Hindustan Zinc Limited

Results for the Second Quarter and Half Year Ended September 30, 2017

"H1 EBITDA up 70% y-o-y while Q2 up 47% y-o-y on the back of higher metal production and strong LME; Silver production at all time high"

Highlights for the quarter

- Hindustan Zinc globally ranked 3rd in 'Environment' and 11th 'Overall' in the Dow Jones Sustainability Index amongst Mining & Metal companies
- Refined zinc-lead metal production at 230kt, up 27% y-o-y
- Record refined silver production at 140 MT, up 31% y-o-y
- Mined metal production at 219kt, up 14% y-o-y
- EBITDA at Rs. 3,052 Crore; up 47% y-o-y
- Net Profit at Rs. 2,545 Crore, up 34% y-o-y
- Interim dividend of Rs. 2 per share (100%)

Highlights for H1

- Refined zinc-lead metal production at 459kt, up 49% y-o-y
- Refined silver production at 255 MT, up 30% y-o-y
- Mined metal production at 452kt, up 42% y-o-y
- EBITDA at Rs. 5,456 Crore; up 70% y-o-y
- Net Profit at Rs. 4,421 Crore, up 50% y-o-y

Udaipur, October 23, 2017: Hindustan Zinc Limited today announced its results for the second quarter and half year ended September 30, 2017.

Mr. Agnivesh Agarwal, Chairman –

"I am delighted to note the smooth transition to underground mining. Against a 5 year CAGR of 39% of our mined metal production, we expect this year's underground growth to be over 60%, demonstrating one of the best transitions globally. As our journey of 1.2 million MT of mined metal is coming closer, we are evaluating the next phase of our capacity expansion. The accelerating LME and record silver volumes are key drivers of our performance this quarter, though the higher commodity cycle is putting some pressure on our cost."

Financial Summary

(*In Rs. Crore, except as stated*)

Particulars	Q2			Q1		H1		
	2018	2017	*Change*	2018	Change	2018	2017	*Change*
Sales								
Zinc	3,903	2,687	45%	3,779	3%	7,682	4,607	67%
Lead	638	495	29%	595	7%	1,233	835	48%
Silver	557	482	16%	435	28%	992	842	18%
Others	134	145	-8%	152	-12%	286	295	-3%
Total	5,232	3,809	37%	4,961	5%	10,193	6,579	55%
EBITDA	3,052	2,077	47%	2,404	27%	5,456	3,207	70%
Profit After Taxes	2,545	1,902	34%	1,876	36%	4,421	2,939	50%
Earnings per Share	6.02	4.50	34%	4.44	36%	10.46	6.96	50%
(Rs., not annualised)								
Mined Metal Production ('000 MT)	219	192	14%	233	-6%	452	318	42%
Refined Metal Production ('000 MT)								
Integrated Refined Metal								
Zinc	192	149	29%	194	-1%	386	250	54%
Saleable Lead[1]	38	31	24%	35	9%	73	55	32%
Zinc & Lead	230	180	28%	228	1%	459	305	50%
Saleable Silver[2,3] (in MT)	140	107	31%	115	22%	255	196	30%
Total Refined Metal								
Zinc	192	150	28	194	-1%	386	252	53%
Saleable Lead[1]	38	31	24%	35	9%	73	55	32%
Zinc & Lead	230	181	27%	228	1%	459	307	49%
Saleable Silver[2,3] (in MT)	140	107	31%	115	22%	255	196	30%
Wind Power (in million units)	143	172	-17%	156	-8%	299	320	-7%
Zinc CoP without Royalty (Rs. / MT)[4]	63,288	54,186	17%	62,698	1%	63,002	57,022	10%
Zinc CoP without Royalty ($ / MT)[4]	984	809	22%	973	1%	979	852	15%
Zinc LME ($ / MT)	2,963	2,255	31%	2,596	14%	2,784	2,089	33%
Lead LME ($ / MT)	2,334	1,873	25%	2,161	8%	2,250	1,797	25%
Silver LBMA ($ / oz.)	16.8	19.6	-14%	17.2	-2%	17.0	18.2	-7%
USD-INR (average)	64.3	67.0	-4%	64.5	0%	64.4	66.9	-4%

(1) *Excluding Captive consumption of 1,634 MT in Q2 FY 2018 as compared with 837 MT in Q2 FY 2017 and 1,956 MT in Q1 FY2018. For H1, it was 3,590 MT as compared with 1,921 MT a year ago.*

(2) *Excluding captive consumption of 8.8 MT in Q2 FY2018 as compared with 4.3 MT in Q2 FY 2017 and 10.2 MT in Q1 FY2018. For H1, it was 19.0 MT as compared with 9.8 MT a year ago.*

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

(4) *The COP numbers are after adjusting for deferred mining expenses under Ind-AS. Without this adjustment, Zinc CoP per MT without Royalty would have been Rs. 63,288 ($984) as compared with Rs.62,035 ($926) in Q2 FY 2017 and Rs. 63,142 ($980) in Q1 FY 2018. For H1, this would be Rs. 63,224 ($982) compared to Rs. 67,821 ($1,013) in corresponding prior period.*

Note:

1) Historical numbers have been revised as per Ind-AS reporting

2) From current quarter, Sales is reported net of Goods and Services Tax, whereas in the previous quarters Sales was inclusive of Excise Duty

3) Numbers may not add up due to rounding off; historical numbers may have changed due to regrouping

Operational Performance

Mined metal production was at 219kt, 14% higher y-o-y, on account of higher volumes from underground mines. Q-o-Q production declined by 6% due to lower ore treatment. For H1, mined metal production was at 452kt, up 42% y-o-y driven by higher ore production across all mines.

Integrated zinc metal production was 192kt, 29% higher y-o-y and flat sequentially. Integrated lead metal production was 38kt, 24% higher y-o-y and 9% higher q-o-q. This was in line with availability of mined metal. Integrated silver production was at a record high of 140 MT, up 31% y-o-y and 22% q-o-q in line with higher feed from mines.

For H1, integrated zinc, lead and silver production were higher by 54% y-o-y, 32% y-o-y and 30% y-o-y respectively, in line with availability of mined metal.

Financial Performance

Revenues during the quarter were at Rs. 5,232 Crore, an increase of 37% y-o-y and 5% q-o-q (excluding excise duty of previous quarters, revenues would have been up 51% y-o-y and 16% q-o-q). The increase was on account of higher volumes and strong zinc & lead LME, partly offset by rupee appreciation. For H1, revenues were up by 55% y-o-y driven by the reasons mentioned above.

The zinc metal cost of production per MT before royalty (COP) during the quarter was at Rs. 63,288 ($984), up 17% y-o-y (22% in dollar terms) and flat compared to previous quarter. The y-o-y increase was primarily on account of 74% increase in dollar price of imported coal, almost doubling of metcoke prices and higher mine development, partially offset by increase in volumes. For H1, COP was higher by 10% y-o-y (15% in dollar terms) primarily on account of increase in coal and input commodity prices.

The above revenue and cost of production resulted in EBITDA at Rs. 3,052 Crore, up 47% y-o-y and 27% q-o-q while in H1 EBITDA increased by 70% y-o-y to Rs. 5,456 Crore.

During the quarter, exceptional gain was recorded related to reversal of royalty due to write back of Rs. 291 Crore of excess District Mineral Foundation liability for the period January 12, 2015 to September 16, 2015. This was pursuant to judicial pronouncement during the quarter.

Net profit during the quarter was at Rs. 2,545 Crore, up 34% y-o-y and 36% q-o-q while for H1 net profit was up by 50% y-o-y to Rs. 4,421 Crore. The substantial y-o-y increase in EBITDA was partly offset by higher tax rate and lower investment income on account of smaller corpus, in line with the guidance.

During the quarter, the Company sold 220kt of zinc and 30kt of lead forward at a price of $3,084 and $2,418 respectively. Of this, 165kt is for the period January to March 2018 and remaining is for April to June 2018.

Outlook

Production guidance is reiterated with mined metal to be higher than FY 2017, refined zinc-lead metal to be around 950kt and refined silver metal over 500 MT. Based on the significant increase in the commodity prices compared to last year, COP for FY 2018 is likely to be in the range of $900 - $950 per MT. The project capex for the year will be around $300-$325 million. The Company is on track to achieve 1.2 million MT per annum (mtpa) mined metal production capacity by FY 2020.

Expansion Projects

Capital mine development increased by 77% y-o-y and 11% q-o-q to 9,765 meters during the quarter across all mines. For H1, capital mine development was 18,593 meters, up 79% as compared to corresponding prior period.

Rampura Agucha

Mine development of 3,755 meter was achieved during the quarter. The main shaft service winder was commissioned during the quarter while the production winder installation has been completed in October 2017. Four ventilation fans of 2 MW each will be commissioned by year end. Shaft commissioning is on track and production is expected to start as per schedule in Q3 FY 2019.

Sindesar Khurd

Sindesar Khurd mine achieved mine development of 4,619 meters during the quarter. Main shaft equipping was commenced and production is expected to start in Q3 FY 2019. Construction, engineering works and procurement ordering is in full pace for the third mill of 1.5 mtpa capacity scheduled for commissioning by Q2 FY 2019. This will take the total milling capacity at Sindesar Khurd to 5.8 mtpa

Zawar

Zawar mine achieved ever highest mine development during the quarter 7,395 meter. During the quarter, the new Mochia decline was connected to production level enhancing its hauling capacity. Zawar mill debottlenecking was completed and the upgraded capacity of 2.7 mtpa was commissioned. Award of order for a second mill of 2 mtpa capacity was done during the quarter with commissioning scheduled by Q3 FY2019.

Fumer

The fumer project at Chanderiya is progressing well as per schedule for completion by mid FY 2019. Structure erection and delivery of equipment material has commenced.

Interim Dividend

The Board of Directors has declared an interim dividend of 100% i.e. Rs. 2 per share on equity share of Rs. 2 each. Record date fixed for the interim dividend is October 31, 2017.

Liquidity and investment

As on September 30, 2017, the Company's cash and cash equivalents was Rs. 19,979 Crore invested in high quality debt instruments. The Company also had Rs. 593 Crore of residual short term commercial paper out of Rs. 7,908 Crore raised in March 2017 to meet the special interim dividend fund requirement.

Earnings Call on Monday, October 23, 2017 at 3:30 pm (IST)

The Company will hold an earnings conference call on Monday, October 23, 2017 at 3:30 pm IST, where senior management will discuss the Company's results and performance. The dial in number for the call is:

Dial In: +91 22 3960 0762

For further information, please contact:

Ekta Singh
Manager
Investor Relations
hzl.ir@vedanta.co.in
Tel: +91 294 26 52 628

Pavan Kaushik
Associate Vice President
Corporate Communications
pavan.kaushik@vedanta.co.in
Tel: +91 99288 44499

About Hindustan Zinc

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

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

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

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