

HZL/2022-SECY/

October 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 Second Quarter and Half Year Ended September 30, 2022

This is further to our letters dated October 21, 2022, the Company had hosted an earnings conference call with investors and analyst on Friday, October 21, 2022 to discuss the financial performance of the Company for the Second Quarter and Half Year Ended September 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.hzindia.com/investors/reports-press-releases/>.

Request you to take the information on record.

Thanking you,

Yours faithfully

For Hindustan Zinc Limited

(R Pandwal)
Company Secretary
Encl: as above.

Hindustan Zinc Limited

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“Hindustan Zinc Limited Q2 & H1 FY2023 Earnings Conference Call”

October 21, 2022



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

Moderator: Ladies and gentlemen, good day and welcome to Q2 and H1 FY2023 Earnings Conference Call of Hindustan Zinc Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Arora, Head of Investor Relations. Thank you and over to you, Madam!

Shweta Arora: Good afternoon everyone. I welcome each of you to Hindustan Zinc Q2 and Half Year ended FY2023 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 throw light on our business performance while Mr. Modi will walk you through financial performance after which we will open the floor for questions. As many of you requested this time to have an early call owing to multiple results and Diwali weekend, we are starting 15 minutes earlier than usual schedule and we will also try to wrap up in the next 45 minutes. Also, I would like to request you all to please open both the press release and the presentation for quick reference during the session. I now request Mr. Misra to begin today’s call. Over to you Sir!

Arun Misra: Thank you, Shweta. Good afternoon and a Very Happy Diwali to everyone. Thank you for joining us today for the Q2 and Half Year FY2023 result briefing. Before I begin today’s results presentation, I regret to inform you all that we had an extremely unfortunate incident at Chanderiya on 12 August, 2022 where there was a sudden rupture and subsequent breakdown of an acid storage tank. This incident which led to acid gushing out of the tank cost us 6 valuable lives including our own employees and business partner and colleagues who were standing in the vicinity. I would like to offer my deepest condolences to the bereaved family and friends of the deceased. We commit to stand by the families in this hour of distress. In-depth investigation has been carried out and the findings have been reviewed and we will be implementing all the findings across all operating assets. We have also continued our proactive safety and health initiatives during the quarter.

At Hindustan Zinc, it is our sincere belief that people are our most valued asset and we nurture our talent with best-in-class people practices. This is also reflected in external recognitions that we receive, and on this count, I am happy to share that Hindustan Zinc has won the Prestigious People First HR Excellence Award for leading practices in diversity and inclusion initiatives and talent management. After being recognized as Great Place to Work we are now also recognized as Happiest Workplace in light of our best-in-class people practices.

An update on the ESG front, in line with our commitment to net-zero by 2050 we have entered a power delivery agreement with Serentica Renewables India 4 Private Limited. PDA is signed for renewable power aggregating up to 200 megawatt and under the group captive scheme, Rs.105 Crores has been invested in the Q2. I am also happy to inform that our Pantnagar plant in Uttarakhand is sourcing 100% of its power requirement from renewable hydropower now. This makes Pantnagar the first unit of Vedanta which is using 100% green power. This is only a first step towards many more milestones in our ESG journey and commitment to net zero.

I am also delighted to inform you that Hindustan Zinc was awarded at the third edition of the CII Climate Action Program 2.0 under the oriented category. In addition, our smelters were also awarded at GreenCo Summit 2022. Dariba Smelting Complex and Chanderiya Lead Zinc Smelter received Gold rating while the Debari Zinc Smelter bagged Silver. All of these collectively play an important role when it comes to marching ahead in our ESG journey. You may also look at slide 8 to 11 in the presentation for further details.

Coming to an update on our own ground CSR activities, our CSR team continues to make a positive impact across array of fields and are delivering on initiatives and activities across the areas of education, sustainable livelihood, woman empowerment, health, water, community asset creation, sports and culture, and volunteering through their whole rounded and on-ground efforts. It gives me immense pride to inform that Hindustan Zinc has been felicitated with seven awards at the 26th Bhamashah Awards for our initiatives and projects in the education sector. These awards are recognition of our continued commitment towards education. In the last three years around Rs.50 Crores were spent by the units of Hindustan Zinc in Rajasthan towards education related initiatives benefiting more than 2 lakh children every year. I would also like to share that Sahil Poonia, our star goalkeeper at the Zinc Football Academy has been inducted into India under 17 team and has won the best goalkeeper award and championship on his debut at the SAFF under 17 tournament held in Colombo. The key highlights of our CSR initiative is also covered on slide 12 of the presentation.

Quickly an update on the market, supply and demand forces remain largely in balance however macro uncertainty has put LME under pressure. On the supply side rising energy prices across Europe has brought news of smelters being put into care and maintenance leading to concerns around the supply of metal. At the end of September LME stocks stood at 54,000 tonnes as compared to 140,000 tonnes at the start of April 2022 whereas stocks in Shanghai warehouse stood at the end of September stood at 38,000 tonnes as compared to 176,000 tonnes at the start of April 2022.

On demand side, global uncertainties are casting dark clouds on metal demand with rising interest rates, energy prices, and other inflationary pressure continues. The S&P Global Euro Zone construction PMI fell to 48.5 in September from 56.5 in April and the construction PMI for August 2022 fell to 44.2 points from 50.4 in April on account of higher costs and supply chain constraints, which affected output as well as demand. The supply chain issues including component shortages in automotive sector in Europe is continuing and is evident as the data from European Automobile Manufacturing Association that the new passenger vehicle registrations have declined by 13.7% year-on-year.

Touching briefly on lead, lead prices witnessed a significant amount of volatility during H1 and closed out the half at US \$1889 per tonne approximately a 22% decline from April 1, 2022. Some of the results attributed to this drop were the strengthening of US dollar, the increase in energy cost supported by global interest rates, the deepening crisis due to the Russian war on Ukraine and the resulting overall pessimism for base metal demand. Lead prices are expected to remain subdued for the rest of the year as the automobile sector globally is facing constraints in production.

Coming to silver we have witnessed an uptick in silver demand in light of upcoming festive season and lowering of prices which witnessed their share of ups and downs and closed out the half at \$19.02 per troy ounce, a drop of approximately 23% from the start of financial year. On the domestic front the economic environment in India remained buoyant. The same was reflected in S&P global manufacturing PMI in August 2022 which was at 56.2 indicative of the expansion in manufacturing activities. The Indian domestic zinc demand has been stable during H1 of this year on the back of robust growth in infrastructure, pipes and alloy segments which resulted in resumption of projects orders that were stalled in 2021. We also witnessed strong demand for lead domestically largely on the back of excellent automotive demand ahead of festive season. The demand of lead in the industrial battery segment has also been robust as battery replacements in data centres, banks, ATM, and other critical applications gather pace. Additionally, the Indian secondary lead market continues to remain tight due to poor availability and limited imports. You can also refer to slide number seven of the presentation for details.

Coming to an update on operational performance without delving too much into the details which are already available in the press release and presentation, I am happy to inform that Hindustan Zinc has delivered a record first half with highest ever mined metal, refined metal and silver production. With consistent MIC flow from the mines, better plant availability and with better grades and improved recoveries our volume delivery is on the up curve with increasing uniformity and to an extent also negating the effect of traditional

seasonality with proactive planning and effective removal of any roadblocks. Here, I would also like to bring to your attention that if I look for the last 12 months, even after factoring in some of the one offs with operational challenges and unforeseen events we are comfortably sustaining over 1 million tonne run rate on both mined metal and refined metal. With our valuable learning and some of the key structural changes that we have discussed over the last few quarters, alongside increased use of technology as well as learning's deployed we are confident to deliver the project volumes for FY2023 and with increasing uniformity in the quarters to come. With this I hand over the call to Sandeep for an update on financial performance.

Sandeep Modi:

Thank you Mr. Misra and good afternoon everyone. I am happy to present to you another good set of results amid macro headwinds, input commodity inflation and softening LME. It was record first half where we touched significant milestones and continued positive momentum of our financial performance.

We delivered a historic high first half in terms of revenue, EBITDA as well as net profits. The success can be largely attributed to our agile decision making to cash in the favorable LME by embarking on strategic hedging on the right time. This along with the zeal to leave no stone unturned when it comes to operational efficiency initiatives, cost rationalization as well as volume delivery is keeping us ahead in these uncertain times and helping us stay in the first quartile of global cost curve. All of this has enabled us to protect our margin despite grabbing with the increasing energy prices and input commodity inflation.

Refer to slide 17 for an update on our financial performances for Q2 and first half year ended September 2022.

For the first half of FY2023 our revenue from operations stood at Rs.17,723 Crores, an improvement of 40% from the same period last year. This was supported by improved zinc LME prices and volumes, gains from strategic hedging, favorable exchange rates and better lead and silver volume. These were partially offset by lower lead and silver LME prices. Similarly, revenue from operation during the quarter was Rs.8,336 Crores which is an increase of 36% Y-o-Y led by higher refined metal and silver volume and LME prices, gains from strategic hedging and the favorable exchange rates partly offset by lower lead and silver LME prices. Sequentially revenue decreased 11% primarily due to lower zinc prices and volume, lower lead and silver prices partially offset by our gain from strategic hedging, favorable exchange rates, and improved lead and silver volume.

For H1 FY2023 the COP stood at US \$1,260 per metric tonne 15% higher Y-o-Y in USD terms and 22% in INR terms. The COP was affected largely on account of higher coal

prices, lower domestic coal linkage availability, input commodity inflation being partially offset by higher volume and improved operational efficiencies. Zinc cost of production before royalty during the quarter was \$1,259 per metric tonne higher by 12% Y-o-Y and almost flat sequentially. In INR terms though it was 21% Y-o-Y and 3% sequentially higher.

The resulting EBITDA for H1 FY2023 was at Rs.9,665 Crores an increase of 40% Y-o-Y driven by improved metal and silver volume, zinc prices, gains from strategic hedging and favorable exchange partially offset by higher cost and lower lead and silver prices.

EBITDA for the quarter was Rs.4,387 Crores up 32% Y-o-Y though down 17% sequentially. This movement was primarily driven by the higher revenue being offset by increased cost on account of the prevailing input commodity inflationary environment. Please refer to EBITDA bridge given on slide 18 to 20 for the various periods for details.

Net profit for the H1 was Rs.5,772 Crores a strong growth of 44% Y-o-Y led by higher EBITDA partially offset by increase in tax and depreciation and amortization. For the quarter net profit was Rs.2,680 Crores a Y-o-Y growth of 33% led by higher zinc volume and prices and favorable exchange rate while being partially offset by the rising input commodity prices and lower lead and silver prices.

On the sequential basis net profit was 13% lower due to lower metal production and lower zinc and silver prices being partially offset by strategic hedging gains and favorable exchange rates. Effective tax rate for the Q2 was close to 32% and if we see H1 it will be approximately 33%. That said our cash tax is much lower due to available MAT credit plus once we move to new regime from next financial year our tax rate will be around 25%. As far as our ETR guidance is considered I would leave it unchanged at 32% for the full year.

Kindly turn to slide 22 of the presentation for our cost and capex guidance for the FY2023. In the previous quarter I had mentioned that across the industry there is upward pressure on input commodity inflation which we are also facing. While we have been doing our best to combat it through levers available to us in the form of delivering higher volume, operational efficiencies, a special focus on improving and maintaining metal recoveries and exploring all possible avenues to reduce our coal procurement cost the input commodity inflation continues to weigh on us. As no process improvement can combat such a steep increase in coal cost in the near term. Hence management has taken the considerate call to revise the cost guidance and expect zinc COP in the range of \$1,225 to \$1,275 per ton for FY2023, which is inclusive of higher mine development expenditure to support future volume growth.

As you would understand and appreciate that this revision comes in the light of an extremely uncertain environment with rising imported coal prices, lower domestic availability and geopolitical tension which is impacting supply chain globally. That said we remain confident to maintain our leadership position in the global zinc cost curve and will continue to protect and improve our margin. Project capex guidance for the year remains unchanged and is expected to be in the range of \$125 to \$150 million. With this I open the floor for your questions. Thank you.

Moderator: Thank you very much Sir. 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. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Good evening everyone. Congratulations for a good set of numbers in otherwise a very challenging quarter. I have just a couple of questions. The first one is if you can quantify the gain from hedging and is there a portion of hedging still left and if so at what price. So that is the first question? The second one is on your production guidance which seems to be slightly conservative given that I expect that if Acid tank storage at Chanderiya would have repaired and contribution from Comer is also expected so what drives this rather conservative guidance so these are the two questions I have? Thank you.

Sandeep Modi: Thanks Mr. Amit. I will answer the first question. The Q2 strategic hedging gain was around Rs.500 Crores taken into the Q2 and to answer your question nothing much significant strategic hedging open position now stands.

Arun Misra: Amit, thanks for the question. On the volume portion as you can look at the last four quarters if you add up we are already more than 1 million tonne plus and H1 itself is 0.5 million tonne and above. Yes we all hope that we cross 1 million tonne mark by good margin but I think let us do Q3 right and then would better know how much more we can add in Q4 and we are all very eager to cross that mark of 1 million tonne by a good margin as far as FGs are concerned, but I would not like to like be unnecessarily optimistic but rather I would say that we are all committed to do better.

Amit Dixit: Great Sir thanks and all the best. I will get back in the queue. Happy Diwali.

Moderator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking Limited. Please go ahead.

- Pallav Agarwal:** Good evening everyone. Happy Diwali to all. Sir I had a question on the coal availability and linkages so after the monsoons are we seeing any improved availability of coal and so do you expect that coal cost could moderate in Q3 or Q4?
- Sandeep Modi:** Pallav, I will address the question. The linkage coal availability has bit improved, in Q1 it was 10%. In Q2 it has been around 14%. We believe that we have been meeting and representing everywhere and we expect after the monsoon the linkage coal availability should improve but what can be the quantum, 20% or 25% we do not know but at this point of time we remain optimistic as Coal India has also been stating that their production is going to improve and especially the FSAs with the mines which we have and coal procurement cost is the driver. The second I think the imported coal prices are also going down in the market, especially if you see the Mozambique and South Africa and Indonesia. That should also help us to reduce the coal cost.
- Pallav Agarwal:** Sure Sir, but the INR is also depreciating so considering that we will still probably expect costs to go down?
- Sandeep Modi:** INR is depreciating as far as my EBITDA margin is considered I am naturally hedged so INR depreciation is also giving much, much benefit in case of my exports and if you see in the US dollar terms cost the denominator will remain the higher USD INR so my cost per tonne should not be that much of resulting into the negative.
- Pallav Agarwal:** Fair enough Sir. Sir just also a question of I think if I got the number right the strategic hedging gain you mentioned was about Rs.500 Crores for this quarter is that correct?
- Sandeep Modi:** Yes.
- Pallav Agarwal:** So this is actually Sir is that helping the zinc if I just compute the zinc premium, physical premium over LME so that has again improved over the last quarter so is this also being driven by this strategic hedging here?
- Sandeep Modi:** Strategic hedging gain is completely different. It is not having any premium so it is only a delta between what is the market price in the LME and what has been actually we have sold forward so you will see this delta in the revenue from operations.
- Pallav Agarwal:** Yes Sir so indirectly it is coming into the zinc realization?
- Sandeep Modi:** Yes it is a zinc realization as part of the revenue from operation.

Pallav Agarwal: Yes that is why I am saying the derived premium seems to be on the higher side okay this may probably normalize. Thank you.

Moderator: Thank you. The next question is from the line of Vishal Chandak from Motilal Oswal AMC. Please go ahead.

Vishal Chandak: Thank you very much Sir and wish you all a very, very Happy Diwali. Sir my question was with respect to this group captive scheme so if you could just elaborate on what kind of investments are there? What kinds of ROEs are expected and what is the cost of production and also a bit more on the group company Serentica, who are the owners, etc.? Thank you very much.

Arun Misra: Group captive scheme is standard scheme in case of a power production and transmission, if you are not trying to own 100% of any power plant that you put up and you want somebody else to put up a power plant but you want to get that benefit of being a captive producer in terms of other duties and taxes and that are applicable to power producer then you go for the group captive scheme mandated by the government be it thermal, be it RE power or any kind of power plant. So that requires that one has to make a 26% equity investment in a power producing company so that is plain and simple as per the law that one has to do and that is what we have done. Serentica is floated by our group. It is a group company which is into RE power production, and we see that this considering all the businesses of the group, RE power requirement is very high and also all our operations will be totally banking on continuity of supply of RE power. So, while one can try to ensure that through contracts but having own investments at the same time being a listed entity having a 26% group captive scheme investment helps us to ensure the continuity of business with all risks factored in with the RE power which is going to replace about 40% to 45% of my total power generation capacity.

Vishal Chandak: Thank you for the elaborate answer. Sir just let me rephrase a couple of points which I wanted to understand? Number one Serentica is it a promoter entity or it is Vedanta Limited Group company that is number one? Number two I understand group captive means you will have to invest at least about 26% of the equity to be eligible for that but so far your investment is about Rs.105 Crores does that mean that is your 26% equity contribution if not then how much extra we need to fund total and thirdly by what time do we expect this 200 megawatt power to start flowing into our HZ?

Sandeep Modi: So Vishal, I will that. The total investment which board has approved for 26% equity is Rs.350 Crores, which we had announced in the market and we have invested as of now 30% and this entity is expected to commission its operation in the next two years so by FY2025

or early Q1 of FY2026 we should be having the start of the operation. This is not part of the Vedanta Limited.

Vishal Chandak: Thank you so much.

Moderator: Thank you. The next question is from the line of Saket Reddy from Polasani Enterprises. Please go ahead.

Saket Reddy: Good evening Sir. I have seen that you have done a NCD payment of Rs.700 Crores this quarter so when is the next one due?

Sandeep Modi: The remaining is Rs.2,100 Crores. That is due in September 2023.

Saket Reddy: September 2023 okay and one more thing your saleable silver guidance is it too conservative like you have done 371 MT I think in H1? You have guided for 700 to 725 for the whole year so H2 will see some let down or is it a conservative guidance?

Arun Misra: No. It is in line with the metal guidance that we have given. There is always a certain proportion that gets maintained with the metal production and as of now unless I am changing the metal guidance I will not be able to change the silver guidance as well but as I committed earlier H1 being already crossed 0.5 million tonne and silver at 340 or so, so H2 we are all hoping it will be much better and let us see by how much margin we cross the guidance that we have given.

Saket Reddy: We are already I think around three weeks into Q3 so you still maintain fumer in Chanderiya to get commissioned by end of Q3?

Arun Misra: Yes because with the only thing that was stuck was the Visa issue and as we speak yesterday itself some clearances have been given for Visa approval from Beijing Embassy so I am sure in a matter of week or so we would have the experts here and then we should be able to complete the work. Everything is done. It is only the commissioning. It is matter of 10 to 15 days work, but we need the experts to be here. That is the only issue.

Saket Reddy: Last question Sir. The Chanderiya plant is back on track like post the issue?

Arun Misra: The plant is in operation so we had preponed some of the shutdown work which anyways we had planned to do at the latter part or the early part of this quarter, so we have preponed that, completed those shutdowns and restarted all operations so everything is normal as far as operations are concerned.

- Saket Reddy:** Thank you and all the best. Happy Diwali to the team.
- Moderator:** Thank you. The next question is from the line of Ritesh from Investec. Please go ahead.
- Ritesh:** Thanks for the opportunity. Sir just two questions. First we have pretty solid cash flows, we have a lot of cash on the books and we have limited capex so Sir how should one look at the dividend payouts going forward?
- Arun Misra:** As I keep saying dividend is a matter for the board to consider. As far as my job is concerned to ensure EBITDA and to generate cash flows and I am sure the board in their best interest would take their decision at the right time but we are also putting up two good projects which I have informed earlier both a new roaster which will add to our calcine meeting capability and also one fertilizer plant and I am sure this year this year when we do the business planning we will come up with some more projects to make better utilization of the cash that we have.
- Ritesh:** Sir if I just have to take a step back when we look at a particular payout ratio just want to understand how you think about it like we have adequate cash on the books but still if I look like last two annual reports and if I just dig into a bit of regulatory filings we do understand that the company is also looking to move capital from GR to RE so what is the need for us to actually execute that specifically given there is adequate cash which is already there on the books?
- Sandeep Modi:** If you see general reserves to retained earnings it is a long drawn process so we initiated this process almost eight to nine months back and currently the SEBI has approved us and it is in the NCLT. This is an enabling provision which will allow us the flexibility for using it. It may not be immediate but it is in the interest of the shareholders so it will go through the process so that is why we have taken it to enable us anything we want to reward the shareholders.
- Ritesh:** Sir my question is what is that triggered us to do something of this sort right now probably why not like says three years back or four years back? I am just trying to understand that thought process and trying to understand the concept?
- Sandeep Modi:** If you see anytime, what is the right time nobody can comment, but we have also taken as a part of various other companies who took recently or in the past Tata Power they have also taken so we also took around a year back and as I said earlier it is a long drawn process. It does not require like just one week or one month job. It has been almost a year job so we thought that it will take time so we triggered this thing around eight to nine months back.

- Ritesh:** Sir you said we already have approval from both SEBI as well as NCLT did I hear it right?
- Sandeep Modi:** SEBI has approved it. NCLT is still yet to approve.
- Ritesh:** Sir do we need creditor approval over here when we do GR to RE?
- Sandeep Modi:** It will be through NCLT process and after the shareholder approval will be required.
- Ritesh:** Sir when we actually give a payout from the GR to RE does it also call for a shareholders' approval or a creditor approval?
- Sandeep Modi:** No, once the NCLT approves and then after the shareholder approval would be required and automatically it will go to the retained earnings and after that it becomes a part of the free reserve.
- Ritesh:** So if there is an incremental payout we do not require any separate creditor's approval right? Is that understanding right?
- Sandeep Modi:** No. You are right.
- Ritesh:** That helps perfect. Can you highlight the update or progress on the fertilizer expansion given I think the scenario that the country is in, I think we fast track something of this sort it is good?
- Arun Misra:** You are absolutely correct so with have got the board approval and after that our project team has completed the design, pre-feasibility and then now we are busy in negotiation for appointment of EPC contractor and I guess by the end of this month the contractor will be on board and I can see we will be the hitting the ground anywhere between second or third week of November to start construction.
- Ritesh:** Sure Sir. Thank you so much. That answers all my questions.
- Moderator:** Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.
- Amit Dixit:** Thanks for taking my questions again Sir. I have a couple of data questions actually. The first one is what was the grade in Q2 FY2023 while you have mentioned that has improved so just wanted to understand how much it has improved that is question number one? The question number two is on the capital development and the revenue development, just to highlight it?

- Sandeep Modi:** The grade for this quarter has improved to 7.4% and capital mine development for this quarter was around 13 kilometers.
- Amit Dixit:** Revenue Sir?
- Sandeep Modi:** Revenue almost 13 kilometers.
- Amit Dixit:** 13 kilometers, so 13 kilometers each?
- Sandeep Modi:** Yes.
- Amit Dixit:** Okay great Sir. That answers my question. Thank you.
- Moderator:** Thank you. The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.
- Vikash Singh:** Good evening Sir and Happy Diwali. Sir I just want to understand on the market size so there was a news that couple of smelters have also closed down in the European region so looking at the current cost kind of a scenario if you have some idea about kind percentage of the capacities would be now in cash losses or what kind of the market balance you are expecting in the next five to six months if you could just give us some your thought process on that?
- Arun Misra:** If you look at one or two smelters which are supposed to have been closed down or in care and maintenance anywhere between 300,000 and 400,0000 tonnes will be out of circuit but Europe also is facing a demand issue. It is just not the production issue. Also, there is a demand issue where the auto production are also under stress because of the cost of energy so as far as we are concerned we are currently looking at the reduction or the lowering of trend of shipping costs across the globe. We are now looking at of course Europe and USA as a better margin paying destination but nevertheless our first priority continues to remain serving domestic customers where we are already at 79% of the market and any augmentation, I would prefer first in domestic and then in European market. As far as prices are concerned there are two sides to it. As I have spoken in my talk is the stocks are at one of the lowest levels if we look at the LME stocks but on the other side there are two schools of theory. One says it will keep on fluctuating between \$2,900 to \$3,100 per tonne for another three to four months but I see a current report of Goldman Sachs, which also claims that in four to five months time it can touch anywhere between \$3,700 to maybe \$3,900 per tonne so anyways price is not something which in our hand. We can only speculate. As far as we are concerned we should be producing about the guidance and that should comfort us.

- Vikash Singh:** Understood Sir. Sir sorry if I had missed out on the hedging part so if I am repeating the same question? I just wanted to understand since the LME is pretty lower and we will not like to hedge at the stores front, are we looking to hedge the dollar or secondary USD because in that way in case if tomorrow the LME keeps on increasing we would get a benefit on at least the dollar side if the rupee appreciates? Rupee looks a very good range so just wanted your thought process on that?
- Sandeep Modi:** Our policy has been continued to keep the dollar side open and both in our imports because naturally hedge is there. As of now, we have not thought through on this aspect and we continue to remain the same in line with the policy but surely we can look at it.
- Vikash Singh:** Understood Sir. Sir just one last question since our Fumer is almost completed what is the ramp up period it would take if we have that kind of understanding?
- Arun Misra:** In Q3 if we commission, we should be anywhere between say in January we should be starting up and then by February we should be ramped up to the capacity and I am expecting it to add 30 tonnes of silver in a year so roughly about 7 tonnes to 8 tonnes of silver in a quarter so anywhere between another three and six tonnes extra in Q4 if we add up the numbers like that.
- Vikash Singh:** That seems that our silver guidance has also been lower so with that we can expect surprises there?
- Arun Misra:** I have already told that silver is tied to FG and I am all like you, I am also equally optimistic we will be doing better in H2 cross the 1 million tonne mark by a good margin I hope and accordingly silver should follow and I am sure we will do that but as far as guidance is concerned it is only the minimum milestone that we set for ourselves. I do not think that I work for the guidance. We will surely better the guidance by a big margin.
- Vikas Singh:** Understand Sir. Thank you for taking my questions and once again Happy Diwali.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Systematix Group. Please go ahead.
- Rahul Jain:** Thanks for taking my question and wish everybody a very Happy Diwali. Sir on the volumes that you have done are pretty good the run rate in this quarter and also the previous one so how should we look two years out? Is this the peak that we have achieved or we should keep looking at some 5% to 10% kind of incremental output given the

debottlenecking initiatives and things like that because we really do not have any major capex ongoing so how should we see volumes two years out?

Arun Misra: No way I can tell you that this is the peak we have achieved, and it will continue like this absolutely no way because then I do not need to be here. If I am here, then we need to have 10% more production every quarter if not every year so we need to go up like that and my vision I had painted it some time back that Hindustan Zinc in India must produce 1.2 million tonne finished goods. Currently it is just for the first time we will cross 1 million tonne this year. I hope by a good margin so I should say that another one and a half year if I commission another roaster then maybe I will come out with a project of some more hydro circuit. I am sure 1.2 million metal is not a difficult target for Hindustan Zinc and I should be able to deliver that.

Rahul Jain: Right so we should see incrementally moving in that direction? Obviously it will not be consistent every quarter but over say?

Arun Misra: I can assure you that one of my first targets in my job is make it consistent in every quarter. I have delivered in Q1, equivalent to Q4. Q2 would have been like Q1 had there been not unknown breakdown in Chanderiya. Q3 and Q4, you are going to see all four quarters almost equal production summing up to say 1.1 million tonnes and then 1.2 million tonnes but quarter wise variation we will remove and that is the best way to run a business.

Rahul Jain: Sir secondly on the cost front we have seen obviously the costs are high so I missed the part on the incremental from here on do you expect cost to be trending higher because you also mentioned coal prices are coming down so have we reached the peak or how should we look at it?

Sandeep Modi: I think the cost has to be seen more in a dynamic situation. If you see what we are thinking the inflationary pressure has actually forced us to revise our guidance and I can tell you the quantum would have been much higher if we would not have taken the best of the efforts to reduce the costs through various internal measures so we are taking the best of the internal measures and Mr. Misra has said the Q3 and Q4 we should be seeking more volumes and that should reduce the cost because large part is also the fixed cost and secondly you are right since the cost has increased on account of the larger input commodity inflation as I was saying earlier we expect that linkage coal availability should be improved and imported coal cost should also be lowered. I expect from this December onwards so may be in the Q3 end and going to the Q4 we should have see the good amount of reduction in the cost.

- Rahul Jain:** Sir on the government stake sale front any update, anything you have heard and anything you want to share? Thanks.
- Arun Misra:** The government has appointed the banker and we are in discussion with the government to help them in this process so very soon you would see our team along with government on the road show so things are moving very fast in the last 15 to 20 days time.
- Rahul Jain:** Sir would the Vedanta management be keen to participate in that or it is just of the public obviously it is a different management but ultimately you can share something?
- Arun Misra:** Right now being on Hindustan Zinc seat, I would not dare to comment on intention of Vedanta. When I am on Vedanta seat, I would do that.
- Rahul Jain:** Sure. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Vishal Chandak from Motilal Oswal AMC. Please go ahead.
- Vishal Chandak:** Thank you Sir. Sir I know you just mentioned about hitting the 1.2 million target in terms of total mine production but the way we are looking at it how Q1 was definitely very good, Q2 looks to be good but given your guidance how should we look at it because your guidance of close to a million tonne only is far below what you are actually doing is terms of your refined metal production or mined metal production these numbers itself point to a slightly higher than just 1 million tonne number? How should we look at the guidance Sir?
- Arun Misra:** As I told you two things there, 1.2 million tonnes is not immediate. As I said another one and a half year from FY2023 end then we would see 1.2 million should be achievable somewhere around 2024 end or so that is one. The second is, yes guidance is just something that you set out for but we will surely outnumber the guidance by a good margin if we can continue the same rate but there is no reason for me to unnecessarily become too optimistic or too ecstatic about it. We will do that so our numbers are there behind. Add up last four quarters we are more than 1 million tonnes, two quarters our H1 itself is 0.5 million tonnes so I do not see any headwind as far as volumes are concerned.
- Vishal Chandak:** Sir I hope I hope I am not repeating the question my apologies in advance? I just wanted to understand what is the scenario with respect to the coastal project where we were working for some time? Is it still on the backburner or some progress?

- Arun Misra:** We are not actively working on it as of now. We are concentrating our own operations, so we will bring a roaster here in our operations and increase our calcine making capacity and move one step closer to realizing 1.2 million tonnes and we will also put up the fertilizer plant to bring more value from the assets that we have and we are concentrating on those two kind of projects as of now.
- Vishal Chandak:** Thank you very much Sir.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Ms. Shweta Arora for closing comments. Over to you Madam!
- Shweta Arora:** Thanks everyone for joining us today on the call. On behalf of Hindustan Zinc, I wish you and your family a very Happy and safe Diwali. For any followup questions or clarifications please feel free to reach out to the Investor Relations team. With this I close today's conference. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf Hindustan Zinc Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.