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* Amit A. Dixit

* Pinakin M. Parekh

Ladies and gentlemen, good day, and welcome to the Hindustan Zinc Limited Q4 FY '18 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.

Good evening, everyone, and thank you for joining us today for Hindustan Zinc's Fourth Quarter Fiscal 2018 Earnings Call. Today, we have with us: Mr. Sunil Duggal, CEO; and Mr. Amitabh Gupta, CFO. Mr. Duggal will present an update on business performance, and Mr. Gupta will take you through financial performance, after which we'll be happy to take your questions. Over to you, Mr. Duggal.

Thank you, Preeti, and a warm welcome to all of you. The financial year 2018 was a landmark year with strong performance from underground mines, a testimonial to 6 years of effort towards building a sustainable business, capable of delivering superior business performance. The fourth quarter marks the completion of operation at Rampura Agucha open cast, which delivered its last ore in March. Over a period of 27 years, it has produced around 79 million tonnes of ore and scaled new heights being rated as the largest zinc mine in the world. We are proud of the seamless and one of the most successful transition globally from a predominantly open cast operations to a fully underground mining company now. During the year, we produced 947 kt of mined metal, driven by 27% increase in ore production from underground lines. We continued our robust performance, producing 960 kt of zinc and lead metal and 558 tonnes of silver, delivering growth of 18% and 23%, respectively, and within guidance provided at the beginning of the year. All of our underground mines are ramping up nicely, and we are targeting another record year of production in FY 2019, in line with our expectation of delivering 1.2 million tonnes a year in the financial year 2020.

Our strategy here is to grow our output to 1.5 million tonnes per annum and our silver portfolio to 1,500 tonnes. To achieve this vision, we have been evaluating our next phase of growth from 1.2 million tonnes per annum to 1.5 million tonnes per annum of mined metal. I am pleased to announce that today the Board has approved the Phase 1 of expansion, which will increase the mined metal and smelting capacity from 1.2 million tonnes per annum to 1.3 mtpa over a period of 3 years at a CapEx of approximately INR 4,500 crores. Phase 1 will be done concurrently with the ongoing mining expansion, which is now at its final stages, as you know. It will add additional ore capacity of 0.5 million tonnes per annum each at Rampura Agucha, Sindesar Khurd and Rajpura Dariba mines, while capacity of that mine will be increased by 1.2 million tonnes per annum. Total ore production capacity will increase from 17.7 million tonnes or mined metal of 1.2 mtpa in fiscal year 2020 to 20.4 million tonnes ore production capacity, capable of delivering 1.35 mtpa of mined metal in 3 years, while silver production capacity will double from the current year -- from the current level. This will also involve setting up of new hydro smelter of 240 ktpa capacity. A salient feature of this next phase of expansion will be the use of technology to increase productivity, efficiency and safety. Technology is the key enabler in increasing capacities at all ore mines. We are deploying a [top-cut] machine and that leads 24/7 mining to increase production arcs and fleet availability. Our mines will be digitalized for centralized monitoring and control to maximize equipment effectiveness and improve safety. These metals, along with other -- some initiatives like protective maintenance, will create capabilities for cost optimization in the future. In short, our mines will be smart, connected, intelligent, which will be safer and more productive.

Now on the zinc market. Zinc was the leading performer on LME last fiscal year with prices up 31%. Zinc market is tight and will remain so for the next 5 years. Metal inventories have reached multiyear lows of -- with exchange stocks at 6 days of consumption, whereas normal levels are 20 days of consumption. It will take additional metal production of a 1.5 million tonnes over and above growth anticipated from new supplies, which is about 1 million tonnes, to reach to a normal inventory level in the market. 6 days of inventory is an imbalanced condition, which is evident in market dynamics. Negotiation between mines and smelters are indicating a 12% to 15% fall in benchmark PCs in 2018. Spot PCs have remained subdued last quarter in the rate of \$10 to \$30. These are historical lows and signal an extremely tight upstream market.

Regarding the global [mill] market imbalance. Zinc demand remains robust in the last 5 years, and it is anticipated that the global demand will surpass the supply in 2018 and 2019 also. To be precise, the global demand for refined zinc is forecasted to rise by 2.5% to 14 million tonnes, and supply is forecasted to increase by 5% to 13.6 million tonnes. I would like to emphasize the zinc market is highly sensitive to timing of new supplies and stable operations. The realistic forecasts of growth in supplies, both from mines and smelter is not enough to match the growth in demand and replenish inventories to normal levels for stable market. This, in my opinion, will take another 5 years. Until then, market will remain tight and prices will remain strong.

Key achievements during the quarter. I am pleased to inform that Hindustan Zinc's silver refinery at Pantnagar metal plant has been added to London Bullion Market Association London Good Delivery List effective 16th April 2018. The list now includes 69 gold and 52 silver refineries and 1 of the 3 silver refineries in India. We have received [in what will be earned this year] our expansion of ore production at Kayad, from 1 million to 1.2 million tonnes per annum. Rampura Agucha and Rajpura Dariba mines have achieved 5-star ratings from India Bureau of Mines.

Update on operating performance now. We achieved mine metal production of 255 kt during the quarter, which is higher by 6% from the last quarter, but down 18% from last year.

Production during the quarter and year was lower at Rampura Agucha open cast, which was largely offset by higher production from underground mines. The year-on-year comparison was impacted by decline in overall grades due to mining mix. Mined metal production for the year was 947 kt, and this is up 4% from a year ago, driven primarily by higher production from underground mines. The quarter saw the highest-ever production of lead and silver metal, which was driven by higher feeds and smelter efficiency. Lead production was 50 kt while silver was 170 tonnes. Zinc metal production during the quarter was 206 kt, in line with the availability of mined metal. For the full year, we set new records for zinc, lead and silver metal production, which were higher by 18%, 21% and 23%, respectively, in line with uniform flow of mined metal during the year and enhanced smelter efficiency. In FY 2019, we will maintain our momentum in stand-alone mine production and expect both the mined metal and refined zinc lead production to surpass the levels set in FY 2018 despite no production from open cast mine. Silver production is expected to be in the range of 650 to 700 tonnes.

Now an update on the progress of expansion projects during the year. Capital mine development increased by 65% to over 28 kilometers during the year. I am pleased to report that underground production in Rampura Agucha achieved an ore production run rate of 3 million tonnes per annum in quarter 4. The main shaft, high-speed and south ventilation shaft system was commissioned during the year, while [all] shaft development is on track. Production from main shaft is expected to start, as per plan, from Q3 FY 2019. Sindesar Khurd mine achieved a run rate of 5 million tonnes per annum during quarter 4 and is gearing up for 6 million tonnes per annum production, subject to regulatory approvals. Main shaft was equipped during that year, and production from this shaft is expected to start in Q3 FY 2019. Similar structure erection for the new mill is ongoing, and expected to be commissioned in Q2 FY 2019, as our mine development and production capacity has been ramped up to 36 kilometers and 3 mtpa in quarter 4. During the year, the new multiyear declines was connected to production levels, enhancing its hauling capacity and mill was debottlenecked to 2.7 mtpa. Sewage construction was, for the new mill, is progressing well and is expected to be commissioned by Q4 2019. Pursuant to the ET approval for Kayar mine from 1 million to 1.2 million tonnes per annum, I am pleased to report that Kayar is now operating at its rated capacity of 1.2 mtpa. There are a few more projects at [karmidia] is progressing as [for to do] and is expected to be commissioned in mid-FY 2019.

Now a little update on results and resources. We want each of our [affected matrixes] its mine life of more than 35 years. The explorations that we -- if we manage to achieve this objective, into a major brownfield focus on upgrading R&R in and around our existing deposits, plus executing programs focused on new opportunities, within our licensed areas. During the year, we added 19.5 million tonnes to R&R prior to completion of 12.5 million tonnes. The total R&R now stands at more than [4] 11.3 million tonnes with zinc, lead metal content of 35.7 million tonnes and silver content of 1 billion ounces.

Now I will request Mr. Amitabh Gupta to take you through the financials.

Amitabh Gupta, Hindustan Zinc Limited - CFO [4]

Good evening to all. The revenues during the quarter were INR 6,277 crore, an increase of 6% quarter-on-quarter and flat Y-o-Y. The Y-o-Y flat performance was due to higher lead and silver volume and strong zinc and lead LME, being offset by: one, lower zinc volumes and rupee appreciation; two, unlike in Q4 of previous year, we did not sell any mined metal this time; and three, the forward sale of zinc and lead metal impacted revenue by INR 335 crore.

For the current quarter, 17 kt zinc and 15 kt lead is hedged at \$3,076 and \$2,374, respectively. There is no other forward sale position.

Zinc COP came off from the elevated levels seen in Q3, declining by 10% to INR 59,569 or \$925 on account of higher metal production as well as improvement in overall grades and higher percentage of linkage coal. COP was however, higher from a year ago level as commodity prices, primarily imported coal and diesel, continue to remain high. In addition, lower overall grade due to mine mix, increased costs even as metal production was flat.

EBITDA for the quarter was INR 3,660 crore, up 12% Q-o-Q and down 3% Y-o-Y. Net profit for the quarter was INR 2,505 crores, up 9% Q-o-Q and down 18% Y-o-Y. In addition to higher depreciation and tax rate, net profit was impacted by a onetime exceptional loss of INR 51 crores, related to gratuity provision for earlier years as for the fee enhancement announced recently by the government. For the full year, revenues were up by 28%, driven primarily by higher metal volumes and prices, partly offset by rupee appreciation. Despite the strong increase in metal production, zinc COP increased during the year by 14% to INR 63,583 or \$1,976 due to substantial increase in prices of imported coal, met coke and diesel as well as lower ore grades. During the year, there was a 38% increase in imported coal and met coke prices and about 15% increase in diesel prices.

The full year EBITDA increased by 28% to a record INR 12,376, while net profit was up by 12% to a record INR 9,276 crores on the back of higher revenue. Investment income during the year declined on account of lower rate of return, resulting from a broader decline in interest rates as well as lower investment focus on account of special dividend payment.

Net profit was also impacted by onetime exceptional gain of INR 291 crores in Q2 related to the Supreme Court's favorable judgment on BMF levies, which was reduced by INR 51 crores onetime [provision progressively].

With effect from April 1, 2017, the company has changed its depreciation and amortization methodology, resulting in a lower charge for the quarter and the full year by INR 110 crores and INR 321 crores, respectively. During the year, we announced 2 interim dividends of INR 2 per share, or 100% dividend in October, and INR 6 per share, or 300% dividend in March 2018. Recently, a total outflow of INR 4,068, including dividend distribution tax. In view of the second dividend, the Board has not recommended a final dividend.

Our gross investments were at INR 20,395 at the end of the year, invested in high-quality debt instruments. On the outlook for COP, the COP before royalty is projected to be in the range of \$950 to \$975 per metric tonne in FY 2019, while we expect it to finish lower in Q4, then to push up, start delivering production. Tax rate is expected to trend up to mid-20. Consequence of the change in

depreciation method, quarterly depreciation is expected to be in the range of INR 350 crores to INR 400 crores in the near term. The project CapEx on mining and smelter expenses is expected to be about \$400 million in FY 2019, inclusive of the just-announced next phase of expansion.

I will now request Mr. Duggal to please sum up today's discussion.

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

So thanks, Amitabh. And to sum up, I am excited about our next phase of expansion to 1.35 mtpa of mined metal. (inaudible) best-in-class technology for high production (inaudible). We are bullish on zinc prices, supported by strong fundamentals of steady demand, tight mine supply, fall in defined metals stocks. We are expecting another year of record production FY 2019 and are on track for 1.2 mtpa capacity. And with this, I open the floor for questions.

Questions and Answers

Operator [1]

(Operator Instructions) We have the first question from the line of Pinakin Parekh from JPMorgan.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [2]

My first question is on the cost of production, the \$925 per tonne that we have reported for this quarter. Is this after excluding the old regime after the silver by-product credits? Right, sir?

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

We don't account for silver by-product credits in our COP. We have never done this, and within our cost structure, we never give the credit of silver by-product.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [4]

Sure, sir. So certain guidance for the COP that we have for the full year, sort of the, what kind of underlying crude or coal prices does it assume? Does it assume a pull back? Or does it assume the current crisis to sustain, sir?

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

Quite clear, we have taken the following consideration that the current prices. Plus, we have also assumed that there'll be a usage of 40% to 45% of the domestic coal, which is a combination of the linkage we have and the auction we have won. But we also have the opportunity of going forward, winning some of the more auction coal in the next [stetch]. The average price, which we have assumed for working out the cost is around \$55.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [6]

Understood. And for -- secondly, the expansion that has been announced, the Phase 1 from 1.2 million to 1.35 million tonnes at a CapEx of INR 4,500 crores, the company has given a very detailed breakdown of what exactly this CapEx is [embedded with that]. Now the 3-year time period, sir, would essentially -- or should we assume on these projects, come to in production by FY '21 and FY '22? Or is this 3 years after the approval, after the receipt of EC approval?

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

No, no, no. You have already discerned that this is a concurrent project. So then this is a concurrent project, there is the expansion or the debottlenecking coming up in all of the mines through the technology and automation interventions. Along with that, some of the [fayfilling] and some of the key enablers are also required. So this, we will be concurrently doing this year and the next year, and that is why we have all the projects approved at this point of time so that all expense could be taken. So we are -- this is about 3 years' time from today. So after 3 years, it will start delivering 1.35 million tonnes. It is also not only a project of 1.35 million tonnes. This will also take us to the journey of delivering 1,500 tonnes of silver going forward, because at some point of time, when we had spoken that, we are capable of delivering 1,000 tonnes of silver, like you know, in the current 3-year plan, we have made a plan of 650 to 700 tonnes. But along with that, some of the other recovery projects and additional volumes from the [saloric] mines, which will be coming up this year and the next year. So as a part of 1.2 million tonnes, we are hopeful of getting around 1,000 tonnes of silver. But going forward, with the 1.35 million tonnes, when more technology and the exploration efforts are there. So along with that, some of the recovery improvement initiatives also there. So it will also drive us to the journey of 1,500 tonnes of silver going forward.

Operator [8]

The next question is from Anuj Singla from Bank of America.

Anuj Singla, BofA Merrill Lynch, Research Division - VP in Equity Research [9]

First question, I missed out on the forward sales provision which you referred to. Can you please give me the quantum and the pricing of that?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [10]

So what we said was, that as far as sales is concerned, the forward sale impacted us -- revenue this quarter by INR 335 crores. And for the current quarter, we just have the tail end of the forward provisions left, which is about 70,000 zinc and 15 kt lead. So total of 55 kt is still remaining open for Q1, that is this quarter, current quarter, at a price of \$3,076 for zinc and \$2,374 for lead, which is fairly close to current market.

Anuj Singla, BofA Merrill Lynch, Research Division - VP in Equity Research [11]

Okay, okay. Wonderful, sir. And sir, secondly, on the dividend payout. I mean, we have been looking for probably something -- even if not in the payout ratio, not at [caution] but a certain level, we were expecting the dividend to be the same versus the last year, given the strong operating cash flow the company is generating. I know you have announced a new CapEx plan. But even if you account for that, I think the free cash position will be in excess of \$1 billion every year. So just to get the sense on that, what kind of dividend payout should we expect in there going forward? Is this a payout ratio we should be expecting will sustain, on an ongoing basis? Or what have seen in FY '18 then, should we be expecting the same thing in FY '19 and '20 as well?

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

Obviously the Board matter, and we can hardly comment on what we'll discuss in the -- what we will discuss with the Board and what will be the views of the Board members. So this -- I am nobody to comment on this question. But our dividend policy does not change, which basically is to predict a minimum payout of 30%, over and above that, with no upward ceiling. Over and above that, we have nobody to comment. So we have the common director, we have one independent director, from the Board. It is a Board matter. I will not be able to comment at this point of time on this.

Operator [13]

The next question is from Amit Dixit from Edelweiss.

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

2 questions. One is that, as far as the production is concerned, why you have you said the overall production would remain slightly higher than the current year? And as I see the bulk of the shaft, for example, they're going to start in Q3 FY '19. So is it fair to assume that the production would be significantly back-ended in FY '19?

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

Oh, it is not so significantly back-ended, but we have a desire to produce around 1.2 million tonnes under it in some quarter, as I said, on year. So maybe in the quarter 4. So it is not a back-ended plan, I would say. It is more as even planned as it was this year.

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

Okay. So basically, what you are saying is that 1.2 million tonnes, because, you have already, you have produced 947 kt. And if we are going to 1.2 mt by FY '20, so FY '20 should be significantly above FY '19. Is it -- my understanding clear or, I mean...

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

No, no, you are absolutely right. The point is that, whatever we have produced last year in -- from 947 kt, so it was a share of the open cast, if that we are able to fill. That is also a larger number, fill it. Along with that, if we grow from there, as all of you know, that we have been growing at a [crazy] around 39% to 40%. And this year, how much of the underground growth was there on site? By 26% for the year. [And above all] and for MIT it was almost 50%. So 50% of the MYC, removed this year, from the number we had the earlier year. So this year, again, this is the last year we have to replace the tonnage of the open cast with the underground. So with the 50%-plus growth this year and [it will take] off how much was the underground MYC last year? 141? Something like that.

Amitabh Gupta, Hindustan Zinc Limited - CFO [18]

Yes, yes.

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

Around 70% (inaudible) So basically, from 947 to reduce open cast, which was about 230 to 234, so 740, maybe 714. And with our record of 39% (inaudible) at year end, 32% this year, you can assume difficult next year. So much -- again, this was done even without commissioning of third shaft and with some of the key events. So with the significant, big events, which are happening in Q3, Q4 next year, so this will liberate the mine from the production, so definitely, and that will be a step down which will be coming.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [20]

Great, sir. The second question is on grade of zinc and lead. What were the grades we achieved in this quarter?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [21]

I have the grades for the year, just a moment. Just give me half a minute. I'll come back to you -- while we move on to the next question.

Amitabh Gupta, Hindustan Zinc Limited - CFO [22]

8.4% was the grade this quarter. Just a moment. (inaudible) grade, yes. It was around 9% this quarter -- 8% this quarter.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [23]

8% for zinc?

Amitabh Gupta, Hindustan Zinc Limited - CFO [24]

8%, the total grade.

Operator [25]

(Operator Instructions)

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [26]

So meanwhile, the answer to that question is that, the ore grade for this year -- this quarter, was 8.74%. That includes both zinc and lead, the total grade.

Operator [27]

The next question is from the line of Saumil Mehta from BNP Paribas.

Saumil Mehta, BNPP Asset Management India Private Ltd - Research Analyst of Equities [28]

So my first question is on, do we have a bond-hedging policy in mine, like what we did in Q4? Or that was a one-off because of -- given our bullish stance on LME prices? Should we assume we will not hedge a material production going forward, even if zinc prices continue to remain strong?

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

No, we do not have a policy of hedging, and we have never hedged. This was one-off [bonds was taken], and we have not thought, and we have no intention to hedge going forward at any point in time.

Saumil Mehta, BNPP Asset Management India Private Ltd - Research Analyst of Equities [30]

Okay. So hypothetically, what if zinc prices touch like 3,500, which was the case, and there the hedge come up of rupees, assuming that scenario stands repeated, we will maintain a policy of not hedging. Is that a fair assumption?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [31]

We will not hedge. We have no thought and we have no thought and we have no intention to hedge going forward.

Saumil Mehta, BNPP Asset Management India Private Ltd - Research Analyst of Equities [32]

Sure, sure. And so my second question is with respect to our silver production of touching about 1,000 tonnes. Is that on 1.2 or at 1.35?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [33]

More it is on 1.2.

Saumil Mehta, BNPP Asset Management India Private Ltd - Research Analyst of Equities [34]

It is on 1.2. And going forward to 1.5, that number can be significantly higher to even closer to 1,500?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [35]

So that's what we are saying, that we will be able to take around 1.5 million tonnes. Of course, it depends on that, how much of the additional ore we will be able to take from [eskee] mine, but we broaden the model, 1,500 tonnes from a production of 1.5 million tonnes going forward.

Saumil Mehta, BNPP Asset Management India Private Ltd - Research Analyst of Equities [36]

And subsequent to that, since we have guidance to 1.2 and some of the production now coming from shaft in FY '19 and '20, should we assume we attached the peak cost, and cost should subside

meaningfully over the next 2 years from now?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [37]

That's a reasonable assumption.

Amitabh Gupta, Hindustan Zinc Limited - CFO [38]

I think so, because you see, when we fall in (inaudible) that optimize (inaudible) than if you've got the digitalization and the utilization our (inaudible) ability of the machines because of the technology interventions you do. So all these measures are there to make the company smart and make the company more productive going forward. So all -- I mean, if you ask me, the expansion from 1.2 million to 1.35 million tonnes, it's coming more from digitalization and debottlenecking activities, which will enable us to make our cost more smarter and bring down the cost. But apart from that, there are a few other parts also going on internally. And it is a part of our program that what will be the structural initiatives, which will we take on, for swinging the smelting cost also down, like our pyro smelter, which is, which has a delta of \$200 off the additional cost from Hydro. We are thinking of converting it into the lead. We have the lead part, can come down, and we put up a Hydro smelter for the capacity, which we will lose now, which we'll lose from pyro and whatever the additional contribution of mined metal is there to convert that, so the (inaudible). Some of these structural initiatives can also bring our cost down. So the active focus is at how to shift the cost or bring down the cost by around \$150 or so in the next 3 years' time, by all these efforts.

Operator [39]

Next question is from the line of [varman jidah] from [NR] holdings.

Unidentified Analyst, [40]

Sir, if I heard correctly, is there a -- you said that you can deliver mined metal at a run rate of 1.2 million tonnes on any quarterly basis in FY '20? Or actually, we have at capacity to deliver entire or almost 95% of 1.2 million tonnes in FY '20?

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

So we build up the capacity, build up the capacity in quarter 4, by quarter 4 to deliver 1.2 million tonnes. And from thereon, we start delivering, depending on the utilization of cost. But in our case, (inaudible) the utilization has been consistently quite good. So I think, from FY '20, we will have a bench capacity of 1.2 million tonnes. And more or less, we should be able to deliver that.

Unidentified Analyst, [42]

So FY '20 will be a big growth number as compared to FY '19 or FY '18?

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

Absolutely. Because then, we don't have to replace the open cast, whatever the volume we have now, and we have been losing, we have been combat-ready. Just elaborating on that, our underground production in '17, '18 was 724 kt. So if we do more than 947 of this year, that itself is a very significant growth. So what we're trying to say that, exclude the open cast.

Unidentified Analyst, [44]

Understood, sir. I was coming to that question on it. So you said that the underground mine production in this year of 724 out of 947?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [45]

That's correct.

Unidentified Analyst, [46]

And What is your estimate percentage for FY '19?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [47]

So that's what we said. We intend to produce more than the figures we did (inaudible) this year. So if I can do the math, you can do the math.

Unidentified Analyst, [48]

Okay, okay. And the last question. Eventually, when would open cast run out? Or there will be some open cast even at the run rate of 1.2 or 1.3 or 1.5?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [49]

There is no open cast. Open cast is gone.

Unidentified Analyst, [50]

Okay. So -- and that would be underground, going forward?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [51]

Now, open cast is completely closed. And the last tonne of the ore was -- came out in the month of March. And there was only truncated production compared to the (inaudible) quarters from open cast in quarter 4.

Operator [52]

Next, we have Ritesh Shah from Investec Capital.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [53]

So my first question is, when we have given that guidance of 1.35 million tonnes, factoring 20.4 million tonnes of ore production. So the first question is, does it capture the full-blown capacity of the vertical shafts that we will have up and running next year?

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

Yes, that is correct. So that is correct. That it, consider the full-blown capacity of the shaft between the commission next year. And along with that, we have captured not only the utilization hours in the mining space, have not, like processed plants, and -- but we also benchmarked on that [mine in the world]. We have been working our staff much higher than what we have getting because the traveling time of the people going down and start operating the mine. Now with the technology intervention, what we will do is that we will put the autonomous machines so that the working of the mine does not stop. And for your information and for the information of everyone, we have already piloted that in SK mine and you all are invited to have a look at this pilot where we have been able to improve the utilization, improve the working hours and improve the productivity and the availability of these machines in the SK mine. So we have decided to replicate that model across. And eventually, this will help us to debottleneck the mine with the same resource.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [55]

So the reason why I asked this is because the target EC for SK, what we were looking at, 8 million tonnes, and for [zavolo] also at 8 million tonnes and the math, what we have done for 20.4 million tonnes. It improved 6.5 and 5.7, respectively. So is it like the incremental EC for SK on one action potential of the mine, we won't be able to realize the current vertical shafts? Or is there some sort of debottlenecking in the shaft itself, which can take this number 1.3 to 1.5 plus?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [56]

Yes, so for -- EC is not a problem for us. You see, we have been getting EC multiple times for SK mine and the other mines. Now the 6 million tonnes we see in the final stage, I think we should be able to get enough in a week's time or so. So the EC is on the ground. The main problem is that how shall -- how quickly -- how efficiently we are able to debottleneck our mines. So I have already given you some of the charts, that the -- by improving the digitalization and debottlenecking the existing (inaudible) we have, we can expect the (inaudible)

Ritesh Shah, Investec Bank plc, Research Division - Analyst [57]

Okay, and so is it fair to conclude we can do 2.5 if we have to assume 8 million tonnes easy for SK and (inaudible)

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [58]

(inaudible) but the toll, also as to -- you are to also take the opinion of the, some of the mining consultants from the work, which we have been able to get some help from them like Australian mining consultant and (inaudible). So there are a lot of good mining consultants. They had to study that how the turnaround of the mine can take place. So definitely you accept the idea, you simply (inaudible), accept that they bring with you. So depending on what's (inaudible) of the mine can be corrected. It of course depends on how confident is the rock and how -- what feeling must we have for the mine design we have, but there is a limit up to which we can work. But although it has also been an evolving subject for all of us, and we have been developing our parts and debottlenecking our (inaudible).

Ritesh Shah, Investec Bank plc, Research Division - Analyst [59]

That helps. Sir, 2 more questions. One is, any update on SK North, SK South and Baghmara gold mine?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [60]

I will not be able to comment at this point of time in the call. Baghmara is a Vedanta Resource ore body. And here, on the SK North and SK South, broadly, I would say that we are proceeding legally from the networking with the various stakeholders. But I think the, from my own viewpoint, I can say some of the exciting events also will be visible, but we will report to you again, appropriate time.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [61]

Okay, as my last question, if I may squeeze in. Sir, we have given guidance for next year as basically slightly better on MICas compared to this year. Sir, why is it so, because we have vertical shafts, which are coming up in Q3? Shouldn't it be the numbers significantly higher than this fiscal? Or is it we are expecting some dipping issues, and we are adjusting conservative on the guidance?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [62]

No, no, no. So I think I will reiterate, you take out the open cast number from the current year, you arrive at 724. From 724, if we do exactly what we did last year, which I'm sure we'll do better, but 724 to 950. Is it fairly significant growth? It's 30%-plus growth.

Amitabh Gupta, Hindustan Zinc Limited - CFO [63]

But as you said, you are saying that we are committing the chart in quarter 3. So shall we get commissioned by the end of quarter 3? (inaudible). You also have a stabilization period. It's not like you give a (inaudible) and the plant becomes up and running. So the chart will get stabilized in the quarter 4. Hence, the volumes will get delivered in the next year, which will be significantly higher.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [64]

Okay, the last question. Will you be able to give similar volumes numbers for FY '19, given the incremental production will be more from SK endeavors. So is that number which will compensate for [I don't know what I might see]. Or what one can basically look at it from a year-on-year basis?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [65]

FY '19, you are talking? We are already doing items that will -- the silver number will be 650 to 700 tonnes.

Operator [66]

Next question is from Abhijit Mitra from ICICI Securities.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [67]

So since the presentation in Feb, there seems to be both a surprise in the short-term silver production guidance, which is seen in Q4, as well as the longer-term guidance, which was linked to zinc lead production. So earlier, I -- we believe that it was 800 tonnes at one point to when the -- going up to 1,000 tonnes at 1.5, was what was communicated in February. So any particular reason for both these 2 surprises coming through both in Q4 as well as the thing of guidance over like the longer-term horizon. What is causing it? Is it, that we have hit the higher patch scenario or is it something else?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [68]

No, actually, you yourself said that we already surprised you, and it is not a surprise now, anymore. It must be at confidence that we are able to deliver on 170 tonnes of silver in quarter 4. Going forward, the expectation could also be better. But to give you the same confidence that the SK has now, as we are going (inaudible), we are getting access to the hybrids now. And because of the higher grade (inaudible) contribution in (inaudible) and the ramping-up of SK mine, we are able to ramp up at the same pace the a lot of volume growth of silver will come through that. But along with that, there are a host of recovery improvement initiatives which are coming. Some of the projects are in the process of getting commissioned at Rampura Aguicha. We have traditionally, our silver recovery has been low. Now going forward, we have the silver recovery becomes better at Rampura Aguicha, except to the silver-rich ore body in SK mine and the (inaudible) projects, which gives us silver at 121 tonnes going forward. But the combination of that, what we have targeted that we should be able to touch 1,000 tonnes of silver in the next 2 years' time and complete the expected 1.2 million tonnes. And over and above that, from 1.35 million to 1.5 million tonnes, there is naturally a potential of 1,500 tonnes of silver.

Operator [69]

Next question is from the line of Abhishek Poddar from Kotak Securities.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [70]

I have just one question on the environment clearance. A part of 1.2 mtpa expansion there, all easy save for that SK mine, 6 mtpa, if you can just spoke about are in place?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [71]

Yes, so the 6 million tonnes, (inaudible) received, and about (inaudible) everything is done, the public hearing was over much before the presentation is over, the minutes are uploaded. So the final signing of the file from the minister is pending. And then which of the -- have the approval for (inaudible) and the RP mine approval is also expected in the next few days. But for RP mines, which in the first place, we have taken for 1.5 million tonnes. But in the second phase, we have taken for 2 million tonnes. We are preparing ourselves for public hearing and the environment clearance in the current year. So that will be the final approval which will be required for 1.2 million tonnes. But that is only for the 20% approval in (inaudible). It goes to 1.1 million tonnes. And we have taken a volume of 1.5 million tonnes and 1.2 million tonnes from RP mine. So it's only 0.4 million tonnes of the ore production balance is pending. But we have been getting mining clearances. We have a full year in front of us. So I think the approval will be in place in quarter 3 or so. Just 1 approval, that is also a (inaudible) we have today.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [72]

Sure. So the way we understand it, for 1.2 million mtpa, you will be producing close to 4.5 million tonnes from Rampura Agucha and 6 from SK mine. And Zawar would be 4 or 4.5 million tonnes is that correct?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [73]

Yes, 4 million tonnes Zawar, and 1.5 million tonnes RP.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [74]

Okay. And so even though Zawar will be if he has been received for?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [75]

Yes, yes, absolutely.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [76]

So the second question regarding the cost of production. You mentioned in the opening remarks that production costs will fall in fourth quarter when the shaft is commissioned. And you have given a full year guidance. So what kind of a cost decline should we expect in fourth quarter? And then on FY '20, should we expect that same run rate to take place?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [77]

We don't give quarter by quarter guidance. We have given the full year guidance. Now that assumes a current commodity environment, which is a fairly high-priced environment. We are hoping that the prices, commodity prices, should only come down, so it could only be better. But they could certainly, in the fourth quarter, we should see at least \$30, \$40 -- \$30 reduction is not -- I would not be surprised.

Amitabh Gupta, Hindustan Zinc Limited - CFO [78]

It will all depend on how the shaft will stabilize. In the quarter 3, we commissioned the shaft. Quarter 4, (inaudible) stabilized (inaudible), the shaft, (inaudible) then the work can also flow in.

Abhishek Poddar, Kotak Securities Limited, Research Division - Research Analyst [79]

Than that is the cost (inaudible) that you'd expect to take place in FY '20 as well?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [80]

That's correct. Yes.

Amitabh Gupta, Hindustan Zinc Limited - CFO [81]

Because by that time some of the (inaudible) and efforts will also materialize. So it should be lower in the next financial year. Hopefully, it should be lower for the whole year.

Operator [82]

The next question is from Ashish Kejriwal from IDFC Securities.

Ashish Kejriwal, IDFC Securities Limited, Research Division - Research Analyst [83]

The guidance that you have given for mined metal production, which is you are saying expect it to be slightly higher on an absolute basis, which means roughly around 1 million tonnes you're talking about. Is it evenly distributed throughout the quarter? Or will it be second half of the (inaudible), because at the same time, you are seeing that 1.2 million tonnes run-rate will be achieved (inaudible) out of fourth quarter?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [84]

So our only business plan is in the ratio of around 45, 55 in S1 and S2.

Ashish Kejriwal, IDFC Securities Limited, Research Division - Research Analyst [85]

Okay. So sir, because when we are talking about slight increase, that means for 1.2 million tonnes run rate, are we fairly confident that even in FY '20 we'll achieve 1.2 million tonne? Because in FY '19 earlier, we were looking at something more than 1 million tonne?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-Time Director [86]

No, we should be (inaudible). At least our production capacity should be 1.2 million tonnes in FY '20.

Ashish Kejriwal, IDFC Securities Limited, Research Division - Research Analyst [87]

Okay. Production capacity is 1.2 million tonnes at the end of the year. It's fair enough, sir.

Operator [88]

Thanks very much. Due to time constraints, we will take that as the last question. I would now like to hand the conference back to Ms. Preeti Dubey for closing comments.

Preeti Dubey, [89]

Thank you, everyone, for joining us today. If you have any further questions, please feel free to contact Investor Relations. Thank you.

Operator [90]

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