HZL/2025-26/SECY/14

April 28, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001

Kind Attn: General Manager – Department of Corporate Services

Scrip Code: 500188

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor Plot No., C/l, G Block
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

Kind Attn: Head Listing & Corporate Communication

Trading Symbol: "HINDZINC"

Dear Sir/Ma'am,

Sub: - Earnings call transcript for the fourth quarter and year ended March 31, 2025

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings call held on Friday, April 25, 2025, with regard to the financial performance of the Company for the fourth quarter and year ended March 31, 2025. The same is also made available on the Company's website at https://www.hzlindia.com/investors/reports-press-releases/.

You are requested to take the above information on record.

Thanking You,

Yours faithfully,
For **Hindustan Zinc Limited**

AASHHIMA V KHANNA
Digitally signed by AASHHIMA V KHANNA
Date: 2025.04.28 15:17:11 +05'30'

Aashhima V Khanna
Company Secretary & Compliance Officer

Enclosed: as above

"Hindustan Zinc Limited

Q4 & Full Year FY '25 Earnings Conference Call"

April 25, 2025

MANAGEMENT: **MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER – HINDUSTAN ZINC LIMITED**
MR. SANDEEP MODI – CHIEF FINANCIAL OFFICER – HINDUSTAN ZINC LIMITED
MS. RAKSHA JAIN – DIRECTOR INVESTOR RELATIONS – HINDUSTAN ZINC LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and Full Year FY '25 Earnings Call of Hindustan Zinc. 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 star then zero on your touchtone phone.

I now hand the conference over to Ms. Raksha Jain, Director of Investor Relations of Hindustan Zinc Limited. Thank you, and over to you.

Raksha Jain: Thank you, operator, and good evening, ladies and gentlemen. Thank you for joining us today to discuss the fourth quarter and full year results of FY '25. In this call, we will refer to our investor presentation available on our company's website. Please note that today's entire discussion will be covered by Safe Harbor clause mentioned on Slide 2 of the presentation.

Today, we have our CEO, Mr. Arun Misra; and CFO, Mr. Sandeep Modi. The management will be discussing operations and financial update for the quarter and full year followed by a Q&A session.

Now I would like to invite Mr. Arun Misra to present the results. Over to you, sir.

Arun Misra: Thank you, Raksha. A very good evening to all of you. Thank you for joining us today for the fourth quarter and full year FY '25 results briefing. Before we begin the presentation, I share with you with deep sorrow and a heavy heart that there has been an unfortunate incident at our Zinc Football Academy in Zawar, where we have lost a Safety Officer due to an unexpected collapse of a telecom tower during dismantling activities.

I extend my heartfelt condolences to the bereaved family and want to assure them of our unwavering support during this extremely difficult time. Such incidents are truly heart breaking, particularly as we strive to uphold a safety-first culture throughout every part of our organization. Following a thorough investigation, we are committed to implementing strong corrective measures and strengthening our safety protocols to prevent such strategies in future. These incidents serve as a stark reminder of the critical importance of constant vigilance and improvement.

Continuing with the presentation, I'm pleased to share that Hindustan Zinc has delivered a record-breaking year with the highest-ever production of both mined and refined metal. This milestone further solidifies our positioning as the world's largest integrated zinc producer. Our leadership has also been mirrored in the sustainably performance with a notable improvement in ESG ratings across prominent platforms such as S&P Global, Corporate Sustainability Assessment and FTSE4Good, etcetera.

We have delivered our second ever highest revenue, EBITDA and profit after taxes where our EBITDA stands at INR17,465 crores, up 28% and profit after taxes of INR10,353 crores, marking an improvement of 33% over last year as compared to increment of 18% in revenue from operations.

As a part of our sustainability journey, we have set ambitious goals for 2025 and our efforts over the past 5 years have meaningfully advanced us towards them. Notably, we have reduced our total recordable injury frequency rate by 55% from 2020 levels as against a target of 50%. We have also achieved GHG emissions reduction of 0.67 million tons of CO2 equivalent against 0.5 million tons target.

This year, we have launched Asia's first low-carbon Zinc EcoZen with a carbon footprint 75% lower than the industry average. It supports our customers' sustainability goals by reducing Scope 3 emissions.

As we have stated before, and with the recent announcement by the London Metal Exchange on introducing a green premium for sustainable metals, EcoZen is well positioned for stronger value realization. Our CSR initiatives across key areas education, health, water and sanitation sustainable livelihood, sports and culture, women empowerment and community development impacted approximately 2.3 million lives, up from 1.9 million last year.

Turning to the market update. Last year has been favorable with zinc and silver prices surging 16% and 29%, respectively, driven by persistent supply deficits. Whilst there are some uncertainties in the current global macroeconomic environment, the deficit is expected to continue into 2025 as well.

Given the lack of any significant new zinc or silver projects, consequently zinc prices are likely to stay resilient and market sentiment for silver continues to be strongly optimistic. The global commodity landscape for zinc and silver continues to evolve amid geopolitical and economic shifts.

Recent developments, including the retaliatory duties imposed by U.S. administration have impacted trade dynamics and introduced short-term volatility. However, despite these headwinds, we believe India is uniquely positioned to benefit from the current environment. The government's sustained focus on infrastructure development, ranging from smart cities to railways and highways is driving robust steel demand which is expected to be reach 300 million ton by 2030, which in turn will capitalize in increased zinc consumption for corrosion protection.

This optimism is further reinforced by India's strong economic fundamentals with a projected GDP growth of 6.5% by IMF and the manufacturing PMI of 58.5, reflecting healthy industrial activity and continued momentum. As essential components in clean energy storage and sustainable technologies, zinc and silver are powering the global energy transition, as these metals play a pivotal role in the green revolution, Hindustan Zinc is proud to play a leading role in enabling a more sustainable world.

Moving to operational performance. With advanced exploration programs and strategic resource to reserve conversion to support our goal of sustaining a 10-year reserve mine life, we have crossed one milestone of 13 million tons of metal reserve for the first time since underground transition as at the March end. This represents an increment to over 3x of metal reserves as compared to FY 2020 on a net production basis.

Our total reserves and resources in ore. terms stood at 453.2 million tons while the overall mine life continues to be more than 25 years. This quarter, we recorded a mined metal production of 310,000 tons, our highest-ever fourth quarter figure since underground transition, which is up 17% quarter-on-quarter and refined metal of 4% quarter-on-quarter and silver up 10% quarter-on-quarter.

I am also pleased to share that we achieved our highest-ever domestic zinc sales this year, capturing 77% of the domestic primary zinc market share. This is an important milestone that reflects our strong customer relationships and market leadership. Notably, we also increased the share of value-added products in our portfolio to 22% in the year, including 10,000 ton production from Zinc alloy plant, reinforcing our commitment to delivering differentiated solutions and driving greater value across the supply chain.

We continue to drive sustainable cost leadership and achieved a 16-quarter lowest cost of production of $994 per ton during the quarter end and 4 years lowest $1,052 per ton on a full year basis through focused efficiency and optimization, enhanced automation and digitalization across our operations, leading to record production volumes, better mine metal grades and recovery, increased domestic coal and renewable energy usage and better by-product sales, further supported by softened coal and input commodity prices and operational efficiencies year-on-year.

I believe you all appreciate the way the company has increased its production sustainably every year despite its transitioning to underground mining and delivered more than 1 million tons of mined and refined metal production with minimal capex, showcasing our strong focus on capital efficiency, prudent resource allocation and agile execution.

At our present 160,000 tons per annum Roaster project, the commissioning activities have started and will be commissioned by mid quarter 1 FY '26. Further, we are also implementing an innovative technology to recover lead and silver from the smelter waste as an alternative to fuming technology. This technology will recover additional 27 tons per annum silver and 6,000 tons per annum lead and is scheduled for commissioning in quarter 4 of next final year.

While the smelter debottlenecking at Dariba and Chanderiya are set to be completed in quarter 2 and quarter 3 of FY '26, the fertilizer plant at Chanderiya is expected to be commissioned as per schedule by quarter 4 of FY '26.

With a well-structured capex road map in place, we are confident in sustaining the strong performance in the year ahead with mine metal production expected to be 1,125,000 tons per annum, meaning 1.125 million tons per annum plus or minus 10,000 tons and the refined metal production of 1.1 million tons, plus and minus 10,000 tons with an expected refined silver production in the range of 700 tons to 710 tons, zinc production at a cost of $1,025 to $1,050 per ton.

In conclusion, with a strong focus on operational excellence, sustainability and the long-term value creation, we are well equipped to navigate change and capture future opportunities. Our commitment to innovation, safety and responsible business practices will continue to guide us with a pipeline of high-value projects and leadership in future facing metals, we are confident in our ability to deliver sustained returns and drive shareholder value in the years ahead.

With this, I now hand over to Sandeep for an update on the financial performance.

Sandeep Modi: Thank you, Mr. Misra, and a very good evening, everyone. As Mr. Misra mentioned, our ambition to consistently challenge ourselves and drive year-on-year growth distinguishes us from other major zinc players globally.

Through disciplined capital allocation and strategic balance between ESG commitments and fiscal prudence, we continue to strengthen our operational efficiencies while delivering sustainable and robust financial performance with a strong balance sheet. A key enabler of this success is our continuous focus on innovation and leveraging technology, process improvement, enhancing recovery and elevating governance standards, particularly in the reporting and transparency practices.

Before dwelling into the performance numbers, I would like to update you on the -- our primary initiative at Vedanta, where we have taken the lead in non-ferrous sector for price discovery through e-auction platform in case of metal sales which happened through Vedanta Metal Bazaar. I'm happy to share that nearly 100% of our silver and 70% of our zinc in India was sold through e-auction platform during the quarter. This progressive transition has helped us to have our premium linked to the market as well as improve transparency and customer centricity.

Driven by our record operational performance and better zinc and silver prices, I'm happy to share that Hindustan Zinc has recorded its best-ever fourth quarter PAT, second highest annual revenue, EBITDA and profit after tax, along with the full year lowest zinc cost of production for the full year with an industry-leading EBITDA margin of 51%, a 400 bps improvement year-on-year.

Looking deeper into performance, we have recorded our highest-ever fourth quarter revenue from operations of INR9,087 crores, up 20% Y-o-Y, driven by higher lead volume and increased zinc and silver prices further supported by strong dollar, partly offset by lower zinc and silver volume. For the full year, we achieved the second highest revenue of INR34,083 crores, up 18% Y-o-Y, driven by highest-ever metal production, high zinc and silver prices and strong dollar. This was further supported by strategic hedging gains and higher sale of residue partly offset by lower silver volume and lower lead prices.

We achieved our zinc cost of production $994 per ton for the quarter 4 and $1,052 per ton for the full year, better 6% Y-o-Y resulting in the second highest fourth quarter EBITDA of INR4,816 crores, up 32% Y-o-Y, driven by higher zinc and silver prices, softer input commodity prices and better byproduct sales.

The quarter's EBITDA margin stood at 53%, up around 500 bps year-on-year. On an annual basis, we have recorded second best EBITDA of INR17,465 crores, up 28% Y-o-Y, in line with the record metal volume structurally leaner cost of production, higher zinc and silver prices and strong dollar, partly offset by lower silver volume and lead prices.

Profit after tax recorded its highest-ever fourth quarter figure of INR3,003 crores, up 47% Y-o-Y in line with robust EBITDA. The full year PAT stood at second highest figure at INR10,353 crores, up 33% Y-o-Y in line with EBITDA.

We have successfully generated a strong free cash flow from operations at INR13,784 crores during the year. Our return on capital employed of 58% reflects the best return across the industry. With a strong commitment towards delivering value accretive returns for all our stakeholders, company has distributed INR12,053 crores in dividend to shareholders during the year and contributed INR18,730 crores towards the exchequer, significantly increased by almost 42%. This includes contribution towards income tax of INR4,500 crores and royalty to the government of Rajasthan around INR4,200 crores, which is 35% of total royalty income of the Rajasthan State Government.

During the year, we delivered one of the best total shareholder return in the country of 68%. This is 13x of Nifty 50 returns and 7x of Nifty Metal Index. I'm proud to share that Hindustan Zinc is among the top three companies in Nifty Metal index with a market cap of approximately INR2 lakh crores. On an overall basis, it has improved its ranking from 62nd in March '24 to 39 as of March '25 and in terms of market cap.

Hindustan Zinc is also the highest market cap company among its global zinc players. Furthermore, with the company's recent inclusion in the F&O segment on the NSE, the company's daily turnover has grown significantly, which opens ample opportunity for further value creation.

Coming to the outlook on Zinc COP, it's expected to stay around $1,025 to $1,050 per ton during the year, coming down with the increasing renewable power usage, which is expected to grow to 30% to 35% versus 13% in FY '25 and better production volume. The overall capex for the growth capex projects, which is approved till now is expected to be in the range of $225 million to $250 million. Please note that with any further growth projects approval by the board, the capex guidance will change.

To conclude, Hindustan Zinc's robust financial performance, fundamentals, structurally leaner cost base, strategic capital discipline and leadership in critical metal, position us to outperform throughout the commodity cycles. Our resilience is not by chance but by design. As we contribute to prioritize stakeholders' value, sustainability and returns, we are confident in our ability to lead the industry and deliver consistent superior performance across all market environments.

With this, I now hand over to the operator for Q&A. Thank you.

Moderator: We'll take the first question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Congratulations for a good performance. I have two questions. The first one is actually on the guidance, particularly for cost of production and silver. So, if I look at cost of production guidance for FY '26, that is higher by $50 per ton compared to Q4, I mean, at the lower end of the range. So just wanted to understand the reasons for the same. Do you expect any element of cost to rise? Or what is the thinking that goes ahead? Because our production, we have guided it will also rise. So just wanted to understand that particular aspect.

The second bit on guidance is on silver volume. Now silver volume, if I compare it with FY '24, I'm not comparing it with FY '25, we see that the guidance for FY '26 is lower than the actual volume achieved for FY '24. So is it that we will be doing more of zinc this year and less of lead and silver at this stage? That's why the guidance hasn't kept this way?

Sandeep Modi: Thanks, Amit. So coming to the cost, I think that it is better to always look for the full year, $1,052 and compare with that. Q4 has a -- you see the best-ever production of the 310 kt of the metal with a 7.85% grade. Obviously, the grade in the quarter 4 has been significantly higher compared to the full year of 7.5%. That's a major reason. And if I compare with the year-on-year, we are doing the guidance. So this year also, we delivered the lower end of the guidance. I'm sure you can expect a similar kind of delivery at the year-end.

The major driver for cost reduction will happen with the renewable energy, as I said, 13% to 30%, which will take cost around $10-$12 lower and also the volume. Obviously, that has remained a positive element of surprise at the year-end when the cost and every quarter when we deliver.

Coming to the silver guidance, FY '24, we've run almost a whole year of the pyro on the lead mode, so that's how you see the silver number much higher compared to the FY '25. And this year's number, 700 to 710 number which we have given is assuming at this point of time, producing more zinc as you said rightly, with the zinc and lead mode for the whole 12 months.

Amit Dixit: Okay. Great. And the second one is actually a very interesting comment you made on implementing an innovative technology for recovery of lead and silver from smelting waste at Dariba. So can you throw some more light on this innovative technology and if we are successful at Dariba, will it be extended to the other parts of the company as well?

Arun Misra: Yes. This is a new technology, which is to recover lead and silver cake from jarosite instead of doing it in the fumer route that we do, where we take the weak acid leaching residue into fumer, burn that to produce the oxides and then the sulfates and all that. So instead of that, this will be a cake that will be produced. And it's a direct process, and we will do that in Dariba and once it is successful, it will form the future of all fuming processes in Hindustan Zinc. So we will have this implemented everywhere, and we will not follow the typical process of fumer that we have now.

Amit Dixit: Just 2 subparts here. One is that since you mentioned that it will be instead of fumer and it won't involve burning and also will it be more environmental friendly in that case?

Arun Misra: Yes, yes, it will be more environmental friendly, absolutely correct.

Amit Dixit: And can you just repeat the number that you mentioned in the prepared remarks on the additional volume of silver that we expect?

Sandeep Modi: So I think for the FY '26 guidance, we have not factored anything outcome of this technology because we have to appreciate this is the first time out of the European side, we have first time implementing and we don't want to have any negative surprise later on. So let us keep that positive element in our hand. And in case this technology becomes successful, we can achieve whatever the numbers we have sent in the IR deck around 27 ton of the silver and 6 Kt of the lead on an annual basis. But of course, the results will come in the Q4 only when we got to know.

Moderator: We'll take a next question from the line of Manav Gogia from Yes Securities.

Manav Gogia: First of all, congratulations, sir, on the good performance for the quarter. So, I wanted to ask one particular question on how should we see the power cost going forward? We have mentioned the increase of renewable energy in the share, what would be that percentage for Q4, where we stand right now?

Sandeep Modi: So Q4, it was around 15%. And as I said, for full year, for the next year, we are targeting 30%. So, power cost, it is a way to look at. Power as a spend base will always remain 30% to 35%. We will hedge because now the next phase of cost reduction, of course, the power has helped a lot. Further power cost reduction as an overall level will also happen through the power cost only. Here both numerator and denominator will go down.

So, with the 13% to 30% when we go through the renewable energy, $10 cost reduction should happen through the power cost itself. Of course, the domestic coal materialization has been almost 46% in the Q4 and a full year 44%. We expect to remain around 45%. So you can expect the $10 to $15 further power cost reduction at the full year level in FY '26.

Manav Gogia: Got it. Got it. And sir, can you just provide me the split of the percentage of domestic coal that we have in our coal mix right now?

Sandeep Modi: For the full year, it was 44% and quarter 4, it was 46%.

Manav Gogia: Okay. Okay. Sure, sir. And sir, secondly, for the zinc alloy plant, can you give me the generated EBITDA for this particular quarter and the PA?

Sandeep Modi: So, for the full year basis, we generated EBITDA of INR100 crores for the Hindustan Zinc Alloy Private Limited. And with the overall production of 10 KT. So at a full capacity, when we run the next year, the plant capacity is 28 KT and this year, it was the part operations. And that at the full year, it should be around INR250 crores to INR275 crores of the EBITDA at a full capacity.

Moderator: We'll take our next question from the line of Pallav Agarwal from Antique Stock Broking.

Pallav Agarwal: Just want to check what was the strategic hedging gains that were booked during FY '25 and whether we have any more outstanding hedges right now?

Sandeep Modi: So we booked INR150 crore during the whole year. At this point of time, there is no outstanding strategic hedging position.

Pallav Agarwal: Sure, sir. And also, just coming back to, again, cost of production. So I think you've been the sensitivity levels, and we have seen that both zinc and lead spot prices have been weak of late. So current spot price is below the FY '25 average levels. So assuming this continues, can our cost savings offset the negative impact of lower LME prices?

Sandeep Modi: So cost of production have, in our case, if you see the major cost of fixed cost is around the O&M and other things, manpower. And the commodity-linked prices are like power cost what I said in terms of the coal cost. So coal cost is also going down. So we expect that if that kind of things continue there is a further room to reduce the cost by $25, $30 in terms of the cost.

At current level of LME, we believe it's more like a volatile environment even within the month of April of 23, 24 days, LME working days of 18, 19, we have seen a plus/minus $250 -- so it has gone around $2,550, also it has then jumped around $2,800 also. I think more of a volatile environment. In our view, stable prices should be remaining around $2,800 to $2,900 for the zinc, lead around $2,000 to $2,050 and silver, I think, is quite bullish currently $33-$34, may go $37-$38.

And the cost of production will keep working upon that. And we believe that lower end of the guidance because it is just the start of the year, I want to keep the numbers hold $1,025 to $1,050. But of course, the reduction in the commodity input cost majorly on the coal, met coke and diesel, if the diesel price is flown to us because there is a quantity restriction in case of the coking coal by Government of India; for the crude, of course, it has fallen, but the prices have not been passed on to consumer. So these 2 large commodities, we are not able to get passed on. For the coal, which has gone the index down, we are able to get passed on benefit.

Pallav Agarwal: Sir, lastly on silver, we had a target of 1,000 tons. So what is like is it grades? What is hampering our ramp-up to that 1,000 ton level in silver?

Arun Misra: So at a production plan of 1.2 million tons in our internal workings, we said that we'll be close to 750 tons of silver. So while 1,000 tons silver-making capacity we are anticipating or we are trying to execute in our Pantnagar plant was with the assumption that this metal-making capacity will go up to 1.5 million tons. So those are the kind of numbers we have thought of. The reality is we are at around 1.1 million tons tons metals.

And in that case, anywhere between 680 to 690 to up to 725 tons of silver is possible depending upon the grade that we mine. Last year, we encountered inferior grade in SK mine and which is reflected in the silver production. Next year, we'll be producing more of zinc looking at the LME and likelihood of the LME remaining at 2700, 2800 kind of a number. And then silver should be around 710 tons, 720 tons.

Moderator: We'll our next question from the line of Shivani from Dolat Capital.

Shivani: I just had two questions. So by when should we expect production to come from Bamnia Kalan mine? And another one is how do you see the price going forward considering the U.S. trade war?

Sandeep Modi: Bamnia Kalan currently development is taking place in terms of portal formation and all that. So it will take another 2 years' time, so roughly about 24 months for the mineral to be struck and first production to come. Second was, what was the question?

Price is -- yes, current situation, yes, this trend will continue for a couple of quarters till the time the world supply chain in the new order or restore to old order happens because of various tariff negotiations or countries joining hands to set new area to business with each other. So I think that's a very changing space, changing almost every day, every hour.

But as far as we are concerned, we are primarily a domestic player, and Indian growth by 5%, 6% will remain. As long as the tariff or the economic situation does not impact overall prices of fuel or coal, we are safe as far as our cost is concerned and as far as our volume or ability to sell is concerned.

Moderator: We'll take our next question from the line of Raashi Chopra from Citigroup.

Raashi Chopra: Just to understand on the cost, I may have missed it. On a sequential basis, the improvement, you also see an improvement in the coal prices or this was more metal grade and better volume sequentially?

Sandeep Modi: There was both combination. So 2/3 was on account of the metal grade and 1/3 was on account of the commercial efficiency in case of the coal and other items.

Raashi Chopra: Right. So coal prices were also lower sequentially?

Sandeep Modi: Yes, yes.

Raashi Chopra: Okay. And the hedging gains that you mentioned, how much of them were recorded in the fourth quarter?

Sandeep Modi: So on the full year basis, it was basically -- so fourth quarter is around INR55 crores.

Raashi Chopra: Okay. My next question is on the capex. The total capex I think was about INR4,300 crores, right, for the year?

Sandeep Modi: For the year. Yes, yes. Total growth capex and sustaining capex put together INR4,300 crores.

Raashi Chopra: Okay. So how do you break that up between the growth and sustaining?

Sandeep Modi: So growth capex was around INR1,500 crores, a remaining INR2800 crores was sustaining capex.

Raashi Chopra: And sustaining should continue on to the next year...

Sandeep Modi: Yes, sustaining should be in the range of INR3,000 crore to INR3,200 crores on an annual basis.

Moderator: We'll take our next question from the line of Ashish Kejriwal from Nuvama Institutional Equities.

Ashish Kejriwal: Is it possible to share our average coal price and sulfuric acid prices in fourth quarter or at least now the change which we have seen on a quarter-on-quarter basis?

Arun Misra: While acid is a recovery that we do, perhaps it will not be proper for me to share the exact price here. But we can say we always benchmark with the ADNOC prices on the sulphur and we follow that model. And yes, it's competitive in the market.

Sandeep Modi: Yes. We do in the auction basis. So as I said, we use more like now selling anything through auction. So everything getting discovered through auction, we got from the market accordingly.

Ashish Kejriwal: So what's the change, sir, I'm not asking for the absolute number, but is it possible to share how much price increase we have witnessed in sulfuric acid? And how much price reduction we have seen in coal in this quarter versus third quarter?

Sandeep Modi: So from the acid, I don't think we'll be able to share. It's not a standard disclosure. Coal prices have fallen by 2% to 3% in terms of the overall power cost I talked about, our overall power cost has fallen by 3% compared to quarter-on-quarter.

Ashish Kejriwal: And entire fall is because of coal?

Sandeep Modi: Largely on account of the coal.

Ashish Kejriwal: Okay. And second, for last 6 months, we have been saying that we are preparing for the next phase of growth where we plan to expand our mine metal from 1.2 million tons to 1.5 million tons and then 2 million tons. But we haven't heard anything of that. So by when we can expect some announcement or is it too early to comment on that?

Arun Misra: So 2x design, we are absolutely aggressively working on it. And first, it will see -- there are 8 mines, so while we are preparing the design right now, we have almost frozen design in 2 of the largest mines, which is Agucha and SK mine. Then we'll now extend the design onto the balance mines, which is Rajpura Dariba and the 4 mines in Zawar.

Now of that, almost we are ready with the numbers between Agucha expansion, corresponding concentrate plants and corresponding smelter. There, a few loose ends have to be tied up, and we should be finally doing it in a month's time, take board approval and then go public and announce the number for the first phase of that 1 million ton expansion work.

That does not mean that other works are not happening. It will be in a time span of, say, 15 days to 1 month from one announcement to another. We hope that in 3 to 4 months of time, we complete all the announcements related to 1 million tons.

Ashish Kejriwal: So we are moving ahead to 2 million tons, and we can expect an announcement related to that within next quarter?

Arun Misra: Correct. Correct. Absolutely.

Ashish Kejriwal: Okay. So even after that, do we think that we will have our mined metal or mine reserves, which normally we have 25 years plus. So are we working on those lines also to maintain our mine reserves for...

Arun Misra: Absolutely. We are in the process of global tendering, going for global exploration agencies to help us to increase the resource base and actually double the resource base that we have currently.

Ashish Kejriwal: And sir, lastly, in any case we are going for a huge capex then? And then is there any capital allocation policy that beyond some net debt to EBITDA or something that will not go ahead with it?

Arun Misra: We could look at it, like I said, our operations, as we have seen consistently also a huge cash producer. So this kind of expansion is almost commensurate with our ability to produce cash. So there is no worry on that count at all.

Ashish Kejriwal: Okay. No, because why I'm asking you because we normally give higher dividend also. So both these will do one to hand.

Arun Misra: As long as we are able to produce cash, as long as we can face the expansion, that is not that we wait for, neither we wait for a whole 2 million ton design to be over or nor we wait for whole 2 million ton expansion to be completed. So there will be one part will come up very fast. Whatever is the low-hanging fruit, we will catch it as fast as possible. So we'll generate the delta cash that is required to fund the project and also in case the Board so decides how to keep the shareholders happy, we'll take care of that as well.

Ashish Kejriwal: That's great. Lastly, only when we are saying 1 million to 2 million tons, it will be in phases. So from 1.2 million, can we expect 1.5 million first and then 1.8 million or something?

Arun Misra: You are spot on. First one is 1.2 million to 1.5 million. That announcement we should make very quickly.

Moderator: We'll take our next question from the line of Jainam Shah from Indsec Securities and Finance Limited.

Jainam Shah: Congratulations on the good set of results. My question would be that in the opening comments, you said that zinc will be in deficit going forward, right? But recently, we saw the zinc outlook by international zinc study group, and they said that it is going to be in surplus. So just wanted to understand what is your theory and how that deficit is going to be for FY '25?

Arun Misra: No. See, the production centers of zinc production as a mined metal, production center as a finished metal in terms of stand-alone smelters and integrated smelters and consumption centers where the growth of emerging economy, the growth of steel is required. We are basing our calculations based on India's ambition to have 300 million tons of steel production. You must have heard one of the largest Indian steel maker making an announcement in Maharashtra, they will put up world's largest steel plant, right, not even India's largest, world's largest steel plant.

So we believe that in another 2 to 3 years' time, at least projects worth 300 million tons steel will be launched in India. That would require the 2 million tons kind of a demand for zinc plus lead in India itself. So we want to capture that opportunities. And hence, we are very bullish as far as demand for zinc is concerned.

Globally, if you look at geographical area wise, that imbalances will continue. So we are not so much targeting that we produce and sell in other parts of the globe. We are completely focused in domestic India. Maybe our nearby growth centers in Southeast Asia, up till Middle East, but otherwise, we are very bullish as far as demand of zinc in India and in nearby areas is concerned.

Jainam Shah: So sir, your deficit is based on India as a whole as a standalone, right?

Arun Misra: Correct. Correct.

Jainam Shah: Okay. And also, sir, on silver, we basically have a very lower guidance when it comes to silver sales and production. Why is that, if you could just give an idea?

Arun Misra: This was a factor of production strategy based on the metal prices, at the same time the grade of the ore that we mined. So year before last we operated mostly on lead mode. Hence, we produced highest amount of silver. Last year, we operated quite good time in lead plus zinc mode and also we encountered lower grade in the SK mine. So this year, we are slightly conservative on that count, and we are putting the numbers around 700 tons.

So we will see if we really encounter good grades. But this year, the change in strategy, the whole year will operate in zinc plus lead mode. To that account, silver production will also be affected. But if the metal prices vary differently or we hit very high grades in SK, we may change our strategy midway.

Jainam Shah: Okay. Understood. And sir, just like to answered the previous participant when you were saying that they're going to go from 1.2 million to 1.5 million. Can you specify a time line for that?

Arun Misra: No, no, as I said, that 1-million ton expansion maybe all announcements because these are designs that are happening in part by part, one mine is getting designed or smelter modules are getting designed. Maybe announcement will phase out between 2 to 3 months to complete 1 million-ton announcement. As I look at the project implementation effort versus ease of implementation metrics, then 1.5 million ton is the next best option, most economic option to do followed by other expansions.

Jainam Shah: So can we assume that by FY '27 end, we'll be able to reach at 1.5 million tons?

Arun Misra: At '27 end, let me put it this way, say, another 1 month, if I'm able to make the announcement and place orders, then yes, another 24 months for completion of the project. So that could go up till '27, '28 March or so.

Moderator: We'll take our next question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: Sir, first question is to reach 1.2 million tons in terms of mine metal production, what is the constraint? Because since long, our capacity is now 1.2 million ton but our production guidance is still well below that. This year also, we are almost 10% below that. So just want to understand what is the constraint, is it on the smelting capacity? Or is it the grade or some other factor?

Arun Misra: No, just smelter capacity. Mine metal-wise, you look at consistently in a few years, and the last quarter, we have demonstrated 300 KT production of mined metal. So there's no doubt in that. It's just that every year, we have finally settled with huge stocks of mined metal. Whereas finished metal, our design capacity is about 1.123 million tons, on the smelters, the debottlenecking, we say that we do once the mines achieve that capacity, those debottlenecking projects are on. And yes, by the next year, we should be there in 1.2 million ton metal exit capacity in next fiscal year itself.

Sumangal Nevatia: Okay. So in the past, you've also sold mined metal rather than just refined or...

Arun Misra: No, no, we have never sold. I am not talking very, very long, but I am here for 5 years. I have never sold.

Sandeep Modi: So maybe it's 10, 12 years back, and we are not in the business of doing this. So we always want to remain integrated player.

Sumangal Nevatia: Understood. Understood. Sir, can you remind us how many -- which all mines and what proportion of today's production will be coming up for reauction in FY '31?

Arun Misra: You are saying 2030 mine lease and the auction of the mines?

Sumangal Nevatia: Yes, that's right sir.

Arun Misra: I think Sindesar Khurd mine is still 2048. Rest, I think 2048 is SK mine, Kayad is 2048, rest all mines RD, Agucha, Zawar are at 2030.

Sumangal Nevatia: Okay. And sir, the next phase of expansion, will we be spending and working on capacity expansion at the mines which are expiring in '31?

Arun Misra: Nothing is expiring. In our mind, all the mines are with us and will continue to be with us and hence, we'll spend.

Sumangal Nevatia: Okay, sir. So we are of the view that we will be able to retain the mine given the option of first right of refusal. Is that the right way to understand?

Arun Misra: Whichever way you understand they will remain with us.

Sumangal Nevatia: Okay. So because it is -- I mean, if you can get -- give us some more clarity on the thought process because this is a very substantial development.

Arun Misra: 1 kilometer below ground, we have invested, developed the mine. Is that possible for us to let it go or anybody else to come and just take it over and operate? Not possible.

Sumangal Nevatia: Okay. Okay. So do we expect any change in policy or we are confident of retaining it by matching the bid -- higher bid?

Arun Misra: As on date, we are confident. And as I say, fortune favors the brave, who knows.

Sumangal Nevatia: Okay. Okay. And can you share what is the change in royalty we are anticipating in our internal estimates when we are kind of spending or working towards expansion at these mines?

Arun Misra: No, we are far away from that. We are planning everything as we stand today. We are not factoring in royalty increase and things like that.

Moderator: We'll take our next question from the line of Prateek Singh from DAM Capital.

Prateek Singh: So as a policy, given the volatility that we're seeing right now in commodity prices, and you said that 2800 and the 2900 of zinc is something which you see coming or you're comfortable with. If you see that kind of a pricing, would we be open to hedge again opportunistically or hedging is out of the question right now?

Sandeep Modi: So it will all depend upon -- it's a dynamic situation. So -- and we have been always agile. We don't want to be -- there's no -- at this point of time, it's only all like what we say is opportunistic, which we say strategic hedging. And given our EBITDA margin of 53%, 54%, even I take the LME of current LME, that also gives me 51% of EBITDA margin at an overall Hindustan Zinc level.

So I think we'll remain opportunistic and see what level we should do. But of course, we would be -- not be too much aggressive about it. We will go in line with the market and whatever market and other feedback comes to us, but we remain open for it.

Prateek Singh: Understood. And just hypothetically from your experience, if you really want to hedge, what kind of quantity can you hedge maximum? I mean, obviously, you cannot hedge, there's a cap on how much you can hedge. So from your experience, what kind of quantity we can hedge if we really want to?

Sandeep Modi: 15% to 20%, not more than that.

Prateek Singh: Understood, sir. And is there hedging instrument for silver as well?

Sandeep Modi: We remain plain vanilla forward option.

Prateek Singh: Okay, understood. And sir, so we have seen gold move up a lot. Silver also kind of is considered a store of value like gold. Along with that, the industrial application of silver is also quite decent. So in your view, what is it that's holding silver behind? I mean, why is it not following gold, the gold to silver ratio is at all-time high now. So what is it that is holding it back?

Sandeep Modi: So I think you are the best people who knows about researching. But in our view, silver should be also crossing in a way the gold has been there. It's only a timing issue. There is no new silver mine is coming globally. Silver consumption has increased significantly in the industrial uses. So we believe that gold has already rallied and it is now the turn of the silver. So silver should also rally in a similar manner.

Prateek Singh: And my last question is on Roaster. So is my understanding correct that there has been a delay. I think at the last call, it was supposed to come mid-Feb, now we are saying mid-1Q?

Arun Misra: Yes. We can say technically a couple of months delay, but we took in very aggressive position. It's not what the suppliers are telling that when they can commission. We always make them run 3, 4 months ahead of what they commit. So to that account, we are putting a pressure on, but yes, we'll be very happy if it starts production from maybe by May 10^{th} or 12^{th}.

Moderator: We'll take the next question from the line of Aditya Welekar from Axis Securities.

Aditya Welekar: So just one question once again on the saleable silver production guidance of 700 tons to 710 tons. So is it fair to assume that in '27 and post that, this level will be a sustainable level or it can fall or it can rise to 800 million tons, means depending upon the Zawar mine silver grade. So if you can throw some light on that?

Arun Misra: No, you have already answered it. So it will rise. You have answered correctly that the more Zawar expense will get from Baroi mine, good silver concentrate from Zawar. SK mine will expand. In that 2 million ton program, we'll get more good silver content. Agucha, as we go below now in the further expansion at many zones, we will cut the Galena zone, and we expect that at the Galena, it will be full of lead and silver. So we'll get more silver out of there. So yes, we are very hopeful in that 2 million ton expansion plan, we should be hitting 1,200-1,300 tons of silver.

Moderator: We'll take our next question from the line of Shreyans from Barclays.

Shreyans: My question is on the dividend policy. Do we know when does the Board sit for the next announcement of dividends?

Arun Misra: No, we only know they only have the sole power for declaring dividend.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Raksha Jain for closing comments. Over to you, ma'am.

Raksha Jain: Thank you, operator. Thank you, everyone, for joining us today on this call. If there are any follow-up questions or any clarifications required, you can reach out to the Investor Relations team. Thank you.

Moderator: Thank you, members of the management team. On behalf of Hindustan Zinc, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.