar challenges during the year we also faced at Rampura Agucha. But the commissioning of the paste fill plant, second paste fill plant we are enough to handle 5 million tonne ore from Rampura Agucha, so our filling capacity and voids are now there in the mine. Now as the paste fill plant is getting commissioned in SK mine, the voids will be filled up and these surprises of the Geotech will not come. So it will be a smoother flow of ore and MIC to this smelter as we will mature from now on.

Amit Dikshit: Great sir. That was a very elaborate answer. Just a follow up question on this. So your one million tonne guidance that you have given for next year that is excluding this inventory or including this particular inventory benefit?

Sunil Duggal: I am not going to explain much of the nitti gritties, but just to correct you there, I said plus one million tonne.

Amit Dikshit: Okay, fair enough. The second question is on cost that was a follow up that was asked by Sumangal. So since we are commissioning our shaft towards H2 and there are number of other things that are happening in H2. So is it kind of logical to assume that the 1000 guidance that you have given there will be little bit of lumpiness, so H1 would see higher cost while H2 cost would normalize towards let us say 950 kind of levels. So is it a fair assumption?

Sunil Duggal: Yes, absolutely. You are absolutely right.

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

Indrajit Agarwal: Sir, I have a couple of questions. First on the global zinc balance that you see, the TCs that have been negotiated earlier this year have been much higher than the last year and as a result we have seen some smelters talking about reopening or expanding capacity. Do you think that tilts the balance more towards higher surplus than what we had expected earlier?

Sunil Duggal: This is all a speculative market and the basic fundamental which I have always emphasized and I keep emphasizing that there are no stocks in the exchanges. So this is the better thing to achieve. So speculation and long term TCs, the people assume certain things. So there is a deficit I would say till 2020 which will exist and we have also seen that some events, this is we are sitting on edge you know, a small event like floods in Australia happened, it impacted for 3 months, and similarly the projects which are in the pipeline have not delivered to the extend they were designed.

Indrajit Agarwal: And my second question is on Hindustan Zinc in particular. What is the update on our next phase of growth like for 1.2 to 1.35 and 1.5 subsequently? How are we looking at it in time lines that you are going to provide on that?

Sunil Duggal: So as I explained we are doing a feasibility study with the global partners, an Australian company has conducted a pre-feasibility study of what can we do going forward because there are safety issues related to the ore body, R&R addition, etc. So we still are on the black board and planning how this will come up. But there are opportunities around, one of the opportunity I would say is that beyond 1.2 mtpa, definitely is the Bamniya Kalan lease have been renewed and the drilling is going on. And I expect that we should start developing in the next one-year time and one year after that this mine could be operative. When this mine becomes operative, it definitely gives us the opportunity of 50 KT of metal. So similar to this there are other opportunities we are looking at and still we have to close our plan, but it will take certainly more time. But this opportunity what I am talking in Bamniya Kalan it is already on.

Moderator: Thank you. Due to time constraints we will take the last question from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Just one question, what is the CAPEX we have incurred during this year and what is the guidance for FY20?

Swayam Saurabh: Total CAPEX incurred in FY19 is about $330 million and the guidance for next year is between $350-400 million.

Moderator: Thank you very much. I now hand the conference over to Ms. Preeti Dubey for closing comments.

Preeti Dubey: Thank you everyone. If you have any further questions please feel free to contact me.

Sunil Duggal: Thanks everyone.

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