

Hindustan Zinc

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Ladies and gentlemen, good day, and welcome to Hindustan Zinc First Quarter Fiscal Year 2019 Earnings Conference Call. (Operator Instructions) Please note that this conference is being recorded.

I now hand the conference over to Ms. Preeti Dubey from Investor Relations. Thank you, and over to you, ma'am.

Thank you, Aman. Good afternoon, and thank you for joining us for Hindustan Zinc's First Quarter Fiscal 2019 Results Call. For our call today, we have with us Mr. Sunil Duggal; CEO; and Mr. Amitabh Gupta, CFO. Mr. Duggal will present an update on business performance while Mr. Gupta will present financial performance. And after that, we'll be happy to take your questions.

Over to you, Mr. Duggal.

Thank you, Preeti, and a warm welcome to all of you. We have started fiscal year 2019 on a positive note, with notable progress in our ongoing mining projects and over 13% growth in underground mined metal production.

I'm pleased to inform that we have received environment clearance from MoEF for expansion of ore production at Sindesar Khurd mine from 4.5 million to 6 million tonne per annum and beneficiation capacity from 5 million to 6.5 million tonne per annum. This is an important year for us as we are filling the production gap from closure of open cast operation, which contributed 24% of our mined metal production last year. We are confident of reaching our guidance and surpassing last year record production of mined metal.

And now I'll take you through on zinc market. Since mid-June, base metal prices, including zinc, have declined in the deepening global trade conflict environment and also due to appreciation in U.S. dollars. Return to an increasing protectionism continues to weigh on base metal prices. This has unknown market sentiment exaggerating the near-term impact on metal prices.

If we look beyond these structures, the fundamentals for zinc are robust with stable demand supported by increasing galvanization and pipe supply as evidenced from low stock levels. Market is expecting about 2% annual growth in annual zinc demand over next 5 years, which is slightly lower than 2.7% annual growth since 1990.

The growth in zinc [production] is coming from emerging countries where galvanizations are -- levels are quite low. For example, in India, only 10% of domestic cars are galvanized, while those exported are 70% galvanized and also the level of galvanization in other infrastructure is quite low. So while a potential trade war may impact global economic growth in near term, we feel the long-term outlook for zinc will remain strong.

Global metal stocks continue to remain close to decade low now, recently negotiated 15% decrease in benchmark [prices] of 2018 and [those] for PC, that continued to hover around \$25 to \$30, signal continued time tightness in concentrate markets. This is contrary to recent volume LME zinc prices and over 90% capacity utilization of smelters globally.

Considering the pipeline of mining projects, we believe there will not be enough supply to meet increasing consumption and increased inventory levels. Total inventory levels continue to remain at 30 days also over the next 3 years. Therefore, we expect zinc LME prices to bounce back to the level of 3 months ago.

Now I'll give you an update on our operating performance. Underground mines ramp up during the quarter with mined metal production up from previous quarter by 7% and 13% from a year ago despite some issues in Rampura Agucha underground mine, which have now been resolved. Overall, mined metal production was 212kt, lower by 17% from last quarter and 9% from last year, primarily on account of closure of open cast operations. Last year, 24% of mined metal production came from open cast mine. And as the year progresses, we are confident of more than filling this gap. Zinc metal production during the quarter was 172 kt, in line with availability of zinc mined metal. Integrated lead production was 42 kt during the quarter, up 20% Y-o-Y, in line with the availability of lead mined metal and down 16% sequentially due to maintenance-related shutdowns, which obviously have taken in quarter 1.

Integrated silver production was 138 million tonnes, up 20% Y-o-Y on higher SKM production and silver grades. Sequentially, silver production declined by 19%, in line with the lead production.

In FY 2019, we will maintain our momentum in underground mine production, which will increase progressively every quarter. We maintain our guidance of higher mined metal and refined zinc-lead [low cost], but level check in FY 2018 and also silver production to be in the range of 650 tonnes to 700 tonnes.

Now an update on the progress of expansion projects during the current year. Capital mine development increased by 18% Y-o-Y to over 10 kilometers during the quarter. Rampura Agucha underground mine continued to maintain high development grade during the quarter at 6 kilometer. The ventilation system has now been commissioned. With this, mine had been liberated from ventilation issues for the life and will help in ramping up the ore production. Additionally, we have innovatively designed [main] shaft loading, which will be completed in the current quarter. This will build haulage capacity earlier than expected by 2 quarters and increase productivity to facilitate quick ramp-up.

At Sindesar Khurd, the main shaft skip winder was commissioned and production from the shaft is expected to start in Q3 FY '19. Civil work and equipment erection of the new 1.5 mtpa mill is progressing well and is expected to commission by quarter 3 FY '19.

As part of ongoing digitization of SK mine, we have placed orders with leading global vendors for manpower and (inaudible) contracting, traffic management, data analytics to underground WiFi communication network and onboard technology.

At Zawar, (inaudible), we have decided to build a dry filling plant, which will increase the life of existing paying bond by additional 25 years. This will [reward] need for additional land portfolio. The civil construction of the new mtpa mill at Zawar is on track and is expected to be commissioned by quarter 4 FY '19. The equipment supply for Fumer project at Chanderiya has been achieved on site and production is expected to be completed in current quarter, with commissioning in quarter 3 FY '19. We have finalized our next phase of expansion to 1.35 million tonne, which was announced in (inaudible) this year.

One of the innovative solutions we have come up with is to convert the metallurgical zinc smelter at Chanderiya to start producing [the next smelter] or [next winter]. This will enable us to cater to our proportion of lead mined metal that we are getting primarily from higher production from SK mine while also helping us to reduce part of production zinc smelting configuration. And this is (inaudible) is under finalization to ensure smelting capacity matches with the ramp-up in mining.

Now Mr. Gupta will take you through the financial benefits.

Amitabh Gupta, Hindustan Zinc Limited - CFO [4]

Good afternoon to all. Revenue from operations during the quarter was INR 5,310 crore, an increase of 16% Y-o-Y, primarily due to higher zinc LME price, rupee depreciation and higher lead and silver volumes and partly offset by lower zinc volume. Sequentially, revenues were lower due to lower metal volumes. The forward sale of zinc and lead metal has insignificant impact on revenue this quarter as hedge prices were close to average spot prices.

There is no forward sale position on a go-forward basis. The cost of production before royalty or COP for zinc during the quarter was \$1,043, up 7.2% Y-o-Y and up 12.7%, sequentially. The Y-o-Y increase was primarily on account of lower overall volume due to open cast closure; about 20% increase in the prices of met coke, coal and diesel; and impact of long-term wage settlement. The sequential increase was on account of lower volume, higher power costs, maintenance-related shutdown costs and impact of wage settlement.

The linkage coal allocation continues to be poor due to evacuation issues from Coal India subsidiaries. EBITDA for the quarter was INR 2,785 crore, up 16% Y-o-Y and down 24% Q-o-Q. We recently concluded a 5-year long-term settlement with a recognized union, impacting cost of production by \$33 per tonne for the current quarter and going forward.

EBITDA was also impacted by arrears of INR 125 crore related to wage settlement.

The resultant net profit for the quarter was INR 1,918 crore, up 2% Y-o-Y and down 23% sequentially, in line with EBITDA. Additionally, net profit was impacted by lower investment income on account of mark-to-market loss on debt investment due to a spike in interest rates.

Our gross investments were at INR 21,283 crore at the end of the year, invested in high-quality debt instrument.

In terms of outlook, we continue to maintain our guidance of COP before royalty for zinc to be in the range of USD 950 to USD 975 per metric tonne in financial year 2019. COP in Q2 will trend down marginally, and we expect to see lower in Q4 when the 2 shafts start delivering production.

With this, I would now request Mr. Duggal to kindly sum up today's discussion.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [5]

So we are positive on zinc prices outlook despite recent aberration. The expected new supply will not be sufficient to bring inventory back to normal levels. It will take prices to the level of 3 months ago.

Our mining projects are ramping up as per plan and innovative measures to fast-track shaft production via mid shaft loading will ensure higher production data at Rampura Agucha underground mine. We are expecting another year of record production in FY '19 and are on track for 1.2 mtpa mined metal capacity.

With this, I open the floor for question now.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Sumangal Nevatia from Macquarie.

Sumangal Nevatia, Macquarie Research - Senior Analyst [2]

I have a couple of questions. One, on the costs side. Your commentary mentioned about commodity cost inflation and wage cost impact, but you've maintained your full year guidance. So I mean, both commodity cost and wage revision, was it on expected lines?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [3]

So the long-term settlement of wage agreement was slightly more than what we had expected, so there is a going-forward impact of \$33 per tonne. However, as our volumes start ramping up, we expect that the cost would soften. And plus, in this quarter, we did not get any linkage or virtually very limited linkage, so the areas of the linkage will also start coming in from the next couple of months is our expectation. So our anticipation is that as the volumes go up, our costs will start trending downwards so we are maintaining our guidance at \$950 to \$975.

Amitabh Gupta, Hindustan Zinc Limited - CFO [4]

So if I can add on the implied cost, what has gone up as we have entered into a long-term settlement with the -- for the duration of the unions. So what is happening is that in the current quarter, we have launched a real scheme. And the response as such is that there could be number which may come up to the extent of offsetting the immediate portion of the cost and this is the way we may expect our cost to come down going forward.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [5]

Also in the coming quarters, we expect Rampura Agucha performance underground mine performance to improve, which will help us from a great perspective and hence, on the cost perspective.

Sumangal Nevatia, Macquarie Research - Senior Analyst [6]

So this quarter, for this \$33 impact of wage cost, was there any provision for previous quarters or previous years also accounted in this quarter?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [7]

No, not in the COP.

Sumangal Nevatia, Macquarie Research - Senior Analyst [8]

Okay. Understand. Just continuing on this. I mean for full year, midpoint guidance is \$960, so now, I mean, remaining 3 quarters ask rate is around \$940, so it's almost around \$100 cost reduction. Is it possible to break as to how much will come from -- I mean, what is the assumption in commodity price deflation to contribute towards this? And how much will shaft commissioning et cetera, will contribute?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [9]

I'm afraid I don't have numbers off the cuff, but we can certainly talk off-line.

Amitabh Gupta, Hindustan Zinc Limited - CFO [10]

But these are the immediate drivers, I would say, that these are the immediate drivers of the cost. As the earnings start from there, the volume goes up. The grade becomes higher because of the higher contribution from the Rampura Agucha. Because if we look at the current quarter, the last quarter, we -- whatever we lost has come. Basically, it has come primarily from Rampura Agucha. And going forward, as we have spoken in our commentary that there are a couple of key events which have happened, 1 or 2 events which are likely to happen in the next 7, 10, 15 days' time. So they are the 2 events which will weigh the volume from Rampura Agucha and the overall grade jumps up. So 3 14 then BRS, the linkage realization. So these are 4 or 5 factors which will mainly responsible to push our cost back to the original level. So to that extent, this spike was not unexpected coming off of being the first quarter after open cast closure.

Sumangal Nevatia, Macquarie Research - Senior Analyst [11]

Understand. All right. Just one last question from the modeling perspective. On 1.2 million tonne, what will be a zinc and lead breakup given that the lead, of course, the proportion is increasing given the mine mix?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [12]

So it's about 25% of lead as it is ramping up.

Operator [13]

The next question is from the line of Amit Dixit from Edelweiss.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [14]

I have a couple of questions. One is that if you could let us know the zinc grade in Q1. And how does it compare Y-o-Y and Q-o-Q? And what is your expectation of overall zinc grade for FY '19?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [15]

So we don't give individual grades for zinc or lead, but our overall grade was 7.64% for the quarter. This was compared to a year ago. That was 8.41%, so there is a fall in the grade. Even sequentially, if you -- if I look at the prior quarter, it was 8.74%. So from 8.74% goes to 7.64% this quarter, there's a 1% fall. But again, it's on expected lines because this is the quarter immediately after closure of open cast. So the overall grade for the area is expected to be around 8%.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [16]

Okay, fair enough. Sir, the second question is on linkage coal. I mean, how much -- of the [product total forcing], how much was through linkage in this quarter? And how was the -- this quarter looking like Q2? How much you are receiving through linkage?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [17]

So we would -- this is the options that we have in hand. We would -- we were expecting to go up to about 40% to 42% of linkage, and we have got only 7.8% of linkage coal in this quarter. So the good news is that whatever you don't get, it's a deferment and not a cancellation. So we are hoping that sooner or later, all these areas, including for the current quarter, will start coming in, but that hasn't started as yet. So really, they're still struggling with evacuations from some of these coal mines. But we are also looking at some innovative schemes. There's a R-C-R scheme and some other schemes which are coming up, which will hopefully help us in the evacuation. So sooner or later, this will start catching up.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [18]

Those schemes that will be helpful?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [19]

So currently, the railway scheme is in a manner that you have to take it to the Coal Indias or their subsidiaries' railway siding. And from there, it can be loaded onto rigs. Now there's a new scheme which has come up, which we are looking at participating in. And there, you can take it to a private siding. Now if that happens, the -- because ultimately, the problem with Coal India subsidiaries is not about production. It is an evacuation problem. So we are still examining some of these kind of schemes.

Operator [20]

The next question is from the line of Rajesh Lachhani from HSBC.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [21]

Sir, as you rightly mentioned that zinc prices have plunged because of the concerns regarding trade wars, and you expect the prices to rebound, but given, sir, the supplies rising, including your supply in the second half of (inaudible) project and other projects, as well as trade wars, concerns are not going away anywhere soon. So what makes you confident and what are the triggers that you think will take the zinc prices to the levels seen 3 months ago?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [22]

No. You see, you partly have also seen the correction from a low of \$2,450 to \$2,600 plus again, so some correction has already taken place. I would personally feel that this is the aberration which has taken place. The fundamental is strong. And you are also saying some supply from (inaudible) and all of that, which will be coming. But if you'll see the overall -- the underlying to overall equation and balance, this will give you a sense that the overall destocks are not going to go up in the next 2, 3 years' time. And if you study book (inaudible) and other, they are speaking much higher LME even in the current context in the quarter 4. Wood Mackenzie is even speaking of \$3,700 plus. I'm not saying \$3,700 plus. My own estimate is what the LME was there 3 months back, it will bounce back.

Operator [23]

The next question is from the line of Abhishek Poddar from Kotak Securities.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [24]

First is regarding the production volumes. You have mentioned in the release that the production for main shaft with (inaudible) and SK mine will start from 3Q FY '19. So when do we start seeing that 1.2 mtpa period and rate; from third quarter or after that?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [25]

Well, after it matures because once the shaft will get commissioned, so maybe there could be some of the trading issues and maybe some months in the quarter 4 as the production stabilizes as the events happen. This one gets stabilized. But as I spoke in my commentary, which I suppose all of you must have understood that there is a real opportunity we have found in the Rampura Agucha because this has been the mother of invention, they say, because what we get is that it is like the lift in a building where you're dumping material in the basement, and you're lifting material to the top floor. In the current context, what we thought that may be existing level where we are working. We connect that level to the -- and we commission mid-level landing, we can load the material and then (inaudible) people in the mine through that. So we have already connected our mine to the shaft and the landing also have done. Where these people have -- the working people of that area have already started coming in that area, but we are putting up some infrastructure like (inaudible) and all that, so that we can load the waste from the mine and the shaft and carry the ore through the ramp. So this will meet the condition of hauling the material to the extent of 33% to 35% through the shaft and remaining material coming through the ramp. So this was one of the novelty where we have been able to use the shaft, and this will give us some relief that we'll be able to ramp up our Rampura Agucha mine much faster, although we all know that the Rampura Agucha has been a bigger challenge or a bigger issue than all other mines where we have been able to ramp up as part of our plan. But I think some of these things -- and apart from that, we also spoke of the ventilation issue getting liberated. First quarter was very hard. And on one side of the mine, still the ventilation was not commissioned. Now we have liberated the mine in this week itself from the ventilation issue for the life of the mine. So this has made the life more comfortable or rather, be comfortable in the -- along the total strike length, and this will help us to ramp up. But as you said, the -- after the commissioning of the shaft, it can take a little while when the trading issues will get settled when we'll start getting the 1.2 million tonnes (inaudible).

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [26]

Okay, so maybe early FY '20, we should start looking at that number?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [27]

Maybe in quarter 4, some months.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [28]

Okay. And sir, second question was regarding the grade slippage that you mentioned about falling from 7.64%. So when you're giving that 1.2 mtpa guidance, do you expect the grades to improve? Or you are -- the guidance is based upon this kind of grade only?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [29]

No, no, the grade will be almost at this level, between 7.8% to 8%, because the contribution from Zawar will go up, the contribution from RD mine will go up, the contribution at SK also, although stabilizing at a peak level now. But as the Rampura Agucha ramps up, some grade improvement will come. But I think the overall grade will be 8 -- 7.8% to 8% only. And that is why the -- like you see, we were mining around -- we want to -- we're not scared the grade, real grade, we would have to do 12 million tonne of ore production to meet 1.2 million tonne. But now we have calculated that we'll have to do 15 million tonne plus ore production to meet the target of 1.2 million tonne. And that is primarily because of the grade which has gone down over the years because of the contribution from Rampura Agucha as it changes.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [30]

Okay, sir. Sir, then the last question on the hedging. Are there any outstanding hedges which are left? And what was the hedging loss in the quarter?

Amitabh Gupta, Hindustan Zinc Limited - CFO [31]

\$2 million for the quarter and 0 going forward.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [32]

So only \$2 million for the quarter?

Amitabh Gupta, Hindustan Zinc Limited - CFO [33]

Yes.

Operator [34]

The next question is from the line of Ritesh Shah from Investec.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [35]

Sir, any color on royalties being included under GST? If you could provide some color about that and how the impact will look like going forward?

Amitabh Gupta, Hindustan Zinc Limited - CFO [36]

We are not adversely affected. I will need to check why exactly not, but we do not have -- we get the credit. So we are not impacted by that discussion.

Operator [37]

The next question is from the line of on [Anshuman Atsi] from [PMG Invest].

Unidentified Analyst, [38]

So my question is regarding the tailings. So now that we are putting all the fumers, so do we expect further usage of tailings? Or all these will be converted to something which can be used for -- as a -- say in the cement industry or something else?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [39]

Yes, so the -- this is the first (inaudible) which is going to get commissioned, and this will convert the warehouse site into a slag, which will substitute the clinker, the classic clinker and the cement industry. And this is almost equivalent to the slag -- granulated slag which is produced by the steel industry. And going forward, we will have to put up the fumers in all our hydro smelters so that we become the [geo-based] company.

Unidentified Analyst, [40]

Okay. And the second question is regarding the costs. So the \$960 metric in dollar terms and so do we expect -- given the rupee volatility, are you expecting a similar conversion rate? Or it's like in the dollar term, it will be constant but in the preterm...

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [41]

That's a question I normally ask you. No. I think -- I personally don't think -- I think the rupee will bounce back. That's our expectation. It's a matter of time. Maybe after the elections, maybe after the trade fears subside and Mr. Trump stops making these statements, I think rupee will start appreciating again.

Unidentified Analyst, [42]

Okay. So even in the rupee terms, do you expect cost to reduce?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [43]

Hopefully, yes.

Operator [44]

The next question is from the line of Dhawal Doshi from PhillipCapital.

Dhawal Doshi, PhillipCapital (India) Pvt. Ltd., Research Division - Analyst [45]

So just one clarification. Mr. Gupta, you mentioned INR 125 crores of arrears is included in the employee cost, right. But is this for the prior quarters? Or -- I'm sorry, if you can just clarify on this?

Amitabh Gupta, Hindustan Zinc Limited - CFO [46]

So the figure of INR 125 crore is the arrear which is included in the EBITDA. So there was a onetime hit because, remember, the long-term settlements are with retrospective effect. So our 5-year LTS starts on July 1 for under -- for permanent workmen and even for contract workmen, there's a settlement which takes place between the contractors and the work -- contract workmen, and we participate and facilitate in that decision. That also is effective September 1. So there are 2 retrospective dates from which these agreements are effective and there are some areas to be paid. These areas are not a part of the COP, which is why, in my talk, I mentioned a figure of INR 125 crore as the arrears, which is not built in the COP but is built into the EBITDA as a onetime impact, onetime arrear.

Dhawal Doshi, PhillipCapital (India) Pvt. Ltd., Research Division - Analyst [47]

Yes. So while I was just looking at the employee cost, INR 232 crores is what we've had the absolute cost. If I were to remove this INR 125 crores pertaining to the arrears...

Amitabh Gupta, Hindustan Zinc Limited - CFO [48]

No. No, so that would not be the right way to look at it because a substantial part of the manpower cost goes into other expenses, which is the manufacturing category mostly. So there are 2 types of people. There is 1 permanent workmen and regulatory. Their cost goes into manpower, which is about 4,000, 4,500 people, right? In addition to that 4,000, 4,500 people, there are another 12,000 people who are contractors' workmen whose salaries are not paid by us and hence, they don't come in manpower costs, their salaries get factored into the per tonne cost as a part of the manufacturing expenses. So some where it's per tonne, some where it's per meter a day, some where it's per cubic meter. It gets back to -- those 12,000 people are not our workforce, so they don't come in the employee costs. They come in the other expenses where the manufacturing costs mostly reside.

Dhawal Doshi, PhillipCapital (India) Pvt. Ltd., Research Division - Analyst [49]

Can I have the breakup of this INR 125 crore, sir? How much would be in the employee? And how much in the other expenses?

Amitabh Gupta, Hindustan Zinc Limited - CFO [50]

About INR 100 crore would be in the contract employees. But this is -- like I said, it's gone into other expenses and as we guided. So if there's any confusion about the employee benefit expenses, maybe I will mention that my -- our manpower expenses, we expect would be in the region of about INR 200 crores going forward just for clarity's sake.

Dhawal Doshi, PhillipCapital (India) Pvt. Ltd., Research Division - Analyst [51]

Okay, on a quarterly basis. That's helpful. Sir, the second question is more on the zinc markets. Sir, typically, what we have seen this April, a period of April to June in the calendar year, is most of the times real weaker period in terms of pricing and (inaudible) that we should tend to see some bounce back coming in terms of zinc prices. What would you attribute this to? I don't know, okay, this time around, we have seen a significant sharp fall because of other factors, which are known and Mr. Duggal highlighted at the start of the call. But what part of this fall would you attribute it to seasonality and we could see that coming back? We have seen this in past years as well so...

Amitabh Gupta, Hindustan Zinc Limited - CFO [52]

I'm not being able to comment on this. I think it's a -- well, your conclusion may not be fully valid because some of our (inaudible) when we had the open cast was the open cast was a little cyclical and it so happened that 1 or 2 planning periods may have coincided with April to June period. So you are coming to this conclusion but this would not be a right conclusion.

Dhawal Doshi, PhillipCapital (India) Pvt. Ltd., Research Division - Analyst [53]

No, certainly, my analysis was simply on the basis of past 15 years of zinc pricing and that's about it.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [54]

And I will not be able to comment anything because we cannot -- [I won't] say that this factor is related or not related. It could be cyclic but what is the reason of cycle, I'm also not able to (inaudible). Maybe somewhat (inaudible), maybe possibly, I don't know. We -- I won't be -- we won't be able to comment.

Operator [55]

The next question is from the line of Sanjay Jain from Motilal Oswal Securities.

Sanjay Jain, Motilal Oswal Securities Limited, Research Division - Senior VP of Institutional Research & Metal Analyst [56]

Sir, what is the volumes you're looking at in FY '19 this current year, '18, '19 for zinc, lead and silver?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [57]

So we have given the guidance that the MIC, we are looking higher than last year. It is all -- again, I would like to say that this is 24% rise in volume from underground mine will enable me to deliver the volume of last year. So we have a lot of work to do. But in the current year, we are expecting the volume greater than last year, which was the 947 MIC and metal was 960. And as for the production of MIC, we'll be closely following the metal. On silver, because the contribution from SK is going up, the left production is also going up, our estimate is that silver should lie between 650 to 700 MT.

Sanjay Jain, Motilal Oswal Securities Limited, Research Division - Senior VP of Institutional Research & Metal Analyst [58]

Right. Sir, I mean, okay, you don't want to put number how much more you're going to be low single-digit growth or a high single-digit growth, nothing of -- anymore (inaudible) to this...

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [59]

No, no, I (inaudible)

Sanjay Jain, Motilal Oswal Securities Limited, Research Division - Senior VP of Institutional Research & Metal Analyst [60]

Or is it just a little more than what you did last year?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [61]

Yes, so what I am saying is that I would like to repeat for you that we have to grow at 24% to deliver the last year volume. So in -- apple-to-apple growth will be 24% minimum, minimum. For silver, I said 650 to 700, which is again 558 on last year.

Operator [62]

We'll take our last question from Amit Dixit from Edelweiss.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [63]

It is on depreciation. We heard depreciation going down significantly in this quarter Q-o-Q basis, while some of it might be attributed to your WDV -- where you are -- I mean you're going to WDV method of accounting for depreciation. But as the commission -- I mean, the new equipment is all the depreciation should go up, that is my understanding. So just wanted to, I mean, clarify whether it is correct. Or what kind of quarterly run rate do we expect?

Amitabh Gupta, Hindustan Zinc Limited - CFO [64]

See, you're comparing from the sequentially flat quarter. That comparison would not be correct because that was the last quarter of our open cast operations, and hence, there may be a slightly higher-than-normal depreciation in Q4 of last year because it was the last quarter of open cast. So depreciation run rate should be around INR 400 crores, INR 459 crores last quarter was perhaps an aberration because of open cast.

Operator [65]

Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Preeti Dubey for closing comments. Thank you, and over to you, ma'am.

Preeti Dubey, [66]

Thank you, everyone. And if you have any further questions, please feel free to contact me. Thank you.

Operator [67]

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