



HINDUSTAN ZINC
Zinc & Silver of India

“Hindustan Zinc Q1 FY25 Earnings Conference Call”

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MANAGEMENT: MR. ARUN MISRA – CEO, HINDUSTAN ZINC LIMITED
MR. SANDEEP MODI – CFO, HINDUSTAN ZINC LIMITED
MS. KRITIKA MEHTA – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Hindustan Zinc First Quarter FY2025 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 this 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. Kritika Mehta, Investor Relations. Thank you and over to you ma'am.

Kritika Mehta: Thank you, Neerav. A very good afternoon everyone. I welcome you all to Hindustan Zinc's first quarter FY25 ending 30th June 24 Results Briefing.

In this call, we will refer to Q1 FY25 Investor Presentation available on our Company's website. Some of the information on this call may be forward looking in nature and is covered by the safe harbor language on second slide of the said presentation.

Today on the call, we have with us our CEO – Mr. Arun Misra and our CFO – Mr. Sandeep Modi.

Mr. Misra will begin with an update on business performance while Mr. Modi will walk you through the financial performance, after which we will open the floor for questions.

I now request Mr. Misra to begin today's call. Over to you sir.

Arun Misra: Thank you, Kritika. A very good afternoon to all of you. Thank you for joining us today for the first quarter of FY25 results briefing.

At the outset, I deeply regret to inform you all that despite all the efforts and constant emphasis on safety as our key priority, we had an extremely unfortunate incident in our Rampura Agucha underground mine on 29th May 2024 where we witnessed a man-machine interaction as a pedestrian was fatally injured by a passing underground vehicle. I would like to offer my deepest condolences to the bereaved family and friends of the deceased and we stand by them in this hour of distress. An in-depth investigation was carried out to determine the root cause of the accident and design corrective and preventive measures and the learnings were shared across the organization for preventing such undesirable incidents and promote a safe working environment for everyone.

It gives me immense pleasure to inform you that Hindustan Zinc has trained India's second all-women underground mine rescue team following the remarkable success of the first batch. We constantly strive to set benchmarks in people practices through game-changing initiatives and policies, as a result of which the Company has won prestigious PeopleFirst HR Excellence

Awards in the categories of leading practices in employee management, leading practices in talent acquisition and leading practices in technology deployment in HR.

Coming to an update on the sustainability front:

I am happy to announce that Hindustan Zinc has preponed the commencement of renewable power supply from Serentica to May 2024 with around 8.5% of our overall power requirement being catered through renewable energy during the quarter. We have marked a significant milestone in the metal and mining industry by launching Asia's first low-carbon green zinc, EcoZen expanding our zinc product portfolio which is currently one of the largest in the world. Produced using renewable energy, it boasts of a carbon footprint of less than 1 ton of carbon equivalent per ton of zinc produced, almost 75% lower than the global average. This new offering enables the steel producers to avoid a total carbon emission of about 400 kgs of CO₂ equivalent per ton of steel, providing an unmatched competitive advantage to them with a more sustainable choice. The quarter was also characterized by a few key strategic partnerships done to sustain our global sustainability leadership.

We have signed an MoU with VEXL Environ Projects Limited for establishing a pilot plan for producing saleable products from our waste streams, embracing environmental responsibility through circular economy. Another key partnership is done with US-based AESir Technologies as a preferred supplier of zinc for their Nickel Zinc batteries which has a potential to revolutionize energy storage due to their cost-effectiveness and environment friendliness with much scope to grow owing to their merits over conventional lithium-ion batteries. Furthering our commitment towards the environment, we have set a new standard in the Indian metals and mining industry by launching the first ever Taskforce on Nature-related Financial Disclosures or TNFD report covering the key dependencies, impacts, risks and opportunities in nature. As an update on our corporate social responsibility, it gives me immense satisfaction to see remarkable outcomes from our CSR activities spanning across the verticals of women empowerment, education, sustainable livelihood, health and water, environment and safety, sports and community assets creation. A quick snapshot of a few key CSR initiatives taken during the quarter is provided on slide 14 for your reference.

Moving on to the market update, the quarter has seen a stark improvement in base metal and precious metal prices whose momentum sustained throughout the quarter. The global economies have shown a modest recovery following the pickup in manufacturing activity globally has reflected through the global manufacturing PMI, which has recorded 50.9 in May 2024, its highest since June 2022. During the quarter, the global zinc prices closely traced the copper trend, with production cuts across Chinese smelters due to tight concentrate market. The geopolitical tensions near Middle East, the zinc stocks in the LME warehouses dropped by 12% during the quarter, thereby increasing the prices to as high as \$3,093 per ton. India being the fastest growing economy among the major economies, continues to drive healthy zinc demand through robust public expenditure towards infrastructure projects.

Touching briefly on lead, the quarter started with a neutral sentiment and ended at a higher level with an 18% reduction in LME stocks. The domestic demand for primary lead dropped by 10% in line with the automobile sales. However, India's share in global lead demand is expected to increase from 9.2% in 2023 to 9.9% in 2026 on account of increasing digital transactions and growing data centers.

Coming to silver, the prices rallied along with the gold prices with an average of \$29 per troy ounce, even touching the highest of \$32.01 per troy ounce. With the Indian industrial sector shifting towards renewable energy and EVs etc, the domestic silver demand is expected to expand beyond jewellery and physical investments.

Giving an update on the operational performance, I am pleased to inform you that Hindustan Zinc has recorded its highest ever first quarter mined and refined metal production at 263,000 tons and 262,000 tons respectively. The saleable silver production dropped by 7% year-on-year on account of WIP accumulation in the normal course of the business as Company moved to late mode of pyro operation from June 2024. However, this WIP will be liquidated in the subsequent periods advancing us towards the commitment to deliver on the volume guidance for metal and silver and would like to keep it unchanged. I am proud of my team who delivered very significant cost reduction of 7% over last year to help the Company register a massive growth in net profit by 19% over last year on the back of a growth in total income by 12%.

Coming to the project's update:

The 160,000 ton per annum roaster at Debari and the 510,000 tons per annum fertilizer plant are on track with their commissions being targeted by Quarter 4 of FY25 and Quarter 2 of FY26 respectively. Bamnia Kalan mine received the consent to operate in the last quarter post which site work has started and is currently in progress. The Company has also appointed strategic partners for conceptual design of a growth plan towards 2 million ton per annum metal for which the studies are under progress. With the rest of the commissioned projects ramping up, we have marked a great start of the year and would like to build on this momentum going ahead to finish the year with 5% to 7% growth in metal production and 3% to 5% growth in silver production over last year.

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

Sandeep Modi:

Thank you, Mr. Misra and a very good afternoon everyone. As Mr. Misra said, this has indeed been a great start for the year with numerous accomplishments achieved on the sustainability front. Apart from our first TNFD report, we have also published our fifth edition of the integrated annual report for FY24, giving a peek into the key highlights across the length and breadth of our business in the last year, along with our tax transparency reports which are available on our website. We have also set a benchmark in reporting by launching India's first AI-based digital annual report for FY24, which leverages generative AI in the form of your very own "Zincky", a generative AI chatbot which seamlessly and accurately answers any question based on the

integrated annual report. On this note, I humbly request everyone to join us in our sustainability journey by utilizing “Zincky” and opting the digital copies of the reports over paper printouts.

Briefing you on our financial performance, the total revenue for operations during the quarter stood at Rs. 8,130 crore, up 12% YoY on account of better metal volume and prices, further supported by stronger dollar and partly offset by lower silver volume. It's up 8% quarter-on-quarter.

In our pursuit towards the sustenance of our global cost leadership, we have achieved an entry cost of production of US \$1,107 per ton in Q1 25, indicative a progressing towards recording a fourth year lowest cost. The Q1 zinc cost of production was down 7% YoY as Mr. Misra said, which is on account of softened coal and input commodity prices, better linkage coal availability and starting of the RE power from our Serentica Group Captive Arm and better metal grades. It's a 5% up quarter-on-quarter in line with the volume and grade.

The resulting EBITDA for the quarter was Rs. 3,946 crore, up 17% YoY. The consolidated PAT stood at Rs. 2,345 crore, up 19% YoY. The effective tax rate for the quarter stood at 25%. I would like to highlight that this quarter's revenue, EBITDA and PAT recorded the highest level in the last 5 quarters, leveraging the favorable LME environment and buoyed up silver price. We have recorded double digit YoY improvements in revenue, EBITDA and PAT and have expanded our margin from 46% to 49%. With concentrated efforts, we have also expanded our domestic primary zinc market share to 78% from 75% last year. Further, considering the volatility in the current metal market and inherent necessity to protect the margin, we have embarked on a strategic hedging of zinc to cash in the elevated zinc prices during the quarter. We have sold forward 90 kt of the zinc production for the fiscal year around 10% of our annual production of zinc, demonstrating our agile decision making and flexibility to harness right opportunities.

During the quarter, the Company paid Rs. 4,225 crore as dividend. As one of the leading companies in our country, our ultimate priority is to maximize the distribution of the value created amongst the shareholders in a sustainable manner. As a key highlight of the quarter, Hindustan Zinc delivered the highest shareholder returns among the major Indian companies, reinforcing the trust among the investor community. During the period, the total return per share in form of capital appreciation stood at Rs. 377. Considering a dividend of Rs.10 per share, the shareholder returned total to Rs. 387 per share. With a whopping 133% return on the closing price of the previous fiscal year, the Company's returns were incomparable with 18X returns as compared to Nifty 50 and 7X returns as compared to Nifty Metal indices.

I would also like to draw your attention to the fact that Hindustan Zinc enjoys an industry leading EV/EBITDA multiple of 18X in the metal and mining sector. As most of you would already know, we have organized a site visit for around 35 plus analysts and investors in June to showcase our excellence and irreplaceability of our assets and operations. I am sure most of you attended it and I strongly believe that the visit has helped you to assess the true potential of

Hindustan Zinc. We are now more confident on our ability to record an EBITDA of \$2.7 billion in near term with 1.2 Mtpa of metal, 800 tons silver and COP of \$1,000 in a favorable LME environment and silver prices.

We are constantly striving to push ourselves beyond your expectations by identifying and exploring new opportunities to exploit and challenging ourselves regularly by setting up further targets and achieving them. I hereby let you know that we are confident in achieving our cost guidance and hence are keeping the cost and CAPEX guidance intact.

With this, I conclude my comments and we will open the floor for your questions. Thank you.

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

Amit Dixit: I have two questions. The first one is essentially on the recent judgment by the Supreme Court in which they have mentioned that the states have got power to levy additional surcharge or cess whatever. Now in the past in 2008, I think, June 2008, to be precise, the Rajasthan Government had notified us environment and health cess actually. And we have certain contingent liability on the balance sheet, I think to the extent of Rs. 142 crores as on March 31st, 2024. Now, first of all, what are your thoughts on Rajasthan government going ahead and applying this in a retrospective manner, although I understand that the Supreme Court has stayed this particular judgment for a while, reserved rather, this judgment for a while. But what are your thoughts around that? Do you feel that taking advantage of this, there could be some other cess, or this cess can be applied retrospectively from 2008 or whatever? Just wanted your thoughts on the same?

Arun Misra: Requesting Sandeep to address the issue.

Sandeep Modi: While we await the order, you are right Supreme Court has reserved the order and I also appreciate your memory and recollection of Rs. 142 crore environment and health cess. You are right, this remain as a part of the contingent liability and of course one of the argument we had the royalties not a tax but apart from this also, from a legal evaluation point of view, this is one of the argument which we had in the court and apart from this, we don't have any liability or any part of the contingent liability which comes into the picture or impact in the financial materially whatever the cases were there have been already closed or it has many other grounds to argue in the court. Of course, the future or prospective anything Rajasthan government or any state government putting any cess, I think that will depend upon the time and we will need to be watchful about it.

Amit Dixit: So, actually, this amount has remained constant for a while. Maybe we have recognized this contingent liability when it occurred. And it was, I think, Rs. 150 per ton of ore, if I'm not mistaken. So, potentially, what would be the liability now, let us say, if we were to recalibrate this contingent liability?

- Sandeep Modi:** I think I would refrain to answer or evaluate about giving any numbers because we need to wait about the Supreme Court order. At the same time, as I said earlier, one of the argument was royalty is not a tax and the state doesn't have the power. But apart from this, there are many other arguments. So, I would not like to quote any number which will create something impact on the financial. As of now, we remain confident that we have strong grounds apart from this as well.
- Amit Dixit:** The second one is on your cost, essentially. So, if I see the cost of production, first of all, great work on that. We have seen the cost declining quarter-on-quarter. Just wanted to understand since we are getting more power now from Serentica and coal prices, our e-auction prices are soft, we will get more e-auction prices or linkage from Coal India. And our cost is near the level we guided for the full year in Q4 results? So, why are you refraining from giving the revised more optimistic cost guidance at this point in time, whether we expect some kind of escalation in cost going ahead or what is that?
- Sandeep Modi:** I don't think it's a prudent like to say that we are being conservative. We have given the guidance as a lower quartile of a 1,050 and to 1,100. We achieved \$1,107 and it is partly on account of, you are right softened coal prices as well as the RE power which started coming from Serentica. So, we remain optimistic and confident to remain, it's better to remain 1,050 to 1,100 and at the same time if we deliver 1,050 or below that I think it will be good to close the year. But we believe that we remain between 1,050 to 1,100 and most likely the lower quartile of this range.
- Moderator:** Thank you. Next question is from the line of Ashish Kejriwal from Nuvama Wealth Management. Please go ahead.
- Ashish Kejriwal:** Sir again, the same question which Amit asked about Supreme Court judgment. What you are trying to say that because Supreme Court has always said that royalty is not a tax. So, there is no question on that reverting back. Only thing is whether it's prospective or retrospective. So, you mean to say that even if it is retrospective, then also we have certain grounds to get negotiation with Rajasthan government and we don't need to pay that amount?
- Sandeep Modi:** I have not said about the negotiation. I said the cases were in the court and we have multiple grounds because in any case when we go to any court, there are various grounds and one of the grounds which was there even the Supreme Court upheld that ground. We have many other grounds to protect ourselves.
- Ashish Kejriwal:** Suppose in the worst case Rs. 150 per ton of ore produced, whatever we have produced that could be there in case if it's in the worst case which I'm trying to look at?
- Sandeep Modi:** Yes, it's an immaterial amount from the point of the Hindustan Zinc's profitability and balance sheet point of view.
- Ashish Kejriwal:** So, again, sir, because this Rs. 142 crore which was imposed that time, that was on a small amount maybe, because it's Rs. 150 per ton of ore produced. And over a year, obviously, we

have produced more than a million-ton ore on a yearly basis. So, in case of retrospective and so my only point is that even after the Supreme Court judgment, do we have something where we can fight legally with the state government that which will not allow us to impose this kind of taxes?

Sandeep Modi:

I think we have to look at first is that we should refrain from the Supreme Court judgment until it is out and I think we have been in touch with the various lawyers and our own peers. It is what we understand Supreme Court is going to take a balanced view and because we have our in the board, government nominee directors as well.

Arun Misra

So, you have to appreciate that we are not the only mining Company, there are larger mining companies including government entities which are also likely to be affected if the judgment was to be effective on a retrospective effect and the numbers would be much much larger compared to the numbers that we can even think of. So, our information is expected that the judgment whatever comes would be more balanced and not to cause complete stoppage of industries across India.

Ashish Kejriwal:

Understood. So, on this only, if it's prospective then also because Rs. 150 per ton, they are imposing it right now also, so going forward also maybe they can continue with that?

Sandeep Modi:

Going forward they can levy anything; it is not in your or my control. So, I think we have to be watchful but at the same time as Mr. Misra said, industry also has to be a competing industry. So, I am sure government or anybody, the state which wants industries to be in their state, they will take a balanced view.

Ashish Kejriwal:

I understand sir but the only thing is 2014 we have seen what happened when Supreme Court de-allocated all the coal blocks and put cess on that, but anyway that's okay. Sir second question is, is it possible to give us a cash and debt balance as a first quarter end I think we missed it in this press release this time.

Sandeep Modi:

So, we have the cash of Rs. 10,885 crores and around Rs. 11,200 crores of debt.

Ashish Kejriwal:

And so lastly, we hedged 90,000 tons for this year. And what will be the averaging price at which we have hedged this?

Sandeep Modi:

So, we hedged at \$2,906 and already 5,500 got unwinded in the month of June. So, the open position as at June end, the hedged price is \$2,910.

Ashish Kejriwal:

And this is for 85,000 tons?

Sandeep Modi:

Yes, absolutely.

Moderator:

Thank you. Next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

- Kirtan Mehta:** I had couple of questions. So, roaster at Debari which we are targeting to sort of start during Q4 FY25, how long would it take to ramp up to the full production rate of 160 kt and how would the contribution to EBITDA will develop over the period?
- Arun Misra:** So, we are looking to prepone the commissioning from Q4 to maybe end of Q3. That is the target so that at least we get one quarter of additional production from that. And as per our calculation, that roaster is likely to add another 45 kilotons per annum of zinc production. If I get one quarter that comes to 15 kt.
- Kirtan Mehta:** And what would be the additional cost of roaster operation?
- Arun Misra:** No, this is roaster like any other roaster. So, the cost structure doesn't change. Additional 15 kt that will come, that will come as a standard cost of production like any other. The rest of the production today we are reporting say 1170 or so, it will remain in that only.
- Sandeep Modi:** Just to supplement Mr. Misra, the 15 kt the metal which he is talking is only the part of FY25. On a full year basis, it has a capacity of 160 ktpa. Of course, we have a cell house which is a bit bottleneck. So, it will be keep on like it's a cat and mouse story. So, when we develop the 160 ktpa, we will debottleneck cell house. We've already given the order to L&T for 22 kt cell house debottlenecking towards to achieve the 1.2 million ton of the metal. At the same time, this roaster is having the best of the technology, which will replace the old roaster of the Debari. So, that will be actually cost efficiency point of view also the beneficial and that's how we plan our \$1000 cost because this has the benefit of having the best of the technology new roaster.
- Kiran Mehta:** Understood sir and the 45 kt zinc production can be delivered in FY26 basically the additional, will we be ramp-up at that rate.
- Arun Misra:** That is the minimum.
- Kiran Mehta:** Right sir. Second was about the fertilizer plant that we are targeting by Q2 FY26, how does it sort of place on the global cost curve with our technology?
- Arun Misra:** See that number as of now we are looking at cost wise, see being the sulphuric acid will be evaluating at a market price only, it will be much cheaper compared to the imported DAP that we import from the rest of the world and it would have a good enough profit margin, it has a payback on the project on equity basis of about 17%-18%. So, which is a good payback to have a good IRR to have on the project.
- Sandeep Modi:** So, I think just to supplement Mr. Misra, so we have two better advantagea, one is the acid and second the rock phosphate which is within the Rajasthan. I think we have two competitive advantage compared to other competitors.

- Kiran Mehta:** Sure sir. And in terms of you also mentioned about the appointment of the global consultant for 2 million ton run rate development of mine. So, what would be the timelines and when would we know about the potential solutions?
- Arun Misra:** The mining consultants are already on ground and working. The plant consultant which is another global consultant for smelter and mills, so they would be reaching Udaipur maybe this week itself and they will start working on the ground. We are expecting by end of August or maybe middle of September, we will get the pre-feasibility report which would tell us that with an ambition of 2 million tons, how much would be the reality and what would be the basic needs for achieving that. And then we will go to board and take sanction for that.
- Moderator:** Thank you. Next question is from the line of Rashi from Citi Group, please go ahead.
- Rashi:** Just a quick question, any change in your FY25 volume target?
- Arun Misra:** FY25 volume target as in the given guidance? No, we are holding the guidance as of now.
- Rashi:** And on the linkage coal materialization versus last year, what is the percentage this year and what was it last year?
- Sandeep Modi:** This year we have a 45% of the linkage coal connection. And the last year it was almost half of it. I just want to give the confidence that it's not only now remain the linkage coal. We have revamped our coal based power plants at two units to consume 100% of domestic coal. So, when I say domestic coal, Coal India coal, not only the linkage coal, we are participating in the various E-auctions which comes for the CPP and that also we are participating. That's how we are reaching the 45% overall domestic coal and reducing our dependency on the import coal. The ultimate objective remain to reduce the power cost in the manner where we produce the power towards getting a \$1000 cost and that's how the RE power will help in the whole year basis where the Serentica Power will be 8% in the total power bucket, 5% already we have our own solar and WHRB and import will be 50%, remaining will be domestic.
- Rashi:** So, just to be clear 45% is domestic coal not linkage, I mean it's linkage plus e-auction right?
- Arun Misra:** Absolutely.
- Rashi:** And you're targeting in percentage terms by maybe in a year's time, how much do you expect this to be the percentage?
- Sandeep Modi:** So, FY25, our focus is to reduce the import, improve the linkage, and over 13% is the RE power. So, you can assume 13% is the RE power, the remaining 50-50 linkage and domestic.
- Rashi:** 13% you said, RE power right versus 8.5%?

- Sandeep Modi:** 13% is the RE power. And remaining 87, you can divide by 2, which will be 42% and 42% around will be domestic and import.
- Rashi:** Yes, so 13% compared to 8.5 currently?
- Sandeep Modi:** Yes.
- Moderator:** Thank you. Next question is from the line of Shweta Dixit from Systematix Group, please go ahead.
- Shweta Dixit:** Sir, could you provide more details on Bamnia Kalan mines commencing operations and what is the expected outlook in terms of volumes from there and when can that potentially come on stream?
- Arun Misra:** So, Bamnia Kalan mine say roughly will have a potential of about 5 million ton of ore. Upgrade will be similar to what RD mine, Rajpura Dariba mine has. And it also switches between anywhere between I think 4.5% to 5.5%. This mine we have just started the ground clearance. We have got the CTO, we have got permission to start the infrastructure activities. Typically, development of decline will take around maybe 1.5 years or so. And then first time we will hit the ore body. It will be about two years from now on, which is we are saying in 2024, somewhere around 2026 August or September, we must see the first mineral coming out.
- Moderator:** Thank you. Next question is from the line of Pallav Agarwal from Antique Stockbroking. Please go ahead.
- Pallav Agarwal:** So, just wanted your views on the recent decline in across non-ferrous metals. So, I think a lot of expectations over there on Chinese stimulus, but we have not really seen any of that coming through. So, do you think prices should stabilize at these levels because given cost curve or there could be some further fall from now?
- Arun Misra:** So, as of now see we had that quarter one beginning was very nice. It was increasing and then we reached up to \$3000 per ton. Although towards the end we had stocks reducing across the world on the metal stock houses that we have, but the prices also started coming down. There was kind of some uncertainty also the expectation of Chinese economy coming back did not happen. The war did not end. Somewhere European slowdown continued. So, those uncertainties are still playing on the metal prices. I don't expect the situation to improve drastically anytime sooner from between now till about December. Hope that by November when the US elections are over and whosoever new government comes may set right a new global agenda. There must be, I'm expecting that there will be a lot of global positiveness as far as infrastructural developments are concerned. And I'm sure by that time Russia-Ukraine war also should have a finality of settlement. If those things happen by December, I'm sure we're going to have a fantastic Quarter 4 going forward.

- Pallav Agarwal:** So, you think any other probably some of the rate cuts also can help in the sentiment towards commodity prices?
- Arun Misra:** Fed rate cut also has to got to do with US's own compulsions on their inflationary trend, although there are two opinions on US that inflation is under control or the necessary items of day-to-day living inflations are higher so that the typical like us, they are also caught between the two. The only thing remains is the next government, if they continue Biden's agenda of infrastructure focus and US economy grows more than 2.5%, Europe comes to around 3%, in that case, the world will be different place in Quarter 4.
- Pallav Agarwal:** So, also I think you mentioned the \$2.7 billion of target EBITDA. So, at what LME assumptions are we factoring that in?
- Arun Misra:** So, we are factoring the consensus of the \$2900 to \$3000 and the silver at \$30 to \$32 per ounce.
- Moderator:** Thank you. Next question is from the line of Shivang Chauhan from Barclays. Please go ahead.
- Shivang Chauhan:** My first question is on the zinc price guidance. So, with the prices that they are now, do we still expect the zinc price to reach 3,000 by September-October, and 3,200 by year end like you previously guided or is there any change in guidance we can take?
- Arun Misra:** No, so to clarify, we never give guidance on price. But always like anybody else, we also like to be more optimistic about future, right? Anybody in business are always optimistic about future. Only the time for that optimism to come to fruition has shifted from December to maybe January to March. Nothing else has changed.
- Shivang Chauhan:** Thank you. My next would be on the general reserve to retain earnings conversion. Have you affected the transfer after the approval?
- Sandeep Modi:** Yes, as you see in our financial reports, we have already affected this thing into our July month because it come after June. So, we got the NCLT approval 16th of July, and we have made the scheme effective. We have got all necessary approvals.
- Shivang Chauhan:** So, just a follow-up on this, if you could provide any colors on the use of these additional balance that you have, maybe towards the end?
- Arun Misra:** Yes, I think as we said earlier, this is an enabling proposal. It provides the- flexibility to the board in case they want to reward the shareholders and it being a board decision to reward the shareholder in form of dividend or anything. I will not be able to comment about the use of this process, any timeline or something.
- Moderator:** Thank you. Next question is from the line of Vikash Singh from Phillip Capital. Please go ahead.

- Vikash Singh:** So, I just wanted to understand, we are already in terms of cost of production, we are already at the higher end of our guidance, and we see that the second half volumes are usually low. Can we expect the exit rate to be lower than even \$1050 which we have guided, or we are expecting some other cost inclusions going forward?
- Arun Misra:** So, I think while we are absolutely confident on living up to the guidance we have given, but like anybody else, everybody tries to outperform their own commitment, right? So, we will surely try that. But as far as guidance is concerned, on which we can develop the model, we can predict the future. We would like to remain committed to the guidance first. Of course, the attempts will be there to beat the guidance. We will see by Quarter 3; we would know better. And if the requirement of correcting the guidance comes, it will come in Quarter 3 only.
- Vikash Singh:** Understood, sir. And silver custom duties have been tweaked sharply in the current budget. How we should look at the silver part in the 2Q going forward? Any inventory adjustment which could negatively impact us going forward or how we should look at the pricing part going forward for the silver especially?
- Sandeep Modi:** So, silver if you are talking for the inventory which is lying in our stock, there is no impact because we don't remain any finished good silver in the books at any month. It's always nil. So, we don't have any impact coming to the financial. Of course, the duty has given the impact, which is a 9% impact that I think in your model you would have already factored.
- Vikash Singh:** Understood. So, no inventory adjustment would be required?
- Sandeep Modi:** No. We keep inventory nil.
- Moderator:** Thank you. Next follow-up question is from the line of Kirtan Mehta from BOB Capital Markets, please go ahead.
- Kirtan Mehta:** Just wanted to touch up based upon a couple of aspects. One is basically we are increasing renewable power in our cost mix. So, what is the difference with our marginal cost of power purchase between the renewable power and whichever is the highest cost of power for us?
- Sandeep Modi:** So, the marginal delta I would not be able to quote, it's not part of standard disclosure but you can assume from the marginal cost of production it's 30% lesser in terms of cost.
- Kirtan Mehta:** Second thing, we also talked about the developing a low carbon zinc offering. And we are targeting probably the international market for this. So, how do we see the global demand for this? And what kind of premium that we can derive for low carbon zinc?
- Arun Misra:** So, this product is primarily designed for our customers who are into galvanizing and export that galvanized steel primarily to European market. So, there the pressure is on them to reduce overall CO₂ emission per ton of galvanized zinc landed in Europe. And there we play a crucial role and that's where our value will be more appreciated by our customer. As far as we are concerned,

the customer would surely appreciate the value in terms of where they to reduce 400 grams equivalent of CO₂ emission in their production of steel, it could have taken them huge amount of CAPEX or even technology import to get that thing done whereas just by galvanization, they are able to get the similar reduction in CO₂ by using our EcoZen. So, the value is clearly perceived and how much of that value will transfer into premium that will happen only when we actually bring the product to market and get into discussions with our customer.

- Kirtan Mehta:** How much quantum we will be able to produce in this market?
- Arun Misra:** As of now, it's about 8.5% of our production. Roughly, it would come to about 60,000 tons in a year. But this number will grow every year.
- Kirtan Mehta:** If RE power consumption, that would be exactly the sort of the...
- Arun Misra:** Absolutely. And it will grow as the RE power percentage grows up. So, this number will keep growing.
- Kirtan Mehta:** Just last one, bookkeeping question, what was the mine development run rate during the quarter and can you indicate between capital and revenue split?
- Sandeep Modi:** So, it was 25 kilometer for the quarter, and you can assume 50%-50% for both capital and revenue.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference to Ms. Kritika Mehta for closing comments.
- Kritika Mehta:** Thank you everyone. With this, we close today's earnings call. For any follow up questions or clarifications on the results, please feel free to reach out to Investor Relations team. Thank you everyone.
- Moderator:** Thank you very much. On behalf of Hindustan Zinc Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.