

Hindustan Zinc Limited

Results for the Fourth Quarter and Full Year Ended March 31, 2017

*“All-time high mined metal & silver volumes;
record EBITDA and Net Profit”*

Operational Highlights - FY 2017

- Record mined metal production of 907kt against 889kt a year ago; in-line with guidance
- Record integrated silver production of 453 MT, up 7% from previous year
- Total R&R of 404.4 million MT, a net addition of 14.5 million MT

Operational Highlights - Q4 FY 2017

- Record mined metal production at 312kt; up 66% y-o-y and 13% q-o-q
- Record integrated silver production at 139 MT; up 14% y-o-y and 18% q-o-q
- Integrated zinc-lead metal production at all-time high of 260kt; up 35% y-o-y and 6% q-o-q

Financials

- Record EBITDA at Rs. 3,770 Crore for the quarter and Rs. 9,734 Crore for FY 2017; up 190% and 46% respectively y-o-y
- Record Net Profit at 3,057 Crore for the quarter and Rs. 8,316 Crore for FY 2017; up 42% and 2% respectively y-o-y
- In view of the special interim dividend declared in March 2017, no final dividend is recommended.

Mumbai, April 20, 2017: Hindustan Zinc Limited today announced its results for the fourth quarter and full year ended March 31, 2017.

Mr. Agnivesh Agarwal, Chairman –

“The year 2016-17 has been record breaking for Hindustan Zinc in many ways. The Company returned Rs. 27,157 Crore (including dividend distribution tax) to shareholders in the 12 months ending March 31, 2017, a record in Indian corporate history. I am also pleased to see the Company’s record contribution to Government treasury (including royalties, taxes and dividends) of Rs. 17,760 Crore. The record performance of the Company, supported by strong zinc prices, has helped Hindustan Zinc generate unparalleled value for its stakeholders during the year.”

Financial Summary

(In Rs. Crore, except as stated)

| Particulars | Q4 | | | Q3 | | Financial Year ended 31 March | | |
|--|--------|--------|--------|--------|--------|-------------------------------|--------|--------|
| | 2017 | 2016 | Change | 2016 | Change | 2017 | 2016 | Change |
| Gross Sales/Income from Operations | | | | | | | | |
| Zinc | 5,160 | 2,238 | 131% | 4,120 | 25% | 13,902 | 11,096 | 25% |
| Lead | 858 | 600 | 43% | 649 | 32% | 2,343 | 2,079 | 13% |
| Silver | 563 | 437 | 29% | 483 | 17% | 1,888 | 1,501 | 26% |
| Others | 118 | 124 | -5% | 96 | 23% | 509 | 565 | -10% |
| Total | 6,699 | 3,399 | 97% | 5,348 | 25% | 18,642 | 15,241 | 22% |
| EBITDA | 3,770 | 1,301 | 190% | 2,757 | 37% | 9,734 | 6,667 | 46% |
| Profit After Taxes | 3,057 | 2,147 | 42% | 2,320 | 32% | 8,316 | 8,175 | 2% |
| Earnings per Share (Rs.) | 7.23 | 5.08 | 42% | 5.49 | 32% | 19.68 | 19.35 | 2% |
| Mined Metal Production ('000 MT) | 312 | 188 | 66% | 276 | 13% | 907 | 889 | 2% |
| Refined Metal Production ('000 MT) | | | | | | | | |
| Integrated Refined Metal | | | | | | | | |
| Zinc | 215 | 154 | 39% | 205 | 4% | 670 | 759 | -12% |
| Saleable Lead ¹ | 45 | 38 | 17% | 39 | 16% | 139 | 140 | -1% |
| Zinc & Lead | 260 | 193 | 35% | 244 | 6% | 809 | 899 | -10% |
| Saleable Silver ^{2,3} (in MT) | 139 | 122 | 14% | 118 | 18% | 453 | 422 | 7% |
| Total Refined Metal | | | | | | | | |
| Zinc | 215 | 154 | 39% | 205 | 4% | 672 | 759 | -11% |
| Saleable Lead ¹ | 45 | 38 | 17% | 39 | 16% | 139 | 145 | -4% |
| Zinc & Lead | 260 | 193 | 35% | 244 | 6% | 811 | 904 | -10% |
| Saleable Silver ^{2,3} (in MT) | 139 | 122 | 14% | 118 | 18% | 453 | 425 | 7% |
| Wind Power (in million units) | 75 | 62 | 21% | 53 | 42% | 448 | 415 | 8% |
| Zinc CoP without Royalty (Rs. / MT) ⁴ | 53,226 | 58,076 | -8% | 58,067 | -8% | 55,679 | 52,651 | 6% |
| Zinc CoP without Royalty (\$ / MT) | 794 | 853 | -7% | 861 | -8% | 830 | 804 | 3% |
| Zinc LME (\$ / MT) | 2,770 | 1,679 | 65% | 2,517 | 10% | 2,364 | 1,829 | 29% |
| Lead LME (\$ / MT) | 2,269 | 1,744 | 30% | 2,149 | 6% | 2,003 | 1,768 | 13% |
| Silver LBMA (\$ / oz.) | 17.6 | 14.9 | 19% | 17.2 | 2% | 17.9 | 15.2 | 17% |
| USD-INR (average) | 67.1 | 67.5 | -1% | 67.5 | -1% | 67.1 | 65.5 | 2% |

(1) Excluding captive consumption of 1,633 MT in Q4 FY2017 as compared with 909 MT in corresponding prior period and 1,731 MT in previous quarter. For full year, it was 5,285 MT as compared with 6,657 MT a year ago.

(2) Excluding captive consumption of 8.7 MT in Q4 FY2017 as compared with 4.7 MT in corresponding prior period and 8.9 MT in previous quarter. For full year, it was 27.4 MT as compared with 34.5 MT a year ago.

(3) Silver occurs in Lead & Zinc ore and is recovered in the smelting and silver-refining processes.

(4) The COP numbers are after adjusting for deferred mining expenses under Ind-AS. Without this adjustment, Zinc CoP per MT would have been Rs. 48,467 (\$723) as compared with Rs. 58,044 (\$853) in Q4 FY 2016 and Rs. 50,277 (\$745) in Q3 FY 2017. For full year this would be Rs. 55,879 (\$833) compared to Rs. 52,646 (\$804) a year ago.

Note: Numbers may not add up due to rounding off; historical numbers may have changed due to regrouping

Operational Performance

The Company achieved highest ever mined metal production during the quarter, up 13% from previous quarter and 66% y-o-y. The increase was on account of higher volumes from Rampura Agucha open cast mine, in line with the mine plan and as per the guidance of higher production in H2 FY 2017. Mined metal production during the full year period was at 907kt, up 2% y-o-y in line with guidance. Production from underground mines ramped up significantly during the year to achieve a substantial 44% y-o-y increase in ore production and 32% y-o-y increase in mined metal production.

Integrated zinc metal production during the quarter was at 215kt, up 5% q-o-q and 40% y-o-y. Integrated saleable lead metal production during the quarter was the highest ever at 45kt, up 15% q-o-q and 18% y-o-y. The increase was in line with availability of mined metal, supported by enhanced smelter efficiencies. Total integrated zinc-lead metal production was at an all-time high of 260kt. Integrated saleable silver production during the quarter was also a record at 139 MT, up 18% q-o-q and 14% y-o-y due to higher grades and volume from Sindesar Khurd mine.

For the full year, integrated zinc metal production was lower by 12% at 670kt and integrated lead metal production was flat at 139kt. This was on account of low availability of mined metal in H1 due to the cyclical pattern of the Rampura Agucha open cast mine. Highest ever integrated silver production was achieved during the year at 453 MT, up 7% from a year ago driven by higher volumes from Sindesar Khurd mine. Substantially higher mined metal production in H2 resulted in accretion to inventory, of which 26kt was sold during the quarter, leaving 80kt closing stock at year end which will get converted into refined metal in FY2018.

Financial Performance

Revenues during the quarter were Rs. 6,699 Crore, up 97% y-o-y on account of strong zinc, lead & silver prices, higher production and sale of mined metal. For the full year, revenues were up by 22% at Rs. 18,642 Crore primarily on account of higher LME & silver prices and sale of mined metal in Q4, partly offset by lower zinc volume.

The zinc metal cost of production per MT before royalty (COP) during the quarter was at Rs. 53,226 (\$794), lower by 8% y-o-y (7% in dollar terms). The decrease was due to higher production volumes from Rampura Agucha open cast mine in accordance with mine plan resulting in higher average grades, better smelter efficiencies and reversal of some liabilities. This was partly offset by higher coal & input commodity prices, lower acid realisation and higher mine development. For the full year, zinc COP was Rs. 55,679 (\$830), up 6% (3% in dollar terms) from a year ago on account of lower integrated production, higher coal & input commodity prices, lower average grades and lower by-product credit.

The above revenue and cost of production resulted in a 190% y-o-y increase in EBITDA during the quarter to Rs. 3,770 Crore and 46% increase for full year to Rs. 9,734 Crore.

During the quarter, net profit increased by 42% y-o-y to Rs. 3,057 Crore while for full year it increased by 2% to Rs. 8,316 Crore. The impact of higher EBITDA was partly offset by higher tax, higher depreciation and lower mark to market gains on a smaller investment corpus.

Dividend

On March 22, 2017, the Board of Directors declared a special interim dividend of 1375% i.e. Rs. 27.50 per share on share of Rs. 2 each. Together, with the Golden Jubilee dividend paid in April 2016 and the interim dividend paid in October 2016, the aggregate dividend outflow by the Company during this financial year was Rs. 27,157 Crore including DDT, which is the largest dividend outflow by any company in India in a single financial year. In view of the special interim dividend paid earlier this month, no final dividend is recommended.

Expansion Projects

Total mine development, across all mines, increased by 3% q-o-q and 19% y-o-y to 19,159 meters during the quarter. During the year, total mine development reached 66,545 meters, up 15% from a year ago.

Rampura Agucha underground mine achieved an all-time high mine development of 5,309 meters during the quarter after continuously crossing the 4,000 meters benchmark for four quarters in a row. During the year, Rampura Agucha underground mine produced 1.4 million MT of ore as compared with 0.2 million MT a year ago. The south ventilation shaft sinking was completed during the quarter; the main shaft sinking having reached the ultimate depth of 955 metres in the previous quarter. Further, cold commissioning of both production & service winders was completed during the quarter as shaft equipping work continues to progress satisfactorily.

Sindesar Khurd mine achieved record ore production of 3.7 million MT during the year. The winder foundation work for the shaft was completed during the quarter and head gear erection is nearing completion. The new mill of 1.5 mtpa capacity was completed in record 14 months and commissioned during the quarter. Sindesar Khurd mine plans to reach the targeted capacity of 4.5 million MT ahead of schedule in the current year itself.

Zawar mine also achieved record ore production of 1.8 million MT during the year. Environmental clearance of 4 mtpa ore production and beneficiation was received in January following which consent to establish and operate was also received. Zawar mill expansion to 2.5 mtpa and associated power up-gradation project are at advanced stages with completion planned in June 2017.

The fumer project, which has been undertaken to further improve metal recoveries from the hydro plant, is progressing well with scheduled completion in mid FY 2019.

During the quarter, the Company successfully commissioned 16 MW of captive solar farms at a capex of Rs. 82 Crore. This project will help the Company partly meet its renewable power obligation and has been set up on waste lands.

Reserve and Resource

During the year, net addition of 14.5 million MT were made to reserve and resource (R&R), adding further to our R&R. Total R&R at March 31, 2017 were 404.4 million MT containing 36.09 million MT of zinc-lead metal and 1,032 Moz of silver. Overall mine life continues to be 25+ years.

Outlook

PROJECTS: When the mining expansion projects were announced in early 2013, share of mined metal from underground mines was 15%, which increased to 52% in FY 2017 and is expected to reach 80% in FY 2018 before being 100% in FY 2019. This is a testimony to the Company's smooth transition from open cast mining to underground mining. During these four years, the dollar COP (excluding royalty) has remained stable.

The mining projects should complete in FY 2020 when the full capacity of 1.2 million MT of mined metal is expected to be in place. Both, the Rampura Agucha and Sindesar Khurd shafts are on track for completion in FY 2019.

The capex on the on-going mine expansion projects, fumer and smelter de-bottlenecking will be around \$350-360 million in FY 2018.

PRODUCTION: In FY 2018, mined metal production is expected to be higher from FY 2017. Refined zinc-lead metal production will be around 950kt, which will be evenly spread through the year. Silver production will be over 500 MT.

FINANCIAL: Dollar COP (excluding royalty) is expected to be marginally higher based on current levels of coal & input commodity prices. Treasury income is expected to be lower due to reduction in investment corpus and current softening in rates while tax rate for FY 2018 is expected to be slightly higher than MAT.

Liquidity and investment

The Company's net cash and cash equivalents was Rs. 16,065 Crore as at March 31, 2017 which is excluding Rs. 7,908 Crore of short term commercial paper raised to meet the special interim dividend fund requirement for tax efficiencies. The gross investments were Rs. 23,972 Crore in high quality debt instruments including Rs. 19,336 Crore in mutual funds and Rs. 4,446 Crore in bonds.

Earnings Call on Thursday, April 20, 2017 at 4:00 pm (IST)

The Company will hold an earnings conference call on Thursday, April 20, 2017 at 4:00 pm IST, where senior management will discuss the Company's results and performance. The dial in numbers for the call is:

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About Hindustan Zinc

Hindustan Zinc (NSE & BSE: HINDZINC) is the one of the largest integrated producers of zinc-lead with a capacity of 1.0 million MT per annum and a leading producer of silver. The Company is headquartered in Udaipur, Rajasthan in India and has zinc-lead mines at Rampura Agucha, Sindesar Khurd, Rajpura Dariba, Zawar and Kayad; primary smelter operations at Chanderiya, Dariba and Debari, all in the state of Rajasthan; and finished product facilities in the state of Uttarakhand.

Hindustan Zinc has a world-class resource base with total reserve & resource of 404.4 million MT and average zinc-lead reserve grade of 11.0%. The Company has a track record of consistently growing its reserve & resource base since 2003 and currently has a mine life of over 25 years.

The Company is self-sufficient in power with an installed base of 474 MW coal-based captive power plants. Additionally, it has green power capacity of 309 MW including 274 MW of wind power and 35 MW of waste heat power. The Company has an operating workforce of nearly 19,000 including contract workforce.

Hindustan Zinc is a subsidiary of the BSE and NSE listed Vedanta Limited (formerly known as Sesa Sterlite Limited; ADRs listed on the NYSE), a part of London listed Vedanta Resources plc, a global diversified natural resources company.

Disclaimer

This press release contains “forward-looking statements” - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “should” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.