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* Amit A. Dixit

* Pinakin M. Parekh

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

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

Thank you, Aman. Good afternoon, and thank you for joining us for Hindustan Zinc Second 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. 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. I am delighted to announce that Hindustan Zinc was ranked first in environment category globally by the Dow Jones Sustainability World Index in the Metals & Mining sector. We were also ranked fifth in overall sustainability in the sector amongst 58 global metals and mining majors. Sustainability has always been our core value, which is why we have integrated the best global environment practices in our operations. That significant improvement in ranking from previous year was made possible by several new initiatives and disclosures, including Life Cycle Assessment using the approach of cradle to grave for zinc, lead and silver; stakeholder and customer perception surveys; ex-transparency reporting; commitment to reduce greenhouse gas emissions under science-based targets; participation in Climate Change and Water CDP program among others. There are various other initiatives in the pipeline, and we will continue to take more actions to make our environment practices more robust going forward. We are happy to be recognized with this ranking in DJSI World, a testimony to our commitment towards zero harm to the environment.

I am also happy to note that the board has approved 1,000% special interim dividend or INR 20 per share on equity share of [INR 2] , which will result in total outflow of INR 10,188 crore including dividend distribution tax and is reflective of the company's optimism in the accelerating production from underground mines.

I would also like to inform that we have received environment clearance from MoEF for 20% expansion of ore production at Rajpura Dariba mine and regulatory approval for further expansion to 2 million tonne is under process and is expected by this year-end.

Now update on zinc markets. Global demand supply for zinc has been volatile recently, primarily driven by the rapidly evolving trade dispute between the U.S. and China. According to Wood Mackenzie, Chinese metal output for 2018 has been forecasted to 5.45 million tonne, which is 9% reduction from previous year, primarily due to ongoing environment crackdown in China. As a consequence and despite mine supply steadily improving, the metal market continues to tighten and refined zinc stocks remain at low level. Global zinc consumption is forecast to grow from 14.2 million tonne in 2017 to 13 million tonne in 2020 with higher growth in emerging markets and even higher in India. The global refined market is forecasted to remain deficit, providing fundamental support to pricing in [the short] 2 million tonne.

Update on operating performance. MIC production was up 6% Y-o-Y to 232 kt, driven by (technical difficulty)

in March 2018 caused total MIC production to decline 2% Y-o-Y.

Integrated metal production was 212 kt during the quarter, flat sequentially, down 7% from a year ago. The gap between MIC production and metal production was on account of temporary mismatch in MIC availability due to low beginning inventory and higher mine production in the second half of the quarter. Consequently, zinc metal production declined 5% sequentially

and 16% Y-o-Y to 162 kt. The situation was quite reversed in the case of integrated lead production, which jumped by 17% sequentially and 30% Y-o-Y to 49 kt. Integrated silver production was in line with higher lead production and better silver grades from Sindesar Khurd mine, and they record 70 -- 172 metric tonne, up 20% -- 25% sequentially and 23% Y-o-Y.

Integrated zinc, lead metal production for H1 was 425 kt, down 7% Y-o-Y, in line with availability of MIC while silver production was 310 tonnes, up 22% Y-o-Y on account of metal grade and higher lead productions.

We will continue to maintain our momentum in underground mine production, which we expect to increase progressively every quarter. We are confident of delivering our guidance of [overall] higher MIC than last year. Metal production will keep pace with MIC production, and silver production will be in the range of 650 tonnes to 700 tonnes as guided earlier. We expect our global silver ranking to move up 2 notches, [which end] by the end of this year.

Now a brief on progress of expansion projects during the year. I am pleased to report that our mining projects are progressing in line with expectation of reaching 1.2 mtpa of MIC capacity next year.

Rampura Agucha underground mine continued to maintain a high total development rate of 5.3 kilometers during the quarter. It is gratifying to note that mined metal production increased by 94% Y-o-Y and 35% sequentially to 96 kt.

Midshaft loading system was commissioned at the end of the quarter. We are now hoisting waste through the shaft and will facilitate higher volume until the shaft is fully commissioned.

North side of mine ventilation was liberated with the commissioning of north ventilation shaft. Off shaft development is on track and commercial production from main shaft is expected to start from quarter 4 FY 2019.

Sindesar Khurd mine achieved 5.2 kilometer total development during the quarter. The production shaft work is progressing well with [winders commissioned in manual mode] and material hoisting from shaft is expected to start in the current quarter. The new 1.5 mtpa mill is expected to be commissioned in the current quarter, but as we speak, our trials have started and we are expecting the production in the next month.

At Zawar, civil and [erection] work of the 2 mtpa mills is on track and expecting to commission by quarter 4 FY 2019. The ground improvement work of dry tailing plant commenced in Q3 and expected to be commissioned by quarter 1 FY 2020.

The Fumer project at Chanderiya is expected to commission in the current quarter. So we are also planning for the next phase of expansion to 1.35 mtpa as we reported earlier.

Now Mr. Amitabh Gupta will take you through the financials in detail. Mr. Gupta?

Amitabh Gupta, Hindustan Zinc Limited - CFO [4]

Good afternoon to all. Revenue from operations during the quarter was INR 4,777 crores, a decrease of 10% Y-o-Y and sequentially, primarily due to lower metal prices and lower zinc metal volume, partly offset by higher lead and silver volumes and rupee depreciation. For the 6-month period, revenues were marginally higher by 2% Y-o-Y on account of higher lead and silver volumes, zinc LME and rupee depreciation, offset by lower zinc volume.

The cost of production before royalty for zinc during the quarter was \$1,034 or INR 72,449, up 5% Y-o-Y and 14% in rupees and down 1% in USD and up 4% in INR compared to previous quarter. For the 6-month period, COP was higher by 6%, 13% in rupees, at \$1,039, which is INR 71,211. The Y-o-Y increases were primarily on account of lower volume, higher mine development, steep increase in commodity prices, especially coal and diesel, and long-term rate settlement with our labor unions, partly this was offset by higher asset credits. COP in rupees was further hurt by rupee depreciation.

Against our linkages entitlement of over 40%, we continue to get in single-digit only due to lower allocation to captive [power plants] and evacuation issues.

The resulted EBITDA for the quarter was INR 2,315 crore, down 24% Y-o-Y and down 17% sequentially. YTD EBITDA decreased by 7% Y-o-Y to INR 5,100 crore.

Net profit for the quarter was INR 1,815 crores, down 30% Y-o-Y and 5% sequentially. While for YTD, net profit was down by 17% Y-o-Y to INR 3,733 crores.

Depreciation was higher, largely due to a 33% increase in underground ore production, resulting in higher amortization. The 2.9% reduction in YTD tax rate was on account of a fall in credit income due to spike in interest rates, higher COP on account of [severely] high commodity prices and lower [LME] .

Our [draft] investments were at INR 23,304 crores at the end of the quarter invested in high-quality debt instruments.

From an outlook perspective, project CapEx is expected to be in the range of \$400 million to \$450 million this year as guided. We expect COP to reduce to \$950 to \$975 in the second half of the year on the back of increasing volumes and shaft commissioning, partially offset by continued high level of commodity prices, lower [linkage] coal availability and long-term wage settlement.

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

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

Well, to sum up, outlook for zinc continues to remain robust on the back of low inventory levels and tightness in the fine metal production. We expect significant increase in volume in H2 and COP to reduce and are confident of making our guidance. Our mining projects are ramping up as per expectations, and we are on track to achieve MIC capacity of 1.2 mtpa next year.

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Questions and Answers

Operator [1]

The first question is from the line of Pinakin Parekh from JPMorgan.

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

So my first question is on the cost of production. If I look at the rupee cost of production in the first half was INR 71,201. And if I were to use the foreign exchange rate of basically INR 73.5, it works out to \$969.70 per tonne. So I'm just trying to understand, sir, is there going to be a

(technical difficulty) [

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

] In coal, and so I believe the coal prices might have peaked out and our linkage volume will so far remain in single-digit is likely to get us [far in] the coming quarters. That's our belief. So that would certainly help. So these are the 2 areas. And third, as Rampura Agucha ramps up consistently, the grade total TMC should improve, and that also gives us a leg up in terms of cost reduction.

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

Sure, sir. And just 2 more additional questions. One quickly, sir, given that there was a mismatch between mined metal and refine integrated, was there any concentrate sales incurred in this quarter?

Hello?

Operator [5]

Hello? Yes.

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

Hello?

Operator [7]

Hello? Yes, ladies and gentlemen, it seems that the line for the management have been disconnected.

(technical difficulty)

Ladies and gentlemen, we request that you stay connected, it seems the line for the management have been dropped. Kindly stay connected while we reconnect them. Thank you.

Ladies and gentlemen, apologies for the inconvenience. We have the management line connected. Over to you, sir, and please go ahead.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [8]

Our apologies. We got disconnected, actually. So we were talking about rupee costs. So I think the broad answer I had given, I don't know what point I was cut off, but basically

(technical difficulty)

Have you sold concentrate in this quarter given there was a mismatch?

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

No. So it is there in the system, which is why we are very optimistic on Q3 volumes.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [10]

Sure, sir. And lastly, this is a question we are getting from investors is that Hindustan Zinc has a very large net cash balance sheet and it does invest in listed, unlisted corporate bonds and given what's happening. Sir, can you give us some sense of your treasury portfolio? It is something which investors would like some more clarity on.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [11]

So we monitor our portfolio very, very carefully. We do a weekly review of our portfolio with the help of CRISIL. So we have retained them for a very, very regular and frequent review of our portfolios. So I'm glad to inform we don't have any of the so-called suspect investments in our treasury portfolio. Our treasury -- our portfolio of INR 23,000 crore is very substantially invested in 2 or 3 areas. One is on S&P's, and we ensure that the underlying portfolio is at all times at least AA+, and we do a constant review. So S&P is one. There are some short-term income funds as well. We have tax-free bonds, AAA tax-free bonds and we have zero-coupon bonds, all AAA, AA+, maybe 1 or 2 AA+, but virtually all AAA. So happy to tell you that none of our investments are currently impacted by the ongoing NBFC crisis.

Operator [12]

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

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [13]

A couple of questions. One is on the exit rate of mined metal production in Q2. What was the exit rate in -- of mined metal production in Q2? And how much is it expected for Q3 and Q4?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [14]

Sure. The exit rate, that means the quarter 2, the volume was 230 -- 232. So it is about 930kt rate. And going forward, we expect that the -- in quarter -- in H2, we are expecting around 500-plus kt at least. So that will be total volume of underground will cross 1 million tonne run rate steadily from quarter 3 to quarter 4. So quarter 4 will be higher, but the -- it will be definitely more than 232, which is the current quarter volume.

Amitabh Gupta, Hindustan Zinc Limited - CFO [15]

September exit rate, September month was about 245 quarterly run rate on September.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [16]

No that is, which is the yearly run rate of...

Preeti Dubey, Hindustan Zinc Limited - Head of IR [17]

990.

Amitabh Gupta, Hindustan Zinc Limited - CFO [18]

Yes.

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

990.

Preeti Dubey, Hindustan Zinc Limited - Head of IR [20]

980.

Amitabh Gupta, Hindustan Zinc Limited - CFO [21]

Yes.

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

980.

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

Okay, sure. So can we expect that the, I mean, exit rate in Q4, that would be March, would be around about or in excess of 1 million tonnes?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [24]

No, definitely. Definitely it will be more than 1 million tonne. Our endeavor is to go as close to 1.2 million tonne as possible so that we set a strong foundation for the next year.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [25]

Sir, a follow-up question on this. You state that mined metal capacity would go up to 1.2 million tonnes by FY '20. Is it fair to assume that the mined metal production would also go to the same amount? Or is it just the capacity we are talking about?

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

No, you see there is always a capacity utilization of any facility we have. So currently also, we have had the 1 million tonne capacity and our metal used to vary from 90% to 95% somewhere. So it all, I mean, depends on how good we are able to perform in that particular year. So 1.2 million will be the capacity. That means our mines are -- will be prepared to deliver 1.2 million tonne, but there could be capacity utilization here and there. So that is why I said that in the month of March, we -- our endeavor is to go as close to 1.2 million as possible. But my one expectation should be -- that it should be at least 1.1 million tonnes next year, actual volume.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [27]

Great, sir. The second question is like my usual one on grades of zinc and lead in this quarter.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [28]

So the grade in this quarter was 7.8% lead and zinc together. So this was the overall grade.

Amit A. Dixit, Edelweiss Securities Ltd., Research Division - Financial Analyst [29]

Okay. And is it possible to specify for Rampura Agucha or, I mean, 7.8% is their average grade that you would want to disclose?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [30]

No. Actually, let me correct. The actual grade was 7.6%, not 7.8%. So it was a combination diluted average of all the mines together. But as the volume from Rampura Agucha ramps up, which is around 13% to 14% overall grade, the weighted average grade goes up. So coming quarters, we are expecting that the volume from Rampura Agucha should ramp up.

Operator [31]

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

Ritesh Shah, Investec Bank plc, Research Division - Analyst [32]

Sir, firstly, if you could please dissect the \$400 million to \$450 million of CapEx? And are we looking to invest anything into the value chain, specifically when we are looking at the CapEx going forward?

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

Value chain means you are saying value-added products?

Ritesh Shah, Investec Bank plc, Research Division - Analyst [34]

Yes, sir.

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

So value-added products, we have been putting up the capacity steadily in the last few quarters in terms of making jumbos, making CDG. Now we have started making the alloy, which is used for making di-cut alloys and convert it to the auto parts or the accessories. So these are some of the alloys capacity, which we are adding up. We have just commissioned the last 2 quarters our alloy capacity, and we are steadily stabilizing it and getting the confidence of the market as we have to give a lot of quality assurance. And they also do a lot of the inspection in Nordic for our plant going forward. But the -- our share of value-added product going forward is going up.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [36]

Right. And Sunil, specifically referring to any plans to set up a fertilizer plant or anything going forward that we have or...

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

We have been evaluating. The environment clearance, we will get in the next 1 or 2 quarter. Our public hearing is due in the month of December. And in the meantime, we are trying to prepare ourselves. We are talking to the vendors. The EPC contract talks are going on. We are preparing ourselves.

Amitabh Gupta, Hindustan Zinc Limited - CFO [38]

But to your answer to your question about \$400 million to \$450 million, almost \$400 million of that would be related to the mining CapEx. And balance project CapEx would relate to some of the other initiatives, like we have a few more ongoing, we have some solar energy coming up, we have silver capacity we are running out of in Pantnagar, we have some smelter

debottlenecking going on. So all those put together, some innovation and digitization CapEx, all those put together, we estimate that the overall project CapEx for the year would be \$400 million to \$450 million.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [39]

Right. Amitabh, so just a follow-up to this fertilizer plant thing, we've -- it seems like we are in advanced stages when we are speaking with vendors over here. So sir, how should one look at the return ratio profile and -- as compared to our core business of mining and smelting? So does it deviate from the ROC profile? How should one look at it? So is it something like on the byproduct [great] side, which makes it more lucrative?

Amitabh Gupta, Hindustan Zinc Limited - CFO [40]

No, we are working on all these numbers. I cannot divulge the number at this point of time, but I will broadly explain you the advantage we are going to have. It will make our -- the operation more robust because there have been few instances because of the [issue of evacuation] , with a plant that stopped. And every start and stop of the plant not only damages the plant, it also incurs costs because we have to heat up and cool down your plant. So this is one. The -- another area where we can have is that the local rock we use, the third thing is that the local -- the areas within Rajasthan are deficit of DAP, so -- which is the soil is more suitable for use of DAP. So the consumption center will be not very far off. The other advantages are the gypsum generation, which could be 99% purity and [higher impure] gypsum which is being imported at a higher cost

(technical difficulty)

Not yet approached our board for approval.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [41]

Okay. That helps. So my second question is we were exploring other ore bodies. I think there was some particular interest going on at SK North, SK South and specifically the Baghmara gold mine. So if you can please highlight something on these 3 variables, that would be quite useful.

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [42]

[No] . On SK North and SK South, there are little legal conflicts

(technical difficulty)

[to sink our shaft] , and we have to work at that level. No other mining company other than us can work at that level because the infrastructure installation, like shaft sinking and other infrastructure will take

(technical difficulty)

And we may start some exploration work on that [resource] soon.

Amitabh Gupta, Hindustan Zinc Limited - CFO [43]

On -- one other thing, I just want to tell you that the value-added product percentage from quarter 1 of 11% has jumped to 15% in quarter 2. And quarter-on-quarter, the value-added product percentage of our total portfolio will keep jumping.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [44]

That helps. Sir, my last question, basically in the second half, the volume [have] created to maintain our guidance. It's pretty steep. Sir, where do we see the incremental output? Like is it around [underground] shaft? Or is it the SK shaft? Could you please help with some volume trajectory to help understand that it will be quite useful?

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

Oh, I think it is not very large. If we are at a run rate of 232 and we compare it with the growth we have been getting quarter-on-quarter, if we add that natural growth from quarter 3 to quarter 4, the -- it is not a very tall number. We -- if we look at MIC, especially from last year, MIC of 950 kt and quarter 1, quarter 2 is 444. We only have to produce at a run rate of 250 kt in both this quarter. So our guidance is not very far out from what we are talking. And from 232 level of the current quarter, it's a natural progression to 250, which is not a very big number.

Ritesh Shah, Investec Bank plc, Research Division - Analyst [46]

So how should one look at the refined metal number actually, the actual sales of zinc plus lead?

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

It is very clear that we will do more than last year. And last year, I think we did 960. So we are headed towards that number.

Operator [48]

The next question is from the line of Anshuman Atri from Premji Invest.

Anshuman Atri, [49]

So my next question is regarding the various licenses we had, the prospective ones. Sir, what kind of progress has -- where averaged stage it is after the MMDR rule has been passed? And we have not seen many auctions coming up. So say, in the Rajasthan, if you want to extend it further to 1.35 million, will we need to [get more years] ? Or the existing one will be sufficient to go to 1.35 million?

Sunil Duggal, Hindustan Zinc Limited - CEO & Whole-time Director [50]

Look, for 1.35 million, we are looking only at our brownfield resources. So from 1.2 million, 1.25 million tonnes of MIC to 1.35 million, we are looking at by digitizing our mines, improving our efficiencies. And this is basically will give us a 10% of improvement. So this is basically a brownfield expansion to 1.35 million. But beyond 1.35 million, we may have to have some new licenses. So there are various licenses, as you know, which are progressing. And the -- although you know the progress of approval is a bit slow in the current context, but in some of these states also we have heard that the progress is taking place. So I think maybe the after -- incremental output is a matter of time. But after the Lok Sabha election, the government will be motivated to push this sector forward because I know most of you must also be reading the books of NITI Aayog what is the major factor responsible for the difference in our exchange. And it is said that about 4 lakh crore or \$200 billion, I think, \$200 billion, the deficit is there only because of the natural resources import [will] . But I think the government is quite excited, which we are hearing from this corridor than in various corners that the government wants to push the exploration. The government wants to push mining

(technical difficulty)

because of the full cost. So raising the linkage, sulfuric acid realization if we put [out] the fertilizer fund

(technical difficulty)

But -- and going forward, also what will come, what will not come, it is only the dividend policy, only I can speak about what it is.

Anshuman Atri, [51]

And sir, the other question that I have is basically if you see -- although the mined metal production is down just 2% Y-o-Y for the first half, the refined metal production is down significantly. And to have a better refined metal than the previous year, we'll have to ramp up the production significantly. And I just want to understand, do we have the refined capacity to

(technical difficulty)

[better] or we exclusively process lead. So this experiment

(technical difficulty)

other debottlenecking initiatives, which have been taken. So the -- steadily, the smelting capacity is going up. So I think with all these measures and the steady flow of the concentrate, we'll be able to produce the number we are talking.

Anshuman Atri, [52]

Okay. So you remain quite confident on your refined metal production also. You'll be meeting the guidance. Okay. And one more question on the tax. Sir, the standard effective tax rate has been quite low, just want to understand the reasons for that.

Amitabh Gupta, Hindustan Zinc Limited - CFO [53]

So what happened is that 2, 3 factors

(technical difficulty)

Income in the first half of the year has been fairly low because of what is happening in the interest markets. And treasury, as you know, treasury income is largely tax-exempt income. So when treasury income falls as a proportion to the total mix, the

tax rate reduces. So -- and the third is the enemy has fallen sharply. So these 2, 3 factors impacted the tax rate. And the tax rate should be, as I've always maintained, seen on a YTD basis, 2.9% reduction on a YTD basis is the reduction because of the 3 factors I explained.

Operator [54]

The next question is from the line of Abhijit Mitra from ICICI Securities.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [55]

I have 2 quick questions on costs. You mentioned 2/3 of your cost is commodity or currency-linked. You referred to the number of \$1,040 or \$1,035 ex-royalty. That figure, when you mentioned 2/3 of that cost, should we take 2/3 of that \$1,035 as the commodity and canceling cost? Is that the right understanding?

Amitabh Gupta, Hindustan Zinc Limited - CFO [56]

Yes. So 60% to 65% -- 60% to 70% -- 60% to 65% would be currency-linked.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [57]

Currency and commodity-linked, right?

Amitabh Gupta, Hindustan Zinc Limited - CFO [58]

Yes, of course. But I'm talking specifically currency.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [59]

Okay, okay, okay. So the MoEF, also -- so why I was asking the MoEF cost, it's on \$750 2 years back to now a guided \$975. It's \$225 more. How much of it is currency and commodity-linked? And how much of it is on account of move towards underground mining, if I need to understand that? So what would be your broad assessment, as in -- if the entire...

Amitabh Gupta, Hindustan Zinc Limited - CFO [60]

Sorry, I missed the \$225.

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

He said that what percentage is attributed increase in cost of sale \$200. How much it is -- what percentage is attributed to the commodity cost increase? How much is attributed to the underground cost? [

Amitabh Gupta, Hindustan Zinc Limited - CFO [62]

] So some costs, I would say that it is not only 2 heads. The third thing also is the long-term settlement also we have signed with the union. So that can only be [recovered to] the efficiency improvement going forward.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [63]

Right, right, right. Yes, I was expecting that. So last quarter, you mentioned around \$33, which was on account of this wage resettlement?

Amitabh Gupta, Hindustan Zinc Limited - CFO [64]

\$33 was incremental, but the total cost is about \$40, \$40.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [65]

\$40. Now so that was my second question, actually. So when you reported last quarter cost, you said that \$33 was supposed to be on account of past provisions, right? So it was supposed to go off in this quarter. But when I see your other expenses, because other expenses had \$1 billion of additional provision on account of that, if I remember. But that is not declining in this quarter. I'm guessing some other costs would have filled its place.

Amitabh Gupta, Hindustan Zinc Limited - CFO [66]

No, no. What we said was \$33 will be the incremental cost for LTS going forward, and it was clearly an incremental cost. There is also an arrears cost, which is a onetime cost, which was taken outside of COP. So that was another \$87. That was a onetime cost. But the \$33, incremental, or \$39 total, is a permanent cost.

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

Okay, okay. So this other expense of \$1 billion put in other expense on account of arrears. It was not considered in COP and...

Amitabh Gupta, Hindustan Zinc Limited - CFO [68]

Because it was for the prior years. Right.

Abhijit Mitra, ICICI Securities Limited, Research Division - VP of Metals, Mining and Defence [69]

Right. But that would reduce this quarter's other expense, right, on a sequential basis. We don't see that happening. I mean, is there some other incidents which has come up? Or how to look at it? I'm just curious.

Amitabh Gupta, Hindustan Zinc Limited - CFO [70]

It's -- the volumes impact will also be there. So it's -- that the LTS cost is a recurring cost. So the impact -- as the volume goes up, the impact of the \$33 or \$39 will keep coming down.

Operator [71]

The next question is from the line of

(technical difficulty)

And the rupee certainly depreciate 10% overnight. So the next day, this would get reflected in my selling price. That's right. It's an immediate impact in the [sale] price. Okay, now let me -- or you were talking the rupee depreciation. Okay, okay, okay. Thank you.

Operator [72]

Thank you. Ladies and gentlemen, due to time constraints, that would be the last question. I now hand over the conference over to Ms. Preeti Dubey for closing remarks. Thank you, and over to you, Ma'am.

Preeti Dubey, Hindustan Zinc Limited - Head of IR [73]

Thank you, Aman. Anyone who have further questions can contact me, Investor Relations. Thank you so much.

Operator [74]

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.