

Hindustan Zinc Limited

Results for the Fourth Quarter and Full Year Ended March 31, 2019

*“Record underground mine production;
Highest ever silver & lead production”*

FY Highlights

- Underground mined metal production at 936kt, up 29%; total mined metal production down only 1% despite closure of open-cast operations
- Record refined lead metal production at 198kt, up 18%
- Record silver production at 679 MT, up 22%

Q4 Highlights

- Underground mined metal production at 245kt, up 24% y-o-y; total mined metal production down 4% y-o-y
- Refined lead metal production at 52kt, up 6% y-o-y
- Record silver production at 191 MT, up 13% y-o-y

Mumbai, May 2, 2019: Hindustan Zinc Limited today announced its results for the fourth quarter and full year ended March 31, 2019.

Mrs. Kiran Agarwal, Chairman –

“I am delighted to join the Board of Hindustan Zinc and take forward the Company’s vision to become the largest and most admired zinc-lead and silver producer globally. The financial year 2019 was a landmark year as we achieved an exit run-rate of over a million MT per annum entirely from underground operations, even after planned closure of open-cast operation. As we complete our mine expansion programme to deliver 1.2 million MT per annum capacity this year, we will further strengthen our market position and cost leadership.”

Financial Summary

Particulars	Q4			Q3		FY		
	2019	2018	Change	2018	Change	2019	2018	Change
Sales¹								
Zinc	3,689	4,561	-19%	3,841	-4%	14,475	16,347	-11%
Lead	809	867	-7%	826	-2%	3,159	2,824	12%
Silver	745	637	17%	677	10%	2,568	2,113	22%
Others	248	212	17%	196	27%	916	798	15%
Total	5,491	6,277	-13%	5,540	-1%	21,118	22,082	-4%
EBITDA	2,797	3,653	-23%	2,851	-2%	10,747	12,373	-13%
Profit After Taxes	2,012	2,505	-20%	2,211	-9%	7,956	9,276	-14%
Earnings per Share	4.76	5.93	-20%	5.23	-9%	18.83	21.95	-14%
(Rs., not annualised)								
Mined Metal Production ('000 MT)	245	255	-4%	247	-1%	936	947	-1%
Refined Metal Production ('000 MT)								
Total Refined Metal								
Zinc	175	206	-15%	188	-7%	696	791	-12%
Saleable Lead ²	53	50	6%	54	-3%	198	168	18%
Zinc & Lead	227	256	-11%	242	-6%	894	960	-7%
Saleable Silver ^{3,4} (in MT)	191	170	13%	178	8%	679	558	22%
Wind Power (in million units)	77	58	33%	48	60%	449	414	8%
Zinc CoP without Royalty (Rs. / MT)	69,545	59,569	17%	71,855	-3%	71,003	63,234	12%
Zinc CoP without Royalty (\$ / MT)	987	925	7%	997	-1%	1016	976	4%
Zinc LME (\$ / MT)	2,702	3,421	-21%	2,631	3%	2,743	3,057	-10%
Lead LME (\$ / MT)	2,036	2,523	-19%	1,964	4%	2,121	2,379	-11%
Silver LBMA (\$ / oz.)	15.6	16.8	-7%	14.5	7%	15.4	16.9	-9%
USD-INR (average)	70.49	64.31	10%	72.11	-2%	69.89	64.45	8%

(1) Including other operating income

(2) Excluding captive consumption of 1,403 MT in Q4 FY2019 vs 1,570 MT in Q4 FY2018 and 1,554 MT in Q3 FY2019, and 6,534 MT in FY2019 vs. 6,946 MT in FY2018

(3) Excluding captive consumption of 7.5 MT in Q4 FY2019 vs. 8.2 MT in Q4 FY2018 and 8.1 MT in Q3 FY2019, and 34.2 MT in FY2019 vs. 36.4 MT in FY2018

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

(5) Numbers may not add up due to rounding off.

Operational Performance

Mined metal production from underground mines in Q4 was 245kt, up 24% y-o-y on account of higher ore production driven by strong growth at Rampura Agucha, Sindesar Khurd & Rajpura Dariba mines; production was flat sequentially. Total mined metal production was down 4% y-o-y on account of closure of open-cast operations in March 2018.

For the full year, mined metal production from underground mines was 936kt, 29% higher from a year ago on account of 27% higher ore production and better grades, even as the closure of open-cast operations caused total mined metal production to decline by 1% y-o-y.

Integrated metal production in Q4 was 227kt, down 6% sequentially and 11% from a year ago, on account of lower mined metal output in first half of the quarter. Integrated zinc production was 175kt, down 7% sequentially and 15% y-o-y on account of lower mine output. Integrated lead production was down by 3% sequentially and up 6% y-o-y to 53kt in line with mined metal availability and a higher lead ratio in the ore. Integrated silver production was a record 191 MT, up 8% sequentially and 13% y-o-y in line with lead production and conversion of WIP.

For the full year, integrated metal production was 894kt, down 7% y-o-y. Zinc production at 696kt was lower by 12% y-o-y due to lower zinc mined metal availability during the year as underground mines ramped up to make up for the closure of open-cast operation and a higher lead ratio in the ore. Integrated lead and silver production were at record 198kt and 679 MT, higher by 18% y-o-y and 22% y-o-y respectively driven by higher lead mined metal production, retrofitting of pyro metallurgical smelter in Q2 to produce more lead in line with higher lead mined metal availability and better silver grades.

Financial Performance

Revenue from operations including other operating income during the quarter was Rs. 5,491 Crore, flat sequentially primarily due to higher metal prices and scrap sales, offset by lower metal volume and rupee appreciation. Revenues were lower by 13% from a year ago on account of lower metal prices and zinc volume, partly offset by higher lead & silver volume and rupee depreciation.

For the full year, revenue from operations including other operating income was Rs 21,118 Crore, down 4% y-o-y driven by higher lead & silver volumes and rupee depreciation, offset by lower metal prices and zinc volume.

Zinc cost of production before royalty (COP) during the quarter was \$987 (Rs. 69,545) per MT, improving by 1% (3% in Rs) from the previous quarter and higher by 7% y-o-y (17% in Rs). The sequential improvement was primarily on account of lower imported coal & diesel prices and higher linkage coal volume, offset by higher mine development expense and lower volume. The y-o-y increase was mainly on account of higher mine development & employee cost, lower volume and rupee depreciation (in case of rupee COP), offset by higher acid & other credits.

For the year, COP was higher by 4% (12% in Rs) at \$1016 (Rs. 71,003) per MT and was impacted by higher mine development, lower metal volume, higher coal & commodity prices, higher employee cost and rupee depreciation (in case of rupee COP), partly offset by higher acid credits.

The resultant EBITDA for the quarter was Rs. 2,797 Crore, down 2% sequentially and down 23% y-o-y while full year EBITDA decreased by 13% y-o-y to Rs. 10,747 Crore.

Net Profit for the quarter was Rs. 2,012 Crore, down 9% sequentially and down 20% y-o-y in line with EBITDA, higher depreciation and mark-to-market gains in investment portfolio. For the full year, net profit was down by 14% to Rs. 7,956 Crore in line with EBITDA and higher depreciation, partly offset by lower tax rate. Investment income for the year was marginally higher on account of higher rate of return offset by lower corpus.

Dividend

On October 22, 2018, the Board of Directors declared a Special Interim Dividend of 1000% i.e. Rs. 20 per share on equity share of Rs. 2 each amounting to Rs. 10,188 Crore (including DDT). In view of this special interim dividend, the Board has not recommended final dividend for the year.

Outlook

Both mined metal and finished metal production in FY2020 will be higher than last year and expected to be about 1.0 million MT. We expect to complete the underground mine expansion plan announced in early 2013 towards the end of Q2 of this year, quadrupling our mined metal production capacity to 1.2 million MT per annum.

Zinc cost of production in FY2020 is expected to be under \$1000 per MT. The guidance of FY2020 silver production is in the range of 750 MT to 800 MT. The project capex for the year will be in the range of US\$350 to US\$400 million.

Expansion Projects

Update on ongoing expansion projects

The announced mining projects are nearing completion and expected to reach 1.2 million MT per annum of mined metal capacity in FY2020.

Capital mine development increased by 20% y-o-y to 12.4 km in Q4 and up by 12% to 43.1 km for the year.

At Sindesar Khurd, the underground crusher and production shaft were commissioned in Q4 and ore hoisting from shaft is expected to start next month. The second paste fill plant is under mechanical completion and expected to commission shortly.

At Rampura Agucha, the second paste fill plant was commissioned ahead of schedule during Q4. The full shaft commissioning is expected to complete by Q2 FY2020 synchronising with the completion of crusher and conveyor system.

At Zawar, the new 2 Mtpa mill was commissioned during Q4 while the dry tailing plant is under execution and expected to commission in Q2 FY2020.

The fumer project at Chanderiya is under mechanical completion and is set to commission next month.

Pantnagar Metal Plant received Environment Clearance (EC) to increase silver production from 600 MT per annum to 800 MT per annum.

In the wake of recent global incidents related to tailing dams, the Company is also reassessing structural integrity of all its tailing dams with the help of global experts.

Planning for the next phase of expansion from 1.2 to 1.35 mtpa mined metal capacity announced in April 2018 is underway.

Reserve & Resource

During the year, gross additions of 5.4 million MT were made to reserve & resource (R&R), prior to depletion of 13.8 million MT. As at March 31, 2019, the combined R&R were estimated to be 403 million MT, containing 34.6 million MT of zinc-lead metal and 965 million ounces of silver. Overall mine life continues to be more than 25 years.

Contribution to the exchequer

During the year, the Company contributed Rs. 11,563 Crore to the Government treasury through royalties, taxes and dividends, which is 52% of revenue.

Liquidity and investment

As on March 31, 2019, the Company's cash and cash equivalents was Rs. 19,490 Crore invested in high quality debt instruments and the portfolio continues to be rated "Tier -1" implying Highest Safety by CRISIL. During Q3 FY2019, the Company borrowed Rs. 5,000 Crore of short term commercial paper to meet cash flow mismatch for special interim dividend funding requirement. Of this, Rs 3,000 Crore of commercial paper was paid off during last quarter. The net cash and cash equivalents at the end of the year was Rs 16,953 Crore as compared to Rs 20,395 at the end of FY2018.

Earnings Call on Thursday, May 2, 2019 at 4:00 pm (IST)

The Company will hold an earnings conference call on Thursday, May 2, 2019 at 4:00 pm IST, where senior management will discuss the Company's results and performance.

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About Hindustan Zinc

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

Hindustan Zinc has a world-class resource base with a mine life of over 25 years.

The Company is self-sufficient in power with an installed base of 474 MW coal-based captive power plants. Additionally, it has green power capacity of 347 MW including 274 MW of wind power, 38 MW of solar power and 35 MW of waste heat power. The Company has an operating workforce of over 16,000 including contract workforce.

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

Disclaimer

This press release contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "should" or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.