vedanta
transforming elements

HINDUSTAN ZINC
Zinc & Silver of India

HZL/2021-SECY/

July 25, 2022

BSE Limited
P.J. Towers, Dalal Street,

National Stock Exchange of (India) Ltd.
"Exchange Plaza" Bandra-Kurla Complex,
Mumbai – 400051

Kind Attn: - General Manager,
Dept. of Corporate Services

Kind Attn:- Head - Listing & Corporate Communications

Scrip Code: 500188

Trading Symbol: HINDZINC-EQ

Dear Sir/Madam,

Sub: - Earnings call Transcript for the First Quarter Ended June 30, 2022

This is further to our letters dated July 21, 2022, the Company had hosted an earnings conference call with investors and analyst on Thursday, July 21, 2022 to discuss the financial performance of the Company for the First Quarter Ended June 30, 2022.

Please find attached the transcript of the earnings call. The same is also made available on the Company's website at https://www.hzlindia.com/investors/reports-press-releases/.

Request you to take the information on record.

Thanking you,

Yours faithfully

For Hindustan Zinc Limited

HINDUSTAN ZINC LTD. UDAIPUR

(R Pandwal)
Company Secretary
Encl: as above.

"Hindustan Zinc Limited Q1 FY-23 Earnings Conference Call"

July 21, 2022

MANAGEMENT: **MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER, HINDUSTAN ZINC LIMITED**
MR. SANDEEP MODI – INTERIM CHIEF FINANCIAL OFFICER, HINDUSTAN ZINC LIMITED
MS. SHWETA ARORA – HEAD-INVESTOR RELATIONS, HINDUSTAN ZINC LIMITED

Sensitivity: Public (C4)

Moderator: Ladies and gentlemen, good day and welcome to the Hindustan Zinc Limited Q1 FY23 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note, that this conference is being recorded. I now hand the conference over to Ms. Shweta Arora, Head of Investor Relations. Thank you and over to you, ma'am.

Shweta Arora: Thank you. Good afternoon everyone. I welcome you all to Hindustan Zinc's first quarter ended FY23 results briefing.

Today on the call, we have with us our CEO Mr. Arun Misra, and our Deputy and Interim CFO, Mr. Sandeep Modi. Mr. Misra will begin with an update on business performance while Mr. Modi will walk you through financial performance, after which we will open the floor for questions. I now request Mr. Misra to begin today's call. Over to you, Mr. Misra.

Arun Misra: Thank you, Shweta. Good afternoon, everyone. Thank you for joining us today for the first quarter of FY23 results briefing. Before I begin today's results presentation, I regret to inform you all that we have lost one of our business partner colleague in an unfortunate accident that has happened at our Zawar mines on 12 April 2022.

I would like to offer my deepest condolences to the bereaved family and friends of the deceased. We commit to standby the family in this hour of distress, and in-depth independent investigation is conducted on the incident and the learnings have been reviewed and are being implemented across all our operating assets.

We have also continued our proactive safety and health initiatives during the quarter. Some of the major ones included blasting point standardization, identification and automation of high risk manual activities, zone specific zero fatality plans and safety guidelines against truck toppling. We also initiated cardiac evaluation program covering 12,000 employees so far.

At Hindustan Zinc, it is our sincere belief that people are our most valued asset and we nurture them with our best in class people practices. This is also reflected in external recognitions that we received and on this account I am to share that Hindustan Zinc has been certified as a great place to work for fourth year in a row.

Coming to an update on the ESG front.

In line with our commitment to net zero by 2050, Hindustan Zinc has deployed India's first battery electric vehicle in an underground mine at Zawar location under our engagement with the International Union for Conservation of Nature, IUCN, we have reframed Hindustan Zinc's biodiversity policy and prepared an integrated biodiversity assessment tool, IBAT report for all

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our Rajasthan locations identifying the presence of critical habitats and spaces, if any, within the core and buffer zones.

Hindustan Zinc has also initiated work for the installation of a 4,000 kiloliter per day zero liquid discharge plant at Zawar mines. I am also elated to inform you that Hindustan Zinc's Dariba smelting complex and zinc smelter Debari have both received the GreenCo rating of gold and silver respectively at the fifth edition of the 7R's Conference.

Moreover, our risk management system is certified as per ISO 31000:2018 version. All of these collectively play a very important role when it comes to making progress on ESG front.

A quick update on our on-ground CSR activities.

Our CSR team has played an excellent balancing act on managing the ongoing long term core initiatives along with health and COVID related support during these trying times.

The team has continued their well-rounded efforts towards education, sustainable livelihood via skill development, and the establishment of a self-reliant financial ecosystem for the communities, women empowerment, health, and sports.

I am happy to inform that our Khushi Anganwadi Nandghar Program was recognized and awarded in the sixth CSR Health Impact Awards 2022, under the category CSR Health Campaign for its remarkable work in the field of improving health status among the children below 6 years of age and women.

Turning to an update on market.

On the global supply side equation, the widening spread in prices reflects the erosion of LME stocks, which seems set to fall to unprecedentedly low levels. At the end of May, LME stocks stood at 84 KT, of which 38,000 tons were cancelled. By the end of June, the headline stock figure was little changed at 81,000 tons, but cancelled warrants had risen to 63,000 tons, leaving just 18,000 tons of live LME zinc stocks. The zinc market witnessed backwardation during the quarter.

On demand side, with rising interest rates and inflationary pressure globally, consumers and business spending has started to decline, threatening to undermine zinc demand in the times to come. S&P Global Eurozone Construction PMI for May 2022 fell to 49.2 from 50.4 in April, on account of higher input prices and supply chain constraints, which affected output as well as demand.

All three segments, that is housing activity, commercial activity, and civil engineering witnessed a decline. However, with substantial backlog of work for manufacturers in many parts of the world help zinc demand to stay robust year to date with the impact of the continued distribution

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of European Union's €2 trillion stimulus package, zinc demand is expected to remain strong in the foreseeable future.

Touching briefly on lead, after the volatility seen in the month of March, quarter one started as flat and relatively uneventful. In June we saw prices tumbled by 11% from the start of the month to finish at $1,907 per tonne for the London Metal Exchange.

The key driver for this drop in value was the strengthening of the US dollar, supported by global interest rates, renewed Coronavirus outbreaks, and the deepening crisis from the Russian war on Ukraine and the resulting overall pessimism for the base metal's demand. Lead was still the best performing among all the key LME base metals.

Coming to silver, with increasing focus on renewable sources of energy, demand for photovoltaic cells, which are used in solar panels, is expected to grow. Silver being the key component for the same, should experience demand tailwinds thus supporting prices in the medium term.

Talking about domestic market, India's industrial growth IIP index jumped 7.1% in April 2022 as compared to 2.2% in March. The rise in IIP index of 7.1% is the highest in eight months, mainly led by good growth in power and mining sectors, which grew by 11.8% and 7.8%, respectively. Manufacturing sector recorded a growth of 6.3% in the first month of the current financial year.

Coming to an update on operational performance.

Hindustan Zinc delivered best ever first quarter mine metal, refined metal, and silver production. Here, I would also like to bring your attention to the seasonality of first quarter, which is traditionally viewed as a subdued one. With our learnings through the years, we have made certain structural changes to neutralize this seasonality effects and are confident to deliver uniformly on volumes throughout the year.

With current run rate for both mines metals and refined metal hovering above 1 million tonnes per annum, we are confident to deliver on our promised volume guidance for FY23 and would like to keep it unchanged.

Coming to some of the key updates.

I am elated to inform you that our board has approved the setting up of the fertilizer plant. Also we have received an approval for setting up of an additional roaster. These synergistic projects along the value chain will further aid to deliver value for all our stakeholders.

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

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Sandeep Modi: Thank you, Mr. Misra, and good afternoon, everyone. It was another record quarter where we touched significant milestones and continued positive momentum of our financial performance. We delivered historic high quarterly revenue, EBITDA, and net profit.

This winning streak is supported by our proactiveness to cash-in the favorable LME environment by embarking on strategic hedging from last quarter as well as ongoing operational efficiency initiatives, volume delivery, and cost rationalization. All of this has helped us to protect our margins and wrestle with input commodity inflation.

Being in the first quarter cost curve, our margins are resilient owing to their positive correlation with LME prices, thus creating a favorable trade off for us in the inflationary environment.

Quick update on financial performance for the first quarter ended June '22.

Revenue from operation during the quarter was at record Rs. 9,387 crores, an increase of 44% YoY led by higher zinc volume, and zinc LME prices, gains from strategic hedging as well as favorable exchange rates which were partly offset by lower silver prices. Zinc LME prices and zinc metal sales increased by 34% and 10% respectively as compared to last year.

Sequentially, revenue was 7% up, primarily driven by higher zinc prices and lead and silver volume. Gains from strategic hedging partly offset by lower zinc volume and lower lead and silver prices. Lead and silver sales volume were sequentially up 9% and 10% respectively.

Zinc cost of production before royalty during the quarter was $1,264 per metric tonne, higher by 18% YoY and 11% sequentially. It was up 23% YoY and 14% sequentially in INR terms. The COP has been adversely affected on account of higher coal prices, input commodity inflations, lower domestic coal, that is the linkage coal from Coal India availability, partially offset by higher volume, better sulfuric acid realization, and improved recovery.

EBITDA for the quarter was a record Rs. 5,278 crores, up 48% from a year ago, primarily on account of higher zinc LME and volumes, and was up 5% sequentially on account of LME and lead and silver volume, while being partly offset by the higher cost.

Effective tax rate for the quarter was approximately 33.8% marginally higher from last quarter on quarter-on-quarter basis.

Consolidated net profit for the quarter was Rs. 3,092 crores, up from 56% YoY and 6% sequentially on account of favorable LME, while being partly offset by the rising input commodity prices.

I am also happy to state on record that last week the board had approved an interim dividend of Rs. 21 per share, which is 1050% basis face value of Rs. 2 per share and amounts to Rs. 8,873

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crores. The record date for the same is today. This reinforces our commitment to our stated dividend policy as well as superior shareholder return.

Coming to our cost and CAPEX guidance for the fiscal year '23, we keep both our costs and CAPEX guidance intact. As I mentioned in the last few quarters that we are facing an upward pressure on input commodity prices, I would like to reiterate that we will continue to closely monitor the situation this quarter and we will take all necessary steps to address it.

With this, I open the floor for your questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question is from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: My first question was with respect to the hedges, strategy hedging that the company has done. It is mentioned that you have sold forwards of 21% of expected production for FY23, including what was sold in Q4 FY22. So if we look forward from Q2 onwards, could you just let us know how much sales has been hedged and at what price?

Sandeep Modi: So till last quarter we hedged 15% and cumulatively is 21% and 15% was also for the full year '23 and now only 6% we hedged during Q1 and the total price at which average price was $4,100 per ton.

Abhiram Iyer: So going forward, there is no hedge, right, because you have completed the entire 21%?

Sandeep Modi: So we remain opportunistic and we will see, wait and watch and accordingly take the decision.

Abhiram Iyer: And could you also just let us know any update on the government stake sale that is proceeding? Is there any update from the company's perspective or from where this is going and what essentially might be the outcome here?

Arun Misra: Arun Misra here. As you know, after the Supreme Court decision, it is government's internal working has to be completed before they declare the stake sale. And I think the procedures how this will be done, what would be the tranche quantity that will be put out in the market for disinvestment. All those rules are being worked out and that is our update that we have. Once that is done, I am sure government will go ahead and do it.

Abhiram Iyer: And just one last question. You mentioned that, the project CAPEX is around $125 million to $150 million. What will be the sort of total capital expenditure that is incurred? Any kind of any other new project or any maintenance CAPEX, what will be the total figure?

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Sandeep Modi: So, maintenance CAPEX, there is no change in the guidance which we have given earlier, and with these two new projects announced, we still maintain the same guidance for the project CAPEX between $125 million to $150 million.

Abhiram Iyer: And what is the maintenance CAPEX amount, sir, if I may request it?

Sandeep Modi: The maintenance CAPEX amount remains between $350 million to $400 million.

Abhiram Iyer: Got it, sir. Thank you very much.

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

Amit Dixit: I have couple of questions. The first one is on the coal cost and the sourcing mix during this quarter. If you could throw light on the mix of exports, the linkage materialization, and how is the cost and sourcing expected to evolve over next quarter? That is the first question.

Sandeep Modi: So Amit, thanks for the question. The coal cost as you see our sourcing markets are largely Australian and Indonesian and Australian indexes in Newcastle has increased significantly. Still, we have been able to hold our cost within the range bound and the coal index if you see compare YoY, it has increased to 250% and if you see our costs has increase YoY around 20%.

So, we continue to do the various alternate fuels innovation and the operational efficiency to control the cost. And as I say in my opening, we continue to maintain the same guidance for the full year and we will remain watchful and take the all the necessary action to contain the cost and meet the guidance.

Amit Dixit: Okay. The second question is essentially on our production guidance. Now a little bit intrigued on the guidance because you mentioned that you have made some structural changes and that is why the performance in Q1 was what it is. And we are also expecting fumer commissioning, then followed by there would be Rajpura Dariba mills also coming up.

So, are not being little bit conservative about our guidance, because even if I **(Inaudible 17:37)** quarters, it could be a little higher or at the higher end of what you have projected. So can this guidance be surpassed during the FY22?

Arun Misra: So Amit, let me explain. Last year we crossed 1 million ton in mined metal production, whereas on the finished goods we are still about 970,000 tons. So that means that we lost the race somewhere in the first quarter itself. And normally what happens is first quarter is generally subdued, marked by more of shutdowns and maintenances and things like that.

Those are the structural changes in maintenance practice I was referring to when we see this time, first quarter is almost at par with quarter 4. If you recall your last year first quarter call,

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always we would hear how come sequentially we are down on production despite sequentially we have held the production which is at the quarter 4 which is the highest ever.

That gives us confidence that last year we did mined metal more than 1 million ton but finished goods less than 1 million tons. This is the year where our finished goods will also cross 1 million ton mark. So, that is why we are hopeful on that. We are absolutely clear that the guidance given we will live up to it.

Moderator: Thank you. We will take our next question from the line of Vishal Chandak from Motilal Oswal Financial Services. Please go ahead.

Vishal Chandak: So my first question was with regard to your production with projects. So what is the due date for the fertilizer plant and the roaster?

Arun Misra: So fertilizer plant and roaster both have been approved today. So from date of placement of order anywhere between 18 to 24 months. So since we are sitting in 2022 in first quarter end, I would expect anywhere in 2024 quarter 2 or early quarter 3 this should be brought to inline operation.

Vishal Chandak: And for the roaster?

Arun Misra: Both. Both same time.

Vishal Chandak: Are you still sufficient on the captive power for the expansion beyond 1.2 million tons or beyond 1.2 million tons you would be looking at some power expansion also because I understand till 1.2 million tons we would be captive for the power front?

Arun Misra: So, we currently have about more than 500-megawatt of internal captive power plant, and as you know, on the ESG front, we are tying up with renewable power of about 200 megawatts, which should come in line from 2024.

So, if that comes in line, 200 megawatts of our captive power will be surplus and available with us. So, I do not see any threat of not having captive power going forward. In fact, even after 2024, we will increase the renewable power from 200 megawatts to 450 or 500 megawatts. So power is no challenge as far as our expansions are concerned.

Vishal Chandak: Just a follow up on this power cost. The power you mentioned on the renewable side, what would be the expected power cost over here compared to our existing power?

Arun Misra: As of now, it is cheaper than our own thermal coal-based production power. Best part of it is, it will be unchanged over 25 years' time.

Vishal Chandak: There is a long term PPA that we are looking at?

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Arun Misra: Long term PPA, correct.

Vishal Chandak: Without any escalation, or that would be with some escalations?

Arun Misra: Without any escalation as of now.

Vishal Chandak: So, could you please help us with the power cost number in this case, sir?

Arun Misra: Power cost number?

Vishal Chandak: On the renewable front, what will be the power cost going forward?

Arun Misra: As of now, unless the commercial agreements are final, it will not be proper for me to go public with those numbers.

Moderator: Thank you. Our next question is from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla: Couple of questions. Firstly, on the fertilizer plant and the roaster, can you quantify what total CAPEX we will be incurring and over what time period?

Arun Misra: So CAPEX, if we see overall between fertilizer and roaster together anywhere between Rs. 2,000 crores to Rs. 2,200 crores somewhere in between, we should be able to manage.

Anuj Singla: And like you said, it is 18 to 24 months, so this will be this year primarily, FY23 and maybe first half of FY24, right?

Arun Misra: So right now, so we have got approval now. I mean next six months will be design, negotiation, all that will happen.

Maybe payouts will start from quarter four of this financial year and then go through the entire financial year of next financial year.

Anuj Singla: Secondly, on the coal side, can you quantify what kind of materialization of the coal linkage we had in this quarter and a follow up to that is, we are calling out for a significant decline in the cost of production in the second-half, given that the global coal prices are still very sticky. What are the key drivers there?

Sandeep Modi: So Anuj, Sandeep here. Thanks for asking the question. For the linkage coal materialization, this quarter has been bit better than quarter four with the quarter four was around 3% and in this quarter, we have got around 8% linkage coal consumption. So, situation seems to be improving. We have almost 1-million-ton backlog allocated coal. However, this materialization had to happen, and we also have a tranche 5, 0.7 million tons FSA already signed up with Coal India.

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So almost it gives the confidence that bearing this monsoon season they should improve the production and supply to us in the H2. You are very much right. It should have a significant reduction in the cost on account of the linkage coal materialization.

Anuj Singla: So just to clarify, sir, the guidance we have given that includes an improved materialization of linkage from coal India for these two for us to achieve this guidance. Is that the right understanding?

Sandeep Modi: Of course.

Anuj Singla: And lastly, sir, on terms of the hedging we have done, so 21% is for the full year and I think it is not uniform all across quarters. Can you probably hand hold us in what kind of this is already consumed in one Q and what is a pending for the next nine months, and how should we be looking at the quarter per se?

Sandeep Modi: So, Anuj, it is the front ended, so from the hedging point of view, out of this 21% around 10%, 11% has already been consumed and the remaining will be in the next quarter.

Moderator: Thank you. Our next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Just going back to the fertilizer and roaster plant. Would you indicate sort of the capacities that you are finally planning? What would be sort of the cost advantage that you have with the in-house sulfuric acid that is created? What kind of return you are targeting?

Arun Misra: So, on the fertilizer side, we are taking the first phase of 5 lakh tons. Although we are blue printed on 1-million-ton capacity but we will be putting up 5 lakh tons to begin with because we will have a new entry set-up the new business and it is a different business altogether. Also, we would execute this project through a subsidiary so that right focus is there on this kind of a business with the right set of people and the organization, selling fertilizer is a different ball game altogether. So that organization would have a different culture than metal culture that we have in Hindustan Zinc.

If you look at project cost wise, as I have said between the two projects, anywhere between 2,000 to 2,200 kind of gross kind of a number, and if we look at fertilizer separately, anywhere between 1,300 to 1,400 kind of a number we will finally arrive at for spending in that fertilizer project over 24 months. Return on investment, if you look at it, it does qualify for our capital allocation policy.

And we have just got the approval. We are still will work on the CAPEX. And this, strategically is most important for us because as we cross, we have crossed 1 million ton as we start making 1.2 million tons FG, then so much of acid from the roaster.

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We are putting up one more roaster so all that acid and continuing to run the business under the pressure of acid evacuation does not leave us much of a headroom to get the best value for the acid that we produce.

Although right now we do have a better value than years before, but going forward to ensure that the best value that we get and to keep the operation sustainable is to convert it into a usable product like fertilizer which will be consumed mostly between the regions of Rajasthan, UP, Western MP, and Haryana where most of the fertilizers of DAP today are imported and are not made locally and this will be also a first land based fertilizer plant producing DAP with local rock phosphate of Rajasthan and selling the fertilizer to this zone also gives us a good branding for better use of a hazardous chemical that gets produced as a part of roaster process, which is sulfuric acid.

Kirtan Mehta: Thank you for the detailed explanation. One more question if I may. In terms of the current cost of production is higher than 11, the guidance of the $1,125 to $1,175. So, to come back to the annual run rate, what are the drivers that you are envisaging which will help you come sort of near to your annual guidance?

Arun Misra: So, it is, I would rather see it is not one driver you have to work across the entire value chain that causes cost. So, there are operational efficiencies in mining, so that means how to reduce equipment cost, how to increase productivity, how to increase utilization of machines, how to rationalize deployment of machines in the underground.

So, we have got some internal team which is working day in and day out with the operating teams to find out to generate more and more ideas to cut. On the mining side, I would look at one grade control that produced to the design grade with least dilution, maximize recovery. We have already implemented automated process control in Agucha Mill. We are currently implementation in Zawar Mill and SK Mill. So, all that mills will have automated digital process control.

We intend to add and improve recovery by 1.5% to 2% through the processes that would cut costs, and of course in the smelting major cost being coal, the idea would be that how do we optimize between various price values of coal that we buy. Currently we do have some high-cost coal position on the coal that we buy going forward.

We have already started consuming biomass as a replacement of coal as a fuel and we have increased the percentage from 3% to currently about 5% and we want to increase it to 10%. So, increase the biomass portion which gives us a cost advantage and also, we are looking at the initiatives which are power consuming initiatives. But we implemented because of high ambient temperature in the summer months would not be needed going forward. So, things like chiller for underground mines, additional ventilation capacities we have to commission. So, things like

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that would be on our positive sides and would reduce the power consumption in the mines going forward.

Kiran Mehta: Can I take the opportunity to ask one more question, particularly on the value-added projects. You have launched one 30 KT value addition project. Apart from that, which are the ones on the planning board that we could see sort of getting finalized over the next couple of years?

Arun Misra: You are talking about value added products?

Kiran Mehta: Yes.

Arun Misra: Okay. So traditionally we have been selling value added products between varying percentages over the years. The change we have brought in now that we are highly focused on first creating our operational capability to produce the value-added product of the right quality sustainably over the long run.

So, if you look at the current number of HZDA-3, which we have started producing by investing in the production process by putting up new transformer and new handling facilities so that the chemistry remains intact and repeatable across all production numbers. About 1,000 tons per month, we have achieved the capacity and we have already started selling that. So roughly about 15% of our product today is value added product, including Jumbo, CCG, and HZDA.

Our plan is to take this number to about 20% to 25% value added product. We have already opened a subsidiary company which specializes in producing value added product in the alloy product and that company is currently under the manufacturing facilities under construction.

Once that company comes in line, we will have more value-added products. Goal is to go from 15% to about 20%, 25% so that we are known in the market not only for good quality SHG also for good quality alloy product which allows us to get better premiums in the domestic market.

Kiran Mehta: And could you also quantify the premium that you are currently earning on this 15% value added product? And how much could it expand when you actually reach out to 20%, 25% after completion of project? And also, in terms of the sort of net of operating cost, how much EBITDA could it add per ton?

Sandeep Modi: So, in my view, I think that Mr. Misra have said, we have to look at how do we see the more value addition into this so that we are immune to the LME. So, I think that is more visible from the point of view of the value addition of the product and secondly, we will be this value addition product, it will also reduce our SHG export.

So, you can compare the duty factor, whatever we will get on the value-added product. That will be the direct benefit to Hindustan Zinc.

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Moderator: Thank you. We will take our next question from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Sir, on Gujarat smelter you have any update and also secondly, we are seeing a very sharp surge in TCRC prices across the world especially in Europe. So, what kind of opportunity you think we can tap on to that?

Arun Misra: So currently if you ask me, we are, unless the Gujarat smelter public hearing and things happen so we are not very active on that front. We are concentrating on increasing our production from the current assets and first goal remaining that we cross 1-million-ton mark in FG this year. Whenever that opportunity arises in Gujarat in the Doswada smelter with the public hearing happening, then we will redesign and rethink that project based on the current realities of that day.

Rahul Jain: And sir, on the situation that we are seeing now with TCRC premiums rising number. What is your take on that? How would you? Is there any way we can capitalize on that?

Arun Misra: That is what I said that whenever we think of restarting that project it will be based on the current realities of that day because it will be standalone smelter. So TCRC will be an important aspect of that. As I have said, our case is concerned, current operations it does not apply to us, we are an integrated producer. So, we are not affected much by the TCRC movements.

Moderator: Thank you. We will take our next question from the line of Pallav Agarwal from Antique Stock. Please go ahead.

Pallav Agarwal: Sir, I had a question on inventory is declining so sharply, so why are we still seeing a very sharp fall in zinc prices? And at what levels do you see some support from the global cost curve? So, in the case of aluminium, we have probably seen more stable pricing of late because the cost of production is now pretty close to the marginal cost of smelters. So, what level of zinc prices do you think you will start seeing some support from a global cost curve?

Arun Misra: So, if I tell you I have been saying this for long that for us and for almost all smelters, very stable operations can be achieved anywhere between \$3,000 to \$3,200 per ton of the price of LME of zinc. If I have to put a red line somewhere around \$2,200 to \$2,300 would be a red line when all of us will be in trouble as far as continuing our operation, rather cutback high cost operations or continues only with the high-grade mining and high-grade operations.

So, we are much above those red lines as of now, and we have further work on our cost that we have currently and if we are able to cut down our costs to our guidance numbers, we will be fare much better off.

Pallav Agarwal: Also, really just help us with the demand in China and the level of exports. So, because that has been sort of a concern for the whole metals pack?

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Arun Misra: So, current world order, all the movement of goods or the economic growth, or lack of it across the geographies, for last about three to four, three years or so, post COVID and also various geopolitical events that have been happening, it is very difficult to predict, even if China demand started firming up then again, resurgence of Covid came.

Again, the lockdown started. Again, as of now, we are hearing that the zero COVID policy, they would be relooking at it and hence the sudden tightening on the society that we saw in Shanghai recently perhaps will not be repeated. But I think those are the speculation which I would not like to get into. Russia, Ukraine war, the pressure on gas, global warming has been sudden heat waves in Europe, need for air conditioning in Europe in summer of India.

Traditionally, summer of India was winter or cold weather in Europe. People would like were going for travel nowadays that has also become summer in Europe. So, all these have very difficult to connect the dots and say what would happen going forward six months. But I firmly believe that the post COVID era world is going through a transition phase. It would settle down in about 6 months to 12 months' time.

Pressure on coal cost will remain in the sense that there would be pressure on coal producers to go out of coal production because of the pressure on ESG or commitment to net zero so that supply side shrinkage will keep on adding more cost.

So as a smelter operator, we have to move out of coal-based power and go to renewable power. That would be the strategic solution to control the input cost. If I look at demand side, we are not dependent on the demand of China. However, the LME prices do fluctuate based on the stock levels and the demand in China.

Our export market of Southeast Asia has a robust demand as of now. Going forward very difficult to predict. But as far as all the reports that we read, it will be fair to expect 1% to 1.5% growth across the globe as far as zinc demand is concerned, which may be slightly subdued compared to 2.5% that was predicted sometime back.

Moderator: Thank you. Our next question is from the line of Shreyans Daga from Barclays. Please go ahead.

Shreyans Daga: My question is on the cash and investment side. So, Hindustan Zinc has reported Rs. 242 billion of investments and cash equivalents as of June '22. So, could you give us some breakdown as to how much is liquid cash and how much is illiquid instruments?

Sandeep Modi: So Shreyans, I think the break up I think is quite sensitive. What I can say, we continue to invest in the high-quality debt instruments and that has been our philosophy and it is a mix of both liquid and the long-term instruments.

Shreyans Daga: And after the dividend announcement that figure would be around Rs. 88 billion down, right?

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Arun Misra: Yes, so as of now after the dividend it is around Rs. 15,000 crores.

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

Pinakin Parekh: Maybe this question once was answered earlier but just would like to understand the hedging strategy. So at what zinc price would the company be open to start hedging again? Because as you mentioned, most of the hedges would get consumed in the next quarter?

Sandeep Modi: So Pinakin, thanks for the question. I think it is a quite dynamic situation. It will also depend upon what cost levels we are, so I have to say $1,000 of the cost levels somebody may be lucrative for $3,500 and the $1,300 level somebody would be lucrative of $4,000. So we will have to continue to wait and watch. There cannot be anything at this point of time I think we can indicate at. That is the price level, but it will be a dynamic situation.

Pinakin Parekh: So, it is fair to say that you would not be hedging at $3,000 zinc price?

Arun Misra: What I can say that we will continue to wait and watch $3000 or over $3,500. We will have to see how the market dynamics going on and what the report suggests and how the LME inventories and other situations are there.

Moderator: Thank you. Our next question is from the line of Vishal Chandak from Motilal Oswal Financial Services. Please go ahead.

Vishal Chandak: My question was again with respect to your guidance on cost of production. You mentioned that you would like to continue with the guidance that you have given in the last year of $1,125 to $1,175 per ton, right? Prudent cost came at $164 per ton. And if I do a simple math, what we are implying is for rest of the nine months our cost of production would be about 14% to 15% lower versus what Q1 is.

And you also mentioned that the coal prices are still not trending downwards, so if you could just help me reconcile, how are we planning to achieve a 15% reduction in cost when coal prices do not seem to be moving down anytime soon? Are we expecting significant addition from FSA coal or there is something else that we have missed out?

Sandeep Modi: So, what I will say on the cost part, I would refrain from shooting in the dark and take any call today, as if we prudent to wait it out until the next quarter for the LME cost to play out. Yes, you are right. Despite the increase, if you see I give you some data point. During the YoY, the cost has increased on the coal, has increased by almost 200%, whereas our total cost increased by 20% and power component is seen is jumped to 26%.

This is despite the lower linkage domestic coal availability. And as I said earlier, there has been improvement in the linkage coal supply and we have been meeting the Coal India and various

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coal subsidiary companies to expedite the materialization and there is a meagre number in the Q4 today, we are roughly at 7%, 8% linkage and given the backlog from the Coal India over 1 million tons and Tranche 5 FSA 0.7 as I stated earlier, is yet to start for us. We hope, because it is a viable option, materialization has already started for the companies which are nearby the coal mines. But for the far away factories like us, it is yet to start.

We hope this to benefit us in the coming quarters of the year. So overall, if I keep this all factors into consideration, I will choose to remain optimistic on the cost front.

Some of the internal factors, which will help us as Mr. Misra already said in detail, power related volatility in keeping tight control on the cost through all levers, with such reduction in admin fixed costs, increasing the alternate fuel, sourcing of the low-cost parcel of coal, apart from the operational efficiency will actually help us to in the cost reduction.

Vishal Chandak: So just to add onto this, are we also sourcing some thermal coal from Russia to bring down our costs?

Sandeep Modi: So our major source of the coal is coming from the Indonesia and Australia.

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

Amit Dixit: I have two data keeping questions. The first one is on grade of material. What was the grade in this quarter and the second question is on capital mine development and revenue mine development in this quarter?

Sandeep Modi: This quarter grade of the metal was around 7%, 6.91%. And capital mine development was 14 kilometers.

Amit Dixit: And revenue was?

Sandeep Modi: Revenue was almost equal to 14 kilometers. So, it is a 50:50% we have seen.

Moderator: Thank you. We will take our last question from the line of Ashish Kejriwal from Centrum Broking. Please go ahead.

Ashish Kejriwal: So, this is on sulfuric acid. Is it possible to share what was the realization in sulfuric acid this quarter? And how it has been panning out for last two or three quarters and outlook on that?

Arun Misra: Sulfuric acid, our mode of sales have been apart from few long term customer agreements, mostly through auction and whatever is the best realized. I can give you a trend that our realization through auction this quarter has been better, but lately we are seeing a cooling off in the sulfuric acid prices as well, so I would restrict at that.

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Ashish Kejriwal: Sir, is it possible to share what is the average realization for this quarter?

Arun Misra: Since it is not my primary product, so I would rather not be able to say what was the exact number, but I can give you a trend that realization this quarter has been better than first quarter and that has helped us to negate part of the rise in costs because of input commodities.

Ashish Kejriwal: Then secondly, we were contemplating to acquiring zinc assets in overseas market, so any update on the same?

Arun Misra: It remains in our strategic map and whenever the situation matures and we do get all regulatory approval that is required, we will come back to it.

Ashish Kejriwal: So sir, what kind of situation actually? If you can elaborate what kind of situation, we require to get into it or what kind of regulatory approvals are required?

Arun Misra: So, we had discussed in few last calls that among the target is also our own group Zinc International, which is in South Africa. So, whether that makes the best sense for us to acquire and Hindustan Zinc to grow in that region, but that would require permission from government and all that. So once that happens then we will come to it, and we can discuss.

Moderator: Thank you. I would now like to hand the conference back to Ms. Shweta Arora for closing comments. Over to you, ma'am.

Shweta Arora: Thank you all for joining us on the call today. Before we close today's call, I am happy to share that we are progressing well on our journey of mapping global best reporting practices and holistic disclosure. And towards this end, I wanted to update you all that we have published our third integrated annual report for the financial year 2021-22. From this year we've also voluntarily embarked on reporting further business responsibility and sustainability reporting, the BRSI framework that was launched by SEBI in May 2021.

We look forward to your valuable feedback on the report and also fifth tax transparency report is now available on our website. So with this, I would close today's call. For any follow up questions or clarifications, please feel free to reach out to the investor relations team. Thank you.

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

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