"Hindustan Zinc Limited Q4 FY 2016 Earning Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hindustan Zinc Q4 FY-'16 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Ekta Singh, Investor Relations. Thank you and over to you ma'am.

Ekta Singh: Good Morning and Thank You for Joining us at Hindustan Zinc Fourth Quarter and Full Year FY-2016 Results Call. For our call this morning, we have with us Mr. Sunil Duggal -- CEO of Hindustan Zinc and Mr. Amitabh Gupta -- CFO. Mr. Duggal will present an Update on Business Performance while Mr. Gupta will present Financial Performance, after which we will be happy to take your Questions. Over to you, Mr. Duggal.

Sunil Duggal: Thank You, Ekta and A Warm Welcome To All Of You. I am pleased to inform that Hindustan Zinc has achieved new performance benchmarks and paid the highest ever dividend as it turned 50 this year. On 30th March 2016 the Board declared a Special Golden Jubilee Dividend of 1200% or Rs. 24 per share on equity share of Rs.2 each which is the highest single dividend payout by any company in the private sector in India. With this special dividend and the interim dividend declared in October 2015, the total dividend for the year is Rs.27.80 or 1390% for FY-'16 against 220% of last year. Together with the dividend distribution tax, the outflow for FY-'16 was Rs.14,137 crores. While we talk about the future and generating value for shareholders, I am happy to share that the transition to underground mining is going well with 40% of mined metal production in FY-'16 coming from underground mines compared to 28% in FY-'15 as we remain on track for achieving 1.2 mtpa mined metal capacity in the next 3-years. During the year, two of our mines – Sindesar Khurd and Kayad -- ramped up ahead of schedule to reach production capacity of 3 mtpa and 1 mtpa respectively. Both these ramp ups are amongst one of the fastest ramp ups. The ramp up of Rampura Agucha underground mine which has been slower than planned due to difficult geotech conditions has picked up pace this quarter and achieved the highest ever decline development in the month of March crossing over 1400 meters per month. We expect this momentum to continue and lead to higher production from this mine in the current year. During the quarter, ore production at Rampura Agucha underground mine from stopes commenced and Pastefill plant was also commissioned. In the main shaft sinking project we have now shifted the focus to offshore development work after reaching the depth of 860 meters of the plant's ultimate depth of 950 meters. The pit deepening of Rampura Agucha open cast mine of Stage-V, as we refer to, is progressing well and excavation is as per plan. Keeping safety of mine as paramount, we have taken well-defined control measures to improve pit work stability by means of pre-splitting, pre-tension cable bolting and de-pressurization. In addition, we are also carrying out the geotech study by one of the best geotech consultants, Itasca USA to revalidate and optimize the slope design parameters. Whole of the Stage-V would be carried out under real-time monitoring by slope stability radar along with continuous technical guidance of consultants. We are the only mine in India to use such advanced technology. At Sindesar Khurd mine, work for the new 1.5

MTPA capacity mill is at full swing and is expected to be commissioned by end of the financial year. The main shaft has been sunk to its ultimate depth of 1052 meters and off shaft development continues to be ahead of schedule. As many of you would be aware, we received environment clearance of 3.75 mtpa for Sindesar Khurd mine during the quarter. At Zawar mine while we paused to analyze the feasibility of different sections of the projects in the difficult commodity environment, the de-bottlenecking of existing mill is progressing well to increase the mill capacity to 2.7 MTPA and have also continued with the decline development at some of the viable sections.

On our Reserves and Resources: Taking forward our successful track record of adding more to R&R than depletion, our exploration effort resulted in gross addition of 25.3 MT R&R prior to depletion of 10.5 million MT. Total R&R at March 31, 2016 was 389.9 million MT containing 36.1 million MT of lead-zinc metal and 1,007 Moz of silver. Overall mine life continues to be 25+ years.

Coming to the Operational Performance now: The year surpassed all previous records and achieved all-time high mined metal as well as integrated zinc, lead and silver production. At the same time, our focused effort on efficiencies and cost reduction measures continued. Mined metal production during the year was 889 kt marginally higher from a year ago and in line with guidance. During the quarter, we delivered mined metal production of 188 kt, which is 30% lower than record volume of previous year corresponding quarter and 17% lower than Q3 in line with our mine plan. The decrease was on account of lower volume from Rampura Agucha open pit as per the mine plan which was partly offset by record production from all underground mines specially Sindesar Khurd and Kayad mine, also resulting in higher lead and silver volumes. Refined metal production during the year was higher than mined metal production primarily on account of inventory depletion and enhanced smelter efficiencies. Integrated zinc, lead and silver metal production during the year increased by 5%, 33% and 58% respectively from the previous year to reach 759 kt, 140 kt and 422 tonnes respectively, all of which were all time record for us. Refined zinc metal production during the quarter was at 154 kt which is 29% lower y-o-y and 25% lower than Q3, but in line with the mined metal production. Integrated lead and silver metal production during the quarter increased by 16% to 38 kt and 65% to 122 kt respectively compared to corresponding prior quarter primarily due to higher volumes from silver rich Sindesar Khurd mine. Compared to Q3, integrated lead and silver metal production were up 9% and 5% respectively.

On the outlook for FY-'16: We expect the current record mine development momentum from the underground mine project to continue in this year as well and take the share of underground mined metal production from 28% in FY-'15 and 40% in FY-'16 to 60% in FY-'17 demonstrating the prowess of the company's mining professionals in ensuring a smooth transition from primarily an open cast company to an underground mining company. At the same time, our cost of production excluding royalty is expected to remain stable on the back of our efficiency improvement programs and cost reduction initiatives despite additional regulatory levies and lower average grade resulting from change in mining mix. We expect production of mined metal production in FY-'17 to be marginally higher from FY-'16 although there will be quarterly variation due to waste and ore sequence at Rampura Agucha open pit. This is similar to the cyclical variation that we have seen in the past. Ramp up of underground mines will partly offset the same. Production during the second half of the year will be much higher than the first half with the first quarter being lower than Q2. Volumes will go up as the year progresses with about 2/3rd of production planned in H2. Integrated lead and silver metal production in FY-'17 will be higher from FY-'16 while integrated zinc metal production will be at similar levels of FY-'16 due to skewed availability of zinc mined metal.

To give you an update on the market, after 3-years of abnormal market dynamics with surpluses in the concentrate and deficit in the refined market, the dynamics returned to normal in 2015 with deficit in both the concentrate and refined market. Falling inventories to well below the historic average and mine production cut by marginal mine will provide fundamental support to prices. Moreover, global zinc consumption is forecast to grow at a compound average annual rate of 2% to 3% p.a., the relevant indicators per capita zinc consumption and zinc intensity increasing from the current level over the period 2015 to 2020 highlights positive outlook for medium to long term. On domestic front the Indian steel producers are showing signs of resilience on the back of regulatory support from the government, investment in infrastructure and railways as per budget. We expect a growth of around 4% to 5% in Zinc demand in the current year.

Now, our CFO -- Mr. Amitabh Gupta will take you through the Financials in detail.

Amitabh Gupta: Thank you Mr. Duggal and A Very Good Morning To All Of You. Revenues during the quarter were Rs.3,070 crores as compared to Rs.4,073 crores, a year ago. The 25% decline was primarily on account of zinc LME being 19% lower and lower zinc volume partly offset by higher volumes of lead and silver as also rupee depreciation. For the full year revenues were marginally lower at Rs.13,959 crores primarily on account of lower zinc, lead and silver prices and largely offset by high volumes and exchange gains. Zinc premium were also significantly lower during the year. The zinc metal cost of production per tonne before royalty during the quarter was Rs.58,044 or $853 higher by 4% from a year ago in dollar terms and 14% in rupee terms. The increase was due to lower production volumes from Rampura Agucha open cast mine in accordance with the mine plan resulting in lower average grade. Higher mine development further accentuated the cost of production while lower coal and commodity prices benefited it. For the financial year 2016, net zinc metal cost per tonne before royalty was Rs.52,646 or $804 which is 8% lower in dollar term and also marginally lower in rupee terms due to higher volumes of integrated production, better smelter efficiencies, lower coal & commodity cost and partly offset by lower average grades due to change in mining mix and higher mine development.

Looking at the recent commodity price downturn, we have renegotiated several large contracts to optimize our costs. We have also strengthened our supply chain and taken initiatives for resource optimization. We expect these measures to translate into significant saving during the current financial year. As a result of decline in revenue and slight increase in cost of production, EBITDA during the quarter declined by 35% to Rs.1,296 crores. EBITDA for the full year was 11% lower at Rs.6,655 crores. Net profit during the quarter increased by 8% to Rs.2,149 crores as compared to Rs.1,997 crores a year ago. This was helped by a strong mark-to-market gain on our investment portfolio and investment income. Also, the tax rate during the quarter was negative and significantly lower for the year, largely on account of substantial liquidation of investments at quarter end for payment of the large special dividend with corresponding realized profits being set off by carryforward tax losses. Additionally, the higher silver volume in the second half of the year also lowered the tax rate. Finally, LME fall and short fall in anticipated volume in the 4th quarter both reduced the profit in the taxable units thus reducing the tax since we maximized our production from the tax exempt units. For the full year net profit was flat at Rs.8,167 crores. Tax rate for the current year is expected to move out of the teen and be slightly higher than MAT. The Uttarakhand facility will be completing their 100% tax exemption period. With tighter working capital management and lower regulatory outflows during the year, our fourth quarter cash flow was robust; however, this year the CAPEX outflow guidance will be higher at $350 million. Our cash and equivalents as on 31st March 2016 and before the outflow of Rs.12,205 crores of Special Golden Jubilee Dividend including DDT was at Rs.35,235 crores or around $5 billion which is 14% higher than a year ago.

With this I will request Mr. Duggal to sum up today's discussions.

Sunil Duggal: So to sum up, we achieved highest ever mined metal and integrated metal production during the fiscal and expect to surpass this in FY-'17. We are on track to increase our mining capacity to 1.2 mtpa of mined metal with Sindesar Khurd and Kayad mine ramping up ahead of schedule and Rampura Agucha underground project picking up pace significantly. We remain focused on asset optimization and operational efficiencies to maintain our cost leadership. We have been consistently adding to our resource base and continue to maintain mine life of over 25-years.

With this I open the floor for Questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. First question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: What could be the cost for the next year and going forward as we move towards underground mines?

Sunil Duggal: The cost is a myopia actually which keeps varying from a quarter-to-quarter depending on what is the average grade and what is the mine mix and what is the contribution from the open cast mine. When the open cast mine goes deeper naturally the cycle becomes longer in term of the feast or famine. So you will see the overall cost for the year as a whole we were on rupee term marginally lower than the last year. Going forward also we have to keep a track on our efficiencies as the grade go lower. We have also seen in the current year the grade has come lower by around 11-12% because of the overall mine mix. But we also have to be mindful that we produce the number from the various mines as per our plan. So if we go as per the plan for the next year, we feel that in spite of the grade going down and the mine mix changing and the share of the underground going up from 40% to 60%, we feel that the cost will remain stable next year.

Anshuman Atri: The second question is regarding the silver production. Given that SK is being ramped up, so what is the guidance for the next year in terms of silver?

Sunil Duggal: If you see from last year of 266 tonnes of silver from integrated production, this year the integrated production is 422 tonnes and next year also as we are ramping up our SK mine further from 3 MT to 3.75 MT we expect the number to go up in a similar proportion.

Anshuman Atri: What can we expect for a sustainable higher dividend going forward or this is just a one-off the special dividend which we have given?

Amitabh Gupta: The Special Golden Jubilee Dividend, as the name suggests is on account of a very special occasion so it was certainly one time. We do not have a written board approved dividend policy, but going by the past trend generally we have improved our payout ratio year-on-year.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Macquarie. Please go ahead

Sumangal Nevatia: A couple of questions; you said zinc production would be ramped up and skewed to second half of FY'17. Just to understand the seasonality much better; have we reached the bottom of Zinc production in 4Q or 1Q '17 could be much lower than 4Q also?

Sunil Duggal: You see what we have said that it will go as per the mine plan and if you see the Q1 of FY-'17 almost 100% of the production will be coming up from the underground mines while we will be lifting the waste from the open cast and the actual ore from the open cast will start coming in the latter part of the Q2. So if you can see the overall volume could be slightly lower than Q4 because the total volume will be coming up from the underground mines, but as the year progresses, the volume will ramp up, and we have also said that it will be almost in the ratio of 1/3rd to 2/3rd from H1 to H2.

Sumangal Nevatia: Sir, in that case how much concentrated purchase we will have to make for tolling to meet our contract obligations in the first half of FY17?

Sunil Duggal: There is no firm plan as such as of today. As you also see the concentrate market is becoming tight in terms of both TCs and clean concentrate which will be available from the market, but we are keeping an eye and we will see that how many parcels we can get hold of. Although the intention is there, but let us see how it converts into the reality. But, we are committed to take care of our customers by seeing that how the zinc quantities we can tie up with our peers and how we can bring it to serve them.

Sumangal Nevatia: On the tax rate, now it is challenging to project the tax rate because of various incentives and non-taxable income. In FY'17 I recollect we are going out of MAT, but still have a lot of MAT credit left. So, how do we see the effective tax rate in '17 & '18, it will be still close to mid-teens?

Amitabh Gupta: The effective tax rate is the tax rate that is reflected in the profit & loss account which is current tax plus deferred tax and we had clearly guided that the effective tax rate for the coming year will be ahead of MAT.

Sumangal Nevatia: So it will be higher than 20%?

Amitabh Gupta: That is correct.

Sumangal Nevatia: Out of the $1.5 billion CAPEX for the expansion, how much is already spent and what is pending?

Sunil Duggal: We had CAPEX plan of around Rs.9,000 crores for the underground mines, so 50% is already spent.

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

Anuj Singla: You talked about the renegotiation of contracts for bringing down the cost. The benefit of this is already captured in your guidance when you say the cost of production is going to remain stable next year or the renegotiation benefit will be over and above what you have guided for?

Sunil Duggal: It is a combination of that; some of the contracts we have already negotiated, some of the mining contracts which was to deliver higher value have been negotiated, some we are in the process of doing it, so it is a process, but in the current context of the market, we are finding that we are able to do it. We have also adopted clean sheet costing in which we are finding out that how much of the profits these contracts are earning, so based on that we are taking the call that how to negotiate that and we have got a lot of success, because if we have the headwind in terms of the grade, we also find out the opportunity how to cut cost and remain stable.

Anuj Singla: Just to rephrase, our guidance for next year is also contingent upon these benefits from renegotiations flowing through, right, because like you said the underground contribution is going to increase, so there should be a natural increase in cost of production and it is going to be offset by the benefits from these contracts?

Sunil Duggal: Most of the contracts we have negotiated, a larger part we have confidence, and some of the improvement projects are in the pipeline which are going to occur in a month of two. So overall the confidence level is very high that we are going to keep the cost flat next year.

Anuj Singla: Second question is regarding the CAPEX guidance. Earlier, our guidance was we should be doing around 250 million kind of number every year. Now we are guiding for 350 million for the next year. So is there a change in the total CAPEX requirement for the expansion to 1.2 million or it is just distribution of the CAPEX, probably 350…?

Amitabh Gupta: It is just the distribution of the CAPEX in accordance with the plan. We have some, for example, the SK Mill is getting commissioned this year, a lot of equipping of the shafts happen this year, so it is just a skew in the cash flow which was already planned.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: Just to take the prior question forward, you have indicated towards the stable cost of production. Sir, how should one look at it given you have two variables over here shift from open cast to underground? Second is the grade quality is going down. So if one had to understand the CoP better, how should one look at it?

Sunil Duggal: This is what I said that there were margins available and when we adopted clean sheet costing we found that there are opportunities of renegotiating the contract, but at the same time if you also see when we go underground and do the volume like we see we made a jump from 1.9 MT to 3 MT in SK mine and the productivity jumped up so the same equipments and same manpower delivered us 50% more volume and which resulted into the control of the cost. So as we are ramping up, the cost will get controlled because the cost get distributed over the expenses like mine development and other. So this is our calculation that the cost will remain stable because of the internal efficiency parameters and renegotiations of the contract and the present trend of the commodity.

Ritesh Shah: Sir, would it also mean that we are working on enhancing the recovery rates or basically also working on the residue that we probably have at the mines recovering zinc, lead from that?

Sunil Duggal: Yes, we have constantly kept the focus on the recovery improvement and recently we have employed an expat, who is expert in recovery improvement at our Agucha mine, who will look after the recovery improvement opportunities at all our mines. We are also looking at improving our recoveries at smelters like the fumer which was commissioned in the lead plant worked very well and overall the recovery of lead in the Dariba lead plant was more than 98% which is a benchmark figure. Similarly, some of the residuals like ausmelt slag the buried slag which are lying with us, is one of the Waelz Kiln. The entire year we have treated that material and it has also contributed to the top line and the additional volume and in the current year also we have the similar plan. Similarly, we have also talked in the past that we are putting up the fumer project in our Hydro smelters which will further enhance the overall recovery of zinc, lead and silver at our locations.

Ritesh Shah: On the PPM for silver, basically how do you see it going forward for next year and if you could elaborate on how much was average for this year?

Sunil Duggal: Silver PPM from SK mine was a bit more than last year; it was around 116 PPM, it will be slightly more next year, this is what we are looking in because as we are going deeper in the SK mine the grades are becoming better. This is as we had anticipated and this is also contributing to the additional volume of the silver apart from contribution of the additional ore volume from SK the grade is also contributing. So the overall mine mix if we see for the company as a whole has contributed better in term of the silver. That is how the jump in the silver volume has taken place from previous year to the last year.

Ritesh Shah: Sir, in the earlier question you hinted that silver production for next year would have a similar growth as that of this year. So if one just extrapolate the number probably we are looking at around 530-550 tonnes next year.

Sunil Duggal: No, I did not say it will be a similar growth. What I am saying is that the growth will take place similar to what I said the volume which will rise from 3 MT to 3.75 MT in SK and you have to see in a broader framework of the total volume of the ore in the company will go up by how much tonnage. So I can say may be somewhere between 475 to 500 tonnes of silver will be produced in this year.

Ritesh Shah: So globally how many mines incrementally do you see going off the production and helping LME Zinc prices?

Sunil Duggal: I cannot say how many mines as such, but I have information that lot of mines in China which are marginal mines and in other parts of the world also have closed down because they were not having the margin… of course, some of the other mines like Century and our Lisheen mine also closed down.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal. Please go ahead.

Sanjay Jain: Sir, you have been telling that FY17 mine production will be higher than FY16, but can you give more color on what kind of growth you are looking because even 0.1% is also higher and 10% is also higher, it is a wide range left to us to interpret it?

Sunil Duggal: While we are broadly saying it will be higher and this actually means that it will not be a double-digit, it will be a single digit only.

Sanjay Jain: In the last quarter you told that a couple of projects you have put on hold because of the lower zinc prices. Is there any update on those projects?

Sunil Duggal: I think you are talking about Zawar and RD projects. If we see in the current context both these mines are making money and we said at that time that we have given a pause and we are looking at piece-by-piece because if you look at Zawar group of mines there are four mines and four mines have the different grades and four mines have the different depth also. So there we have seen that some of the projects are making sense and we are going ahead with the development work in those mines like Balaria and Baroi. Similarly, we have also said in our talk track that we are going ahead with the expansion de-bottlenecking of the mill wherein we will be able to treat the increased quantity which will be coming from these mines.

Sanjay Jain: So that 1.2 million tonnes production target that you had spoken, so this definitely toned down now, is it not?

Sunil Duggal: No, it is not toned down, we will be achieving 1.2 million in the next 3-years.

Sanjay Jain: Despite pause in the mines that you talked about?

Sunil Duggal: No, if you actually see the contribution from Zawar was not a very high figure, but now with the R&R also giving us confidence that we are finding better and the higher grade below the current ore body, it also excites us that how we have to go right with some of these mines, but we have also seen that SK mine and Kayad mine have ramped up ahead of schedule. So with this overall scheme of the thing remains same and we will be ramping up this to 1.2 MT in the next 3-years.

Sanjay Jain: It is really good that the paid out such a handsome dividend this year, it was quite a pleasant surprise. What I am actually wondering is that we still are sitting with huge amount of cash pile despite the fact that we have paid out a big dividend this year. So my question is that how are we looking at utilization of these funds?

Amitabh Gupta: So some of it we are looking at bidding at several auctions that are coming up and as the new auction policy of the government is opening up we will look aggressively at more auctions including some more minerals as well and decision on dividend is of course the board decision.

Sanjay Jain: That is what I wanted to understand, how board is looking at. Basically keep sitting with cash which yields lower than cost of equity, it basically translates into destruction of equity value over a period of time, we have been sitting on this cash pile for a very long period of time, this year was it like really good pleasant surprise that you distributed big dividend, but perhaps were more because of the financial stress at the parent level, so it was forced perhaps not by choice, that is what my interpretation. But, what is the thought process, like why do you with the board you must be discussing, the question is raised frequently by the investors, what is the board's response to this question?

Amitabh Gupta: I do not think the Special Dividend was forced by one shareholder alone, both the government also was quite keen to get a special dividend and shareholders had been making request for a long time specially because it was a Golden Jubilee, this was perhaps the appropriate time. I think your question would be more appropriate to be asked at the Vedanta's analyst call.

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

Amit Dixit: I have two questions; one is what is the guidance on the employee cost going ahead? We have seen it has been falling, in fact, this quarter it fell quite significantly as compared to the last quarter. Second question is how much additional liability the company expects on account of renewable power obligations?

Amitabh Gupta: Renewable power obligation is on a recurring basis roughly about Rs.70-odd-crores per annum is the number which is factored into our cost for the current year as well as for the guidance in the next year. Employee benefits I think perhaps you are vitiated by some of the earlier numbers where we for example in the same quarter last year we had Rs.260 crores of employee benefits but remember in that there was about Rs.64 crores of long-term settlement which was factored on a one-time basis. I would expect it to be in the region of Rs.210 to 220 crores per quarter.

Moderator: Thank you. The next question is from the line of Abhishek Poddar from Kotak Securities. Please go ahead.

Abhishek Poddar: Two questions; first is given the stage of mine expansion in the progress you have made, do you think that some protection can come in FY'19 as well or how should we expect the growth towards from 0.9 to 1.2 million tonnes pan out? The second one is regarding the FY'17 production. You mentioned that in second half you will be doing around two-third of the production and that is more to do with RA open cast coming back. So until what period that RA open cast would last and would it be still producing in FY'18?

Sunil Duggal: I will come to your second question first in relation to the RA open pit. We have informed earlier also that we will be going for a Stage-V and we also mentioned in talk track the progress is going well. So we have decided to deepen the pit from 370 to 420 meters, that means taking out additional volume of around 4 MT from the open pit. This is to de-risk our plan for going underground in which we found that there was a difficult ground condition and it took us time to get hold off how to develop at a pace and a rate which will be able to take us to the required production from underground. I am happy to tell you that the meterage development in the first six months to the next six months it has become double. So the desire is fulfilled now or rather better than the expected level of the mine development in the underground. So that is why we are confident that the next year we will be able to produce the planned volume from the underground. As far as the open cast is concerned, we had a cut-IV and this volume which will be coming in the second half of the year which will be coming from cut-IV, after depleting the volume from the cut-IV, another cycle would be there of femine and then the feast will come, and that will be the last feast from the open pit. It will be somewhere in '19.

Abhishek Poddar: The cut that you will start in second half, would that last for next two or three years?

Amitabh Gupta: No, it is not for two or three years, it will come for one year in which it will deliver the production, in between period of around 12-months would be there which will be excavating the waste and then the ore will come.

Abhishek Poddar: So that will be more like FY'18 when your open cast production will not be much?

Sunil Duggal: In the latter half it will come.

Amitabh Gupta: By which time the underground mines will kick in at a much faster pace.

Sunil Duggal: In the overall scheme of things we made and modified in such a manner that the flow of material to ramp up the overall production to 1.2 mt will continue and remain intact.

Abhishek Poddar: So should we expect any growth towards 1.2 in FY'19 or it will be moved towards FY'20 that we should expect a growth?

Sunil Duggal: We said about three years; in FY'20 we will achieve that.

Moderator: Thank you. The next question is from the line of Ravi Shankar from Credit Suisse. Please go ahead.

Ravi Shankar: Just of the 350 million CAPEX for this year, is it all mine development or is some also taking care of the debottlenecking for smelting capacity because that is where the utilization levels are really high we have a total capacity of around 823 kt?

Amitabh Gupta: No, our guidance remains at 225 to 250 per year, it is only this particular year that the guidance is slightly higher, this comprises of all; the mine development, the new mills, everything, sustaining CAPEX, the works.

Ravi Shankar: But anything on the smelting front as well?

Sunil Duggal: Some debottlenecking work is going on in the smelter this year.

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

Pallav Agrawal: Sir, just wanted your outlook on the sustainability of the recent bounce back in commodity prices. We have seen a sharp bounce back across both ferrous and non-ferrous metals. So, do you think there is further steam left or we will see a period of consolidation in the prices going ahead?

Amitabh Gupta: At least in zinc, we can say with some degree of confidence that we are fairly optimistic that zinc prices have bottomed out and the trajectory will only be upwards looking at the fundamentals of demand and supply.

Pallav Agrawal: Another question was on the lead premiums. So if I work backwards from sales realization, so the lead premium seem to have significantly improved this quarter. So, is this something that can sustain or this could be a temporary thing for this quarter?

Amitabh Gupta: There is a higher uptake in zinc premium relative to lead premium. Lead premium may not rise much but certainly we expect an uptake in zinc premium.

Moderator: Thank you. The next question is from the line of Inderjit Agarwal from Goldman Sachs. Please go ahead.

Naveen: This is Naveen here. I just wanted to pick on one point you said that part of the cash pile that you have, you have designated for auctions and it could be used for non-mineral auctions as well. So when we say the other minerals, are we just looking at feedstock like coal or are we also looking at entering into completely new areas apart from zinc and lead?

Sunil Duggal: Maybe rock phosphate, maybe some other base metals, but not gold at this point of time.

Moderator: Thank you. The next question is from the line of Rajesh Lachani from HSBC. Please go ahead.

Rajesh Lachani: My question is, the target of 1.2 MT contingent of the zinc price scenario, so if the zinc price is higher, is that when we are looking for 1.2 MT or is it irrespective of the zinc prices?

Sunil Duggal: This has got no relation with the zinc prices for our company as such. We sometimes looked at the piece of Zawar now because of the different sense. But we also knew that what will be the contribution from our other mines which was better than expected. So we have got nothing to do with zinc prices. We are on PAT because we are a lower cost company and our margins are intact and our margins are going to be robust even at a lower zinc prices. Looking at that, we will not be driven by the zinc prices and our plant will be producing 1.2 MT in the next three years.

Moderator: Thank you. Ladies and Gentlemen, that was the last question we took today. If it is I would now like to hand over the floor to Ekta Singh for closing comments. Over to you, ma'am.

Ekta Singh: Thank you for joining us on the call today. If you have any further questions, please feel free to reach out to me.

Moderator: Thank you very much, ma'am. Ladies and Gentlemen, on behalf of Hindustan Zinc that concludes this conference call. Thank you for joining us and you may now disconnect your lines.