HZL/2024-25/SECY/21

April 22, 2024

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/Madam,

Sub: - Earnings call Transcript for the fourth quarter and year ended March 31, 2024

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the transcript of the earnings call held on Friday, April 19, 2024, with regard to the financial performance of the Company for the fourth quarter and year ended March 31, 2024. 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

HARSHA VISHAL KEDIA

Digitally signed by HARSHA VISHAL KEDIA
Date: 2024.04.22 16:10:49 +05'30'

Harsha Kedia
Company Secretary & Compliance Officer

“Hindustan Zinc Fourth Quarter & Full Year FY 2024 Earnings Call”

April 19, 2024

MANAGEMENT: **MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER, HINDUSTAN ZINC LIMITED**
MR. SANDEEP MODI – CHIEF FINANCIAL OFFICER, HINDUSTAN ZINC LIMITED
MS. JHALAK RASTOGI – ASSOCIATE DIRECTOR, INVESTOR RELATIONS, HINDUSTAN ZINC LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Hindustan Zinc Fourth Quarter and Full Year FY'2024 Earnings Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jhalak Rastogi – Associate Director (Investor Relations). Thank you and over to you, ma'am.

Jhalak Rastogi: A very good afternoon, everyone. I welcome you all to Hindustan Zinc's Fourth Quarter and Full Year, ending 31st March '24 results briefing.

In this call, we will refer to Q4 FY'24 "Investor Presentation" available on our company's website. Some of the information on this call may be forward-looking in nature and is covered by the safe harbor language on second slide of the said presentation.

Today, on the call we have with us our CEO – Mr. Arun Misra and our CFO – Mr. Sandeep Modi. Mr. Misra will begin with an update on "Business Performance", while Mr. Modi will walk you through "Financial Performance", after which we'll open the floor for questions.

I now request Mr. Misra to begin today's call. Over to you. sir.

Arun Misra: Thank you, Jhalak. A very good evening to one and all. Thank you for joining us for the Fourth Quarter and Full Year Results Briefing.

FY'23-24 has indeed been a year of significant achievements for Hindustan Zinc, characterized by the highest ever metal and silver production, sharp reduction in cost and global best performance in ESG. This has been possible due to our efficient utilization of asset, well-planned mining and smelting, talented team and resilience of our organization. Even amidst the challenging conditions of LME environment, our company has not only persevered but thrived, marking another landmark here.

On this note, I am elated to share that Hindustan Zinc after recording its highest ever silver production in FY'24, has become the third largest silver producer globally, making India proud.

Here, it is imperative to note that all the accomplishments that I have outlined were made possible on the foundation of safety excellence. It gives me immense satisfaction to report six consecutive quarters of fatality-free operations, demonstrating our steadfast commitment to ensuring the safety and well-being of our employees. With zero harm as a core tenant of our business and to prevent reoccurrence of similar incidents within the group, we have launched programs like critical risk management and also started to overhaul infrastructure to ensure continuity of operations without any fatality. Our efforts in safety has been recognized by the British Safety Council International Safety Awards with multiple recognitions.

On sustainability front, we have demonstrated remarkable global ESG leadership by ranking first in the S&P Global Corporate Sustainability Assessment during the year. We have also secured the leadership band scores of A- in water security and climate change by CDP. As a result of the decarbonization journey, we are actively integrating LNG and electric vehicles into our operations.

I am pleased to share that our renewable energy power delivery agreement is also progressing well and has been accelerated with first flow of power expected this month.

Furthering on our vision of circular economy, I'm happy to announce that Hindustan Zinc has entered into MoUs with key innovative and technology partners dedicated to transforming waste into valuable resources, thereby driving sustainable growth and innovation.

During the year, we had also commissioned Fumer plant at Chanderiya for recovery of metals from smelter residue. These developments are contributing to our ongoing efforts to develop our recycling business further.

On diversity and inclusion, we launched our flagship initiative, "Zinclusion" during the year. Under this program, we have onboarded 16 transgenders till date across various key functions while also providing an inclusive workplace through compulsory DEI awareness sessions for every employee. These efforts were recognized at the prestigious 3rd National Transgender Awards.

I'm also pleased to share that Hindustan Zinc has been awarded the leadership in HR Excellence Award by Confederation of Indian Industry at 14th CII National HR Excellence Award.

Coming to our CSR activities this year, we have extended our footprint by covering over 3,500 villages with 1.9 million beneficiaries under initiatives spanning across areas including but not limited to women empowerment, sustainable livelihood, skill development, healthcare and safety, sports, culture, etc.,

Moving on to Markets, inflation persists in the US services sector, while Europe continues to contend with weak construction and manufacturing sectors, but with expectations on interest rate cuts by the US Fed, coupled with geopolitical tensions between Iran and Israel, commodity prices have surged in April'24 with silver touching its highest in INR terms.

The global manufacturing PMI entered expansion zone in February for the first time since August '22, and India is still the brightest spot among the major economies with its manufacturing PMI recording its 16-year high at 59.1 in March 2024. Global steel demand is forecasted to grow in FY'25 with India contributing the most with projected growth of 8.2%.

During the quarter, zinc prices fell to an average of $2,450 per ton. Despite multiple suspensions and closures during the year, zinc prices have plunged by 25% year-on-year. Total zinc stocks rose to 386,000 tons at the end of March '24 as compared to 243,000 tons at the end of December '23 on account of subdued demand. However, in April, due to the rebound in global manufacturing activity, there has been a push in prices of all commodities and zinc prices have been on a rise due to supply disruptions and increased global demand. The domestic zinc consumption has grown by 20% year-on-year on the back of stronger PMI and is forecasted to stay strong in line with the steel market.

Coming to lead, the prices averaged at $2,077 per ton during the quarter, down 2% sequentially and 3% year-on-year on account of softened demand and lower global automobile sales at the start of the calendar year. Moving forward, within budget, focusing on infrastructure and additional spend on EV charging, etc., Indian lead market is expected to expand.

Silver prices hovered around $23.3 per troy ounce during the quarter and $23.6 per troy ounce during the year, up 10% year-on-year. The prices have rallied lately, tracking the gold prices and the market continues to look very strong. On silver demand, while current Indian industrial silver consumption is relatively lower, it is expected to increase significantly with developing industrial use-cases like EVs and 5G, etc., The rally in prices and this momentum is a great start for the new financial year.

Giving an update on the operational performance, I am pleased to restate that we have recorded highest ever mined metal production of 1,079 kt and refined metal production of 1,033 kt and silver production of 746 tons on the back of relentless efforts and collaborative ideas.

We also have generated the highest ever sales in our value added portfolio of about 20%. We produced these with zero fatality and at a zinc cost of $1,117 per ton.

These production figures grew at an industry-leading compounded annual growth rate of over 4% in the last five years and the guidance for FY'25 indicates a continuation of this trend. Our FY'25 guidance for mined metal production is set at 1,100 to 1,125 kt, refined metal production at 1,075 to 1,100 kt and saleable silver production of 750 to 775 tons.

On company's reserve and resources, with an emphasis on ensuring the longevity of the mines through strategic exploration, we have managed to increase the total R&R by about 35% in the last five years. Putting in absolute terms, while our five-year ore production adds up to 65.1 million tons, we have added an ore of 118 million tons to the R&R through exploration. We have added metal reserves of 2.5x as compared to FY'20 on a net of production basis. Resultantly, at the end of FY'24, our total R&R stands at 456.3 million tons with a total metal content of 30.8 million tons underpinning an overall mine life of 25-plus years.

During the quarter, in line with the national vision and with our strategic exploration objective to upgrade R&R, we incorporated Hindmetal Exploration Services Private Limited, a wholly owned subsidiary of HZL with an objective to explore, discover, develop and tap mineral resources.

Coming to our expansion projects, our 160,000 tons per annum roaster and 510,000 tons per annum of fertilizer plant progress is on track. I am happy to share that during the quarter we have received regulatory approvals with respect to Bamnia Kalan mine, which will be a new mine to be started by us and accordingly site activities will start operating soon.

Once again on the guidance, please note that we are giving a guidance of mined metal production between 1,100 to 1,125 thousand tons, refined metal production between 1,075 to 1,100 thousand tons and saleable silver production between 750 to 775 tons.

With this, I hand over the call to Sandeep for an update on the Financial Performance.

Sandeep Modi: Thank you, Mr. Misra, and a very good afternoon, everyone. As Mr. Misra already shared, it was a pivotal year marked by significant achievements in volume, cost management, projects completion and new growth path. Happy to share that zinc cost of production for the full year improved by 11% to $1,117 per ton. During Q4, company clocked a 12-quarter lowest cost of production at $1,051 per MT. It was down 4% q-o-q and 13% y-o-y. It was supported by better grade, better linkage coal utilization, softened coal and input commodity prices partly offset by lower acid realization. This quarter marked a fifth consecutive reduction in the cost of production with the cumulative sustained reduction of the cost by US$250 per ton.

Despite the volatility in zinc prices, our financial performance demonstrated resilience as we adeptly sustained margins through agile navigation of market challenges.

Silver production has been a standout success for the company during the year, with record high production positioning as the “Third Largest Silver Producer Worldwide.” This achievement is worth highlighting once more by me.

While I am going to give an overall picture of the financials of the company, I would like to start by sharing two key highlights demonstrating how ESG principles are integrated across various functions of the company, including the finance.

Hindustan Zinc has been recognized by CXO Genie for exemplary contribution in diversity, equality and inclusion within the finance domain. With the gender diversity of 50% in the finance function in the metal and mining company, Hindustan Zinc comprised of the professionals with the background of CAs, CMAs, MBAs and graduates from esteemed institutions, this award is a testimony of our progress in DEI.

In line with the government focus on empowering the MSME sector, Hindustan Zinc has taken a lead and prioritized payments to its MSME vendors with an average payment cycle of 29-days during the quarter, which is 37% better than the statutory requirement. This underscores our sincere commitment towards ESG principles, bolstering trust in our supply chain partnership through enhanced social responsibility.

Diving into our performance, the revenue from operation for the full year was approximately Rs.29,000 crores, down 15% YoY. Even though we had better volume and silver prices and a strong dollar, revenue was largely impacted due to lower LME. The revenue from operations for the quarter was 7,549 crores, 3% q-o-q up on account of higher zinc volume, partly offset by lower lead and silver volume and metal prices. Revenue for the quarter was down 11% y-o-y though the zinc and silver volume were better along with the silver prices and the favorable exchange rate, it was largely impacted by the lower metal prices and lead volume.

The full year EBITDA stood at Rs.13,677 crores, down 22% y-o-y in line with the revenue, partly offset by significant cost improvement for the quarter, the EBITDA was Rs.3,637 crores, up 2% q-o-q and down 14% y-o-y. It is in line with the revenue from operations and again the good cost improvement. Please refer to EBITDA bridge from Slide 30 to 32 for more information.

Consolidated net profit for the full year stood at Rs.7,759 crores, though it was down 26% y-o-y. It is in line with the EBITDA partly offset by lower tax expenditure. As we move to new regime, our ETR remained 25% approximately. For the quarter, the consolidated net profit recorded was Rs.2,038 crores, flat sequentially and down y-o-y in line with the EBITDA and tax expenditure.

I wish to highlight here that despite the 25% y-o-y fall in zinc prices, we successfully maintain our industry-leading margin of 47%, underscoring our strong foothold in the first decile of zinc mining cost curve.

This year, we have issued a total dividend payout of Rs.5,493 crores, with the total contribution of Rs.13,197 crores to the exchequer in the form of royalty and direct taxes and indirect taxes.

On the back of strong liquidity with the healthy cash flow of Rs.9,000 crores in FY'24 which is after the post-growth capex and RE investment of Rs.1,200 crores approximately.

It is also noteworthy to mention that we have recorded a seventh quarter highest domestic primarily zinc market share at 80% during the quarter, backed by highest ever quarterly domestic sales.

With recovering economies and brighter outlook for base metals, supplemented by our proficiency during the year gone by, we are geared towards pursuing our guidance of cost $1,050 to $1,100 per ton for FY'25 and growth capex of $270 to $335 million which will be mostly for roaster, fertilizer, RE power and debottlenecking, while leveraging the market dynamics strategically.

With this, I conclude my comments and we open the floor for your questions. Thank you for listening.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Sir, I have a couple of questions. The first one is essentially on our guidance. So, if I look at the mined metal guidance and if I compare it with this year, it's bit up between 4% to 6.5% while your silver guidance is just 0.5% to 4%. So, is it fair to understand that will we be having zinc over lead and silver this year?

Arun Misra: So, last year we mostly operated our pyro facilities on only lead mode. That helped us to increase lead production and also increased silver production and a low zinc price environment that helped us. This time the zinc prices are looking up and we hope the price really continues while silver prices is also up. As of now, our strategy is to operate on zinc plus lead mode and hence the metal numbers are as high as you are looking at and corresponding growth in silver is not visible. However, you have to understand that even if I try to operate the whole year in lead plus zinc mode, only selectively producing that much of lead concentrate will not be feasible. So, a balance view has to be taken. If the situation persists like this in zinc environment, we will stick to the guidance on metal and silver that we are giving and that is the most practical guidance that is possible.

Amit Dixit: But depending on the price movement, I mean, as the year flows by, you can dynamically change it as well?

Arun Misra: Absolutely, absolutely.

Amit Dixit: The second question is on the exploration subsidiary. I'm a little bit intrigued because we have a very rich history of exploration as very well evidenced in our R&R. So, what's the rationale for floating a new subsidiary? Is it that we are trying to go beyond our zinc, lead, silver?

Arun Misra: Government is coming up in a new scheme that would allow exploration companies to explore areas or block that they can earmark themselves. Now, this is a new scheme and if we explore, then the government is going to return part of the expenditure, then that data will be available to the parent company for tomorrow to bid whenever they become auctionable blocks. So, we being in that base metal and deep-seated mineral business, we feel that we have a larger chance, one, to succeed with exploration and second, use that data to bid fruitfully in auctions and gather further leases. So, that's why this is a new development, and we are hopeful that this will help Hindustan Zinc to grow beyond lead, zinc and silver.

Amit Dixit: Does it extend to rare earth also, is there any endeavor to go to -?

Arun Misra: Absolutely, absolutely, Rare earth, atomic minerals, all the critical minerals that the government has enlisted.

Amit Dixit: One last data keeping question. What was the grade this quarter and if you can also highlight the revenue and capital mine development?

Sandeep Modi: So, this quarter grade was 7.62% and this is the highest grade in the last couple of quarters. And for the capital revenue total was 26 kilometers, 50-50% capital and revenue.

Moderator: The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My first question is on the operational guidance for FY'25. Now, if we look at FY24, it's been almost a stagnant year as far as refined metal is concerned and we are now guiding this for 4% to 5% growth in '25, much lower than what our capacity is of around 1.2 million tons. So, just want to understand given all the projects are complete at the current capacity, is 1.1 the peak capacity to consider in future years also and future growth will come in only after more expansion?

Arun Misra: No. So, when we did 1.2 million tons expansion, it was primarily for the mined metal capacity of 1.2 million tons, whereas the finished metal was designed to be 1.123 million tons. In three consecutive years we have achieved more than 1 million tons in metal-in-concentrate and two years in succession, we have achieved 1 million ton plus in finished goods. Now that gives us confidence to go beyond 1.1 million tons and that will be the first test whether we can go closer to our designed capacity of 1.123 million tons. And as we speak, we have launched number of debottlenecking projects to take the capacity from 1.123 to 1.25 million tons. So, it will take maybe another 18 months to close all that. And then after we achieve 1.1 million tons plus this year, then next year we can surely attempt at 1.2 million tons hoping that in between all the debottlenecking projects are completed.

Sumangal Nevatia: Second question is considering the demerger of metal, silver and recycling some other division as well, what is the status and update on that, sir?

Arun Misra: No, as we have seen in the filings as well as the newspaper reports that we have read, so government has written to us saying that perhaps the timing is not appropriate considering they are in the process of disinvestment of the company on the 29% stakes that they have and at this point a demerger may create confusion in the minds of potential investors when they do the OFS route. However, looking at the rally of zinc prices, we have spoken to government and we feel that this is the right time for government to disinvest and also help us to demerge these entities and create a silver as a separate entity because we continuously believe that it will unlock another $3 to $4 billion on the market cap. However, after the board comes to a consensus and a decision on this, then we can come back.

Sumangal Nevatia: Last question is on the cost. So, we are guiding for mid-range around $1,075 versus fourth quarter this time, it's around $1,050. So, in terms of commodity price deflation, are we seeing that all the tailwinds or benefits are already priced in this quarter and no further benefits are expected, is that the way to read?

Sandeep Modi: Sumangal, there are a couple of things which happened in the Q4 like the best ever grade we got, 7.62, which has impact on the fixed cost, also we had the highest linkage coal consumption which was 46% in overall Q4. So, I think for the full year, it was 37%. We are moderating with a 40% kind of linkage coal consumption and import coal prices also we are assuming like Q4. But as we go more to mine deeper and the higher mine development as we have to improve volume, some impact may be there which are all factored in the 1,050 to 1,100. And secondly, as Mr. Misra has said that we are assuming zinc-lead mode completely for the whole year. So, pyro plant which has a zinc-lead mode, has a $15 cost extra compared to lead mode on an overall basis. So, this has also been factored into 1,050 to 1,100. So, if you exclude that pyro plant in that manner, actually, we are talking about 1,035 to 1,085 kind of things on a like-to-like basis. So, all these factors have been factored into it.

Moderator: We have the next question from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: First, a couple of questions on the mining part. Bamnia Kalan finally I think it has come to fore. Sir, can you detail over here? Basically, you indicated that we have secured the regulatory approvals. So, what sort of regulatory approvals we have? How should we read into resource, reserves and timelines on the mining output over here?

Sandeep Modi: Bamnia Kalan mine has almost 1 million ton of the resource in the metal terms, and 700 tons of kind of the silver. Annual potential revenue at current LME is 1,000 crores plus and assume the EBITDA margin kind of this, so maybe 400 crores. So, we have received all the approvals from the IBM for the mining plan, consent to operate, consent to establishment, everything has been received and now we have to hit the ground with the site activities and for which we are working with the business partners to start the portal and the initial mining activities. And this is adjacent to the SK mine. So, it's strategically located near to the same mine. So, that benefit of scale we will also get.

Ritesh Shah: Sir, what are the timelines that we are looking at over here?

Sandeep Modi: Any mine to start will take one to two years to get a full ramp up, but I think to hit the ground and then start the portal, may be in the next year, it will be coming to the main operation part.

Ritesh Shah: My second question is, as per MMDR, we will see a certain percentage of our reserves face expiry by 2030. If memory serves me right, I think that's Rampura Agucha, SK and Kayad. So, these three mines will be what percentage of our -?

Sandeep Modi: SK is 2048, Bamnia Kalan is 2035, Kayad is 2048, and remaining mines are 2030.

Ritesh Shah: So, Rampura Agucha and basically Zawar is 2030. So, this is what percentage of our mined output at this point in time?

Sandeep Modi: Agucha and Zawar will be put together 65%. But in terms of profitability point of view, 50%, given that SK is the silver-rich mine.

Ritesh Shah: How do we see a scenario from 2030 given that we will probably look to retain the leases. So, how the royalty content can actually change?

Arun Misra: Very difficult to speak as of now. Okay? Because such kind of a deep-seated mineral auction has not happened that too on a brownfield. Most of the auctions that have gone for are bulk mineral which are close to surface where exploration results can be easily verified. So, we will wait as it happens. But we know our scenarios, we have already calculated, and we know that we will be able to maintain our profitability close to the current level even if in the auction we have to provide a certain amount of extra premium.

Ritesh Shah: Bamnia Kalan, you said 2035, right, did I hear it right?

Sandeep Modi: Yes, you heard it right.

Ritesh Shah: A couple of questions on financial, sir. If you could please quantify what is the GR and RE number as on March 31st?

Arun Misra: So, GR is basically Rs.10,384 crores and including GR and RE, it's a Rs.15,000 crores.

Ritesh Shah: Sir, what is the status on GR to RE? I think there is an ongoing court case.

Sandeep Modi: Yes, so GR to RE, next date of hearing is 17th May '24. So, I think that should be the last hearing that we expect.

Ritesh Shah: Lastly, sir, in the prior call, you had indicated, I think we have also referenced it in one of our slides on waste to basically valuable resources, you had indicated one of the American companies for a potential tie-up. Is it possible if you could provide some technical color as well as some quantification on the scope of the opportunity that we are looking at over here?

Sandeep Modi: So, we will not be able to give the name of the company with whom we are going to have tie up, but the quantification on the sustainability, if you see the IR presentation slide #13 where we have talked about Hindustan zinc having a potential of recovering 1 million tons of the metal and 3 kt of the silver from its accumulated waste stockpile. This is the total opportunity which we are talking. And tie-ups are already done, and we are in the pilot stage. At appropriate time we will be able to comment upon how much capex is involved here.

Moderator: The next question is from the line of Pallav Agarwal from Antique. Please go ahead.

Pallav Agarwal: In this quarter, we had a sequential increase in interest cost, but I think you would have probably generated cash or maybe our borrowings have come down. So, any particular reason for that?

Sandeep Modi: The finance costs are in line with the debt and also the last quarter we have actually repaid the low-cost certain borrowing and certain borrowings have been there. So, this is normal routine movement and I think that is not a much larger impact of the cost increases there in case if you see from the finance cost, it's 243 crores to 262 crores.

Pallav Agarwal: Also, sir, after many years, we've seen reserves and resources being stagnant compared to the previous year. So, normally we know we do replace what we will mine out and there's been an increasing trend in reserves and resource. So, will we increase our exploration activities this year or how will this pan out over the next few years?

Arun Misra: Reserve and resource may look stagnant, but you have to appreciate that how quickly we are converting more and more resource into reserve so that our mining at the current level of 1 million ton plus metal-in-concentrate capacity at 7% grade and about 16 to 17 million ore mining, we are able to continue year-after-year. That is the first priority. And second priority is large part of Zawar requires greenfield exploration. So, our next concentration of effort will be in Zawar where currently we have moved up the ore production and we want to take it to 6 million tons and then 8 million tons from the current level of 4-4.5 million tons of ore production. So, for say 8 million tons ore production, we would require a proven reserve of about 40 million tons. So, we are working mostly in Zawar now to increase the reserve and also add more to the resource. The judgment has to be taken rightly so that we are in a position to continue mining. That is most important to us. We are able to control grade by enough of underground exploration. At the same time, we try to replenish a little bit more than what we are consuming. Unless if a new block we get, then of course we will have a sudden jump in reserve and resource based on the new block.

Sandeep Modi: And just Pallav, just to supplement, Mr. Misra, if you see bifurcating between resource and reserve separately, reserve has actually increased in spite of depletion by 0.3 million tons.

Pallav Agarwal: How do we distinguish between sustenance and growth capex because I think we probably have been maintaining about $300 million to $400 million of sustenance capex every year. So, is this basically just to ensure the continuity of output or what basically is the distinction between these two?

Arun Misra: Majority of sustenance goes into equipment replacement because we have 900 equipments in the underground. Say, every year about 100 to 200 equipments on a five year life cycle basis, they are due for replacement, that is number one. Second, there are various aspects of environment and safety which also requires investment like we are on a path to reduce our fresh water consumption and hence we are putting up water treatment plants everywhere and then we are looking at sewage water treatment plants to protect ourselves from the inadequacy of rainfall in some years. Then third bit is, we are also looking at small capexes which give a quick payback, less than 12 months kind of a payback that we include in sustenance, whereas growth would typically be higher capex outlay say anywhere between say 300 and 400 crores kind of a project which increases the design capacity of the plant not by debottlenecking but by adding new assets, at the same time you can expect a payback period of anywhere between 2.5 to 3 years. Those kind of criteria will apply for growth capex. So, fertilizer plant and our Roaster, they would all qualify for growth capex whereas small, small improvements as I said between 1.123 million ton and 1.2 million ton will be unlocking through small, small debottlenecking projects. But the number of them with an investment for each one of them may be somewhere between 5 crores to maybe about 70 crores or 80 crores.

Pallav Agarwal: So, basically, we can expect this level of sustenance to continue in the future also, this would be a steady state?

Arun Misra: Yes, it's a steady state.

Moderator: The next question is from the line of Kunal Kothari from Centrum Broking Limited. Please go ahead.

Kunal Kothari: One clarification on the capacity expansion of refined metal. Have I heard right that current capacity is 1.123 million tons per annum, and it will be expanded to 1.5 million tons in next 18 months?

Arun Misra: No, no, no, I didn't say that. We said 1.123 currently and we are launching a lot of debottlenecking projects to take it to 1.25 million tons, but safely speaking, it will be about 1.2 million tons in about 12 to 14 months or maybe 16 months.

Kunal Kothari: Our target is to raise it to 1.5 million tons. So, by when we can say that we can reach the target that is feasible according to you?

Arun Misra: See, we are on the drawing board. We were earlier thinking of taking it in steps, maybe 1.2 million tons to 1.5 million tons in FY'26, 1.35 million tons in FY'27. But what we understand is, it's much better to plan for something like 2 million tons metal-in-concentrate production as quickly possible. So, we are in the process of engaging global consultants. We have placed order on two mining consultants already to look at the mine expansion. We are working on an order for a smelter and infrastructure consultant so that we can come back to you and place before you a vision of making this company 2 million tons and we are keeping ourselves a timeline anywhere between 2.5-3 years' time to take this company from 1 million tons to 2 million tons. After the designs are done, they will know whether it will be 2 million tons or it will be 1.7 million tons, that final number we will be able to project to you.

Kunal Kothari: My second question is in regard to our new fertilizer plant. So, can you state what is the capacity and business economics that we are looking forward and from when will it contribute to our overall numbers as well?

Sandeep Modi: Fertilizer is 5.1 lakh MT DAP and NPK, and it has a project cost of around 1,800 crores with good to a double-digit IRR. And from the EBITDA, I think there are two strategies. One is the strategic objective for the forward integration of the acid usage and making it more sustainable. That is the one objective. From financial benefit, EBITDA point of view it will be, at current level of the prices, of 350 to 400 crores.

Kunal Kothari: And when it is likely to get commissioned?

Sandeep Modi: FY'26.

Moderator: The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: My question is on the guidance which we now shared today. So, if I compare it with the analyst day presentation, we have given guidance of 800 tons per annum for silver, but in today's presentation, it is now cut down to 775 tons per annum and similarly for refined metal from 1,200 to 1,100, and zinc COP from $1,000 per ton to $1,100 per ton. So, there is a slight deviation from the -

Arun Misra: No deviation at all. In the analyst meet, we did not give guidance for next year. We said that that is the potential and the vision for Hindustan Zinc and we said anywhere between three to four years' timeline to come to those numbers. We said that the company has the potential to achieve up to say 1.5 million tons metal, has the potential to produce between 800 tons of silver and also has the potential to become less than $1,000 per ton on the cost. So, it's more from that angle. Whereas next year is concerned these are the guidances we have given. Of course we still will continue to work towards going to the $1,000 per ton cost of production.

Moderator: We have the next question from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Just wanted to understand one thing. If you look at our silver growth guidance of around 2% versus the refined metal guidance of 5%, even with the fact that the Fumer just contributed 3 tons out of the 30 tons potential, so why this Fumer is not growing at all with refined metal?

Arun Misra: As we said that we will be operating mostly in zinc plus lead mode in the pyro. So, correspondingly our lead production will go down and hence the attached silver production will go down. It is just because of the Fumer that we are able to make up for that and still produce 750 to 775 tons of silver at this level of metal of 1.1 to 1.125. Otherwise, this number would have gone down to anywhere between 730 tons to 735 tons of silver only.

Vikas Singh: Given zinc prices have jumped up significantly, with this our cash flow would also be increasing. So, our preference would be debt reduction or this kind of debt we will maintain and whatever the additional money we would have, this can be distributed as the dividend going forward. So, what's our take on that?

Sandeep Modi: I think the dividend is a matter for the board to comment. Whenever it will come, we will all come to know. At this point of time, if I will have the cash, obviously, I will either invest in the long-term investment where I can get the best of the return or in case there is an option, we will repay it. I think I will be more concerned about the net cash level or net debt level rather than taking the gross cash across.

Vikas Singh: Just for our understanding purpose, sensitivity wise, how much 5% additional value-added sales would move our EBITDA?

Sandeep Modi: Value-added production like zinc alloy, this is not from the EBITDA or PAT point of view. This is more from being strategic and making India self-reliant. Zinc alloy has a total market of 30 kt and we have also put up the plant for 30 kt. So, we want to reduce the import dependency. That is more from that point of view. If you see the value addition from the zinc alloy, it will be 40-50 crores. But I think you should not look from profitability point of view everything, look at more from the holistic how we make India self-reliant by making zinc alloy internally in India itself.

Moderator: The next question is from the line of Shweta Dikshit from Systematix group. Please go ahead.

Shweta Dikshit: For my understanding, could you just throw some light on the zinc plus lead mode of operations that you were talking about?

Arun Misra: So, we have a Pyro facility. That furnace can run with input of zinc concentrate and lead concentrate mix together and converted to sinter and that sinter is fed to the furnace. After smelting, we produce both zinc as a finished good, also lead as a finished good in that process and balance residue carries the silver that frees up from the lead, which is again taken to silver refinery plants and produce silver. Now, in this process, if I don't feed in zinc and only feed in lead, you can understand that then the furnace is full of lead. The furnace residue is full of lead residue with the silver and then it can produce more silver. That is the simplistic way of understanding.

Shweta Dikshit: My next question is what's your outlook on zinc prices in the near or medium term?

Arun Misra: Zinc prices, near and medium term? There are various reports speak on something. With the current movement, looks like some of the reports are even slightly conservative. The first report I will refer to, when we were in the month of February, predicted that by December, zinc could touch $3,000 per ton. But if I follow last 20-30 days of movement of price, it looks like we will breach that mark of $3,000 per ton much earlier than December. Maybe somewhere closer to August or September, we will bridge the mark of $3,000. By December, I'm very hopeful that we will be closer to the mark of $3,200 or so.

Shweta Dikshit: Is the underlying demand favorable for such a price movement because the recent uptick has been more on the geopolitical or external factors, but are we looking at a favorable underlying demand here as well?

Sandeep Modi: So, apart from the underlying demand, you should also know that the TC-RC is also growing at the lowest. Currently, what we read in the media, Teck Resources and Korea Zinc entered into TC-RC of $165 and current spot is going $75 which clearly indicates that the concentrate market is in a quite tight supply. Because of the higher cost, many of the smaller mines have got closed. So, concentrate market is in a shortage and that's how you can see it is impacting on the overall supply/demand situation where the MIC is in a shortage and the prices are going up. Fundamentally what Mr. Misra has said, sooner than December, we can see around $3,000.

Moderator: We have no further questions. Ladies and gentlemen. I would now like to hand the conference over to Ms. Jhalak Rastogi for closing comments. Over to you ma'am.

Jhalak Rastogi: Thank you, everyone. With this, we close today's earnings call. For any follow up questions or clarifications on the results, please feel free to reach out to Investor Relations team. Thank you so much.

Moderator: On behalf of Hindustan Zinc, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.