HZL/2023-SECY/

April 24, 2023

BSE Limited
P.J. Towers, Dalal Street,

Kind Attn: - General Manager,
Dept. of Corporate Services

Scrip Code: 500188

National Stock Exchange of (India) Ltd.
"Exchange Plaza" Bandra-Kurla Complex,
Mumbai – 400051

Kind Attn:- Head - Listing & Corporate Communications

Trading Symbol: HINDZINC-EQ

Dear Sir/Madam,

Sub: - Earnings call Transcript for the Fourth Quarter and Year Ended March 31, 2023

This is further to our letters dated April 21, 2023, the Company had hosted an earnings conference call with investors and analyst on Friday, April 21, 2023 to discuss the financial performance of the Company for the Fourth Quarter and Year Ended March 31, 2023.

Please find attached the transcript of the earnings call. The same is also made available on the Company's website at https://www.hzlindia.com/investors/reports-press-releases/.

Request you to take the information on record.

Thanking you,

Yours faithfully

For Hindustan Zinc Limited

RAJENDRA PANDWAL
Digitally signed by RAJENDRA PANDWAL
Date: 2023.04.24 17:18:17 +05'30'

(R Pandwal)
Company Secretary
Encl: as above

"Hindustan Zinc Limited
4Q Full Year FY'23 Earnings Conference Call"
April 21, 2023

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 Hindustan Zinc Fourth Quarter and Full Year FY'23 Earnings Call. 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. Please note that this conference is being recorded. I now hand the conference over to Ms. Jhalak Rastogi, Associate Director, Investor Relations. Please go ahead.

Jhalak Rastogi: Thank you. Good afternoon, everyone. I welcome you all to Hindustan Zinc's Fourth Quarter and Full Year FY'23 ending 31st March '23 results briefing. In this call, we will refer to Q4 FY'23 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 slide number two of the set 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 will 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 afternoon to all of you. Thank you for joining us today for the fourth quarter and FY'23 results briefing. At the outset, I am very happy to share with you that Hindustan Zinc has achieved highest ever metal production in FY'23, crossing 1 million ton metal mark which was promised at the beginning of the year.

We could do this through relentless efforts on our operational efficiencies in our smelters backed by consistent mine metal production in our mines. With our ever increasing silver production, it brings me great pleasure to share that Hindustan Zinc has now become the fifth largest silver producer globally. A quick snapshot of developments made in the year are given on page six and seven for reference.

Coming to our key priorities on safety front, in line with our commitment to ensure zero harm to employees, the leadership has undertaken the prime responsibility of providing a safe workplace for all employees entering our premises. We have started implementing critical risk management to prevent further fatalities and it gives me satisfaction to report fatality-free operation during last two quarters.

Safety of our people is the topmost priority for us at Hindustan Zinc and it is our commitment to ensure that all our employees return home safely. An update on key priority on ESG front, we continue to make progress on our sustainability journey to achieve net zero by 2050 via multiple pathways. During the quarter, we entered into another power delivery agreement with Serentica Renewables for sourcing renewable power of 250 megawatt, thereby aggregating such contracts to 450 megawatts under the group captive scheme. We inaugurated 550 tons per hour paste fill plant at Rajpura Dariba complex, which affirms our commitment towards a safe, smart and sustainable operation.

I am also elated to inform you that Hindustan Zinc is transitioning towards a low carbon vehicle fleet. We flagged off the first underground mining EV in SK Mine, first LNG vehicle for transportation and first EV truck for carrying concentrate from mines to smelters. Hindustan Zinc ranked amongst top 5% ESG scorers in the metals and mining sector in S&P Global Sustainability Yearbook 2023.

We have been featured for the sixth consecutive year, reaffirming our best-in-class sustainable practices. We have also been recognized with prestigious A rating for climate change and A-rating for water security. In addition, Rampura Agucha Mine became India's first mine to be Green Co. certified and four of our mines are now 5-star rated under A-list category of mines by Indian Bureau of Mines. These endorsements play a significant role in motivating us to consistently march ahead on our ESG journey.

Coming to an update on our on-ground CSR activities, it gives me immense satisfaction to inform that we are progressing well on our social sustainability goal. We could outreach an ever-highest number of more than 1.72 million beneficiaries in FY'23 through our sustained CSR initiatives.

Strengthening our commitment towards education, sessions on digital literacy and life skill training were imparted to deaf and dumb students. Promoting sustainable likelihood and skill development, Hindustan Zinc's Kaushal Kendra trained successfully its first all-female batch for unarmed security guards with 100% placement at reputed organizations.

Reinforcing the goal of diversity and inclusion, we achieved 19.5% gender diversity as of March 23, inclusive of all genders and sexual orientations. I would like to share that Hindustan Zinc signed MoU with Rajasthan Cricket Association for developing India's second largest cricket stadium in Jaipur. Zinc Football Academy bagged second position in the Khelo India U-17 Girls Football League and at Raj Samandh, we also supported regional cricket match of Bhaladiya Panchayat League held at Pratappura with about 150 plus participants across Udaipur.

Moving on to the market, the global economy continues to remain impacted by extraneous factors. Though the previous quarter did begin with optimism on the global economic outlook on account of easing supply chain disruptions and expectations of China's economic recovery supported by positive hope on broad-based recession avoidance, however, the same was short-lived.

With the potential banking meltdowns and mounting inflation in the US supplemented by China showing few signs of strong economic recovery yet, broader market sentiments continue to remain weak. Further, as per IMF, 2023 will be another challenging year with global growth of less than 3%, majority impacted on account of monetary tightening, COVID aftermath and a war in Ukraine.

Zinc supply and demand forces remained underperforming. The LME stocks stood at 45,000 tons as compared to 140,000 tons at the start of April 2022, whereas stocks in SHFE Warehouse at the end of March stood at 97,000 tons as compared to 176,000 tons at the start of April 2022.

Stocks are thus at multi-decade low levels. On demand sides, there has been a fall in global consumption by 3% in 2022 amidst the slowdown of China's economic recovery and possibility of US banking crisis impacting the construction and the automotive sector for the first half. Global consumption is forecast to grow by 1.5% in 2023.

Touching briefly on lead, lead prices in Q4 exhibited an improvement of 2% Q-on-Q, closing at $2,145 a ton. Global lead demand exceeded supply in 2022, with lead metal supply down by 0.7% and demand up by a modest 0.5%, predominantly in China, India, Japan and US. However, in the first half of 2023, muted and balanced lead prices are expected, driven by faint supply and demand expectations on account of lead smelters going into maintenance in China, combined with off-season of lead-acid battery market.

Coming to silver, prices have been on an upside, closing at US$23.89 per troy ounce. Silver inventory in London vaults touched six-year low levels in November 2022 and continues to trend downwards. For 2023, silver demand is expected to be bullish, driven by increasing industrial offtake, augmented by rising focus on green economy, including renewable energy products like solar cells, vehicle electrification and investment in 5G infrastructure.

On the domestic front, the Indian economy continued to show strong resilience. This was reflected in the S&P Global Manufacturing PMI in March 2023, which was at 56.4, indicative of expansion in manufacturing activities. Q4 experienced a strong demand on account of industry maximizing outputs in the last quarter.

Now coming to an update on operational performance, this financial year we surpassed our own records. I am happy to report mined metal production of 1,062 kilo ton up 4% year on year and record high refined metal production of 1,032 kilo ton up 7% year on year. This was supplemented by highest ever mine development during the year, crossing 110 km mark with Life of Mine Ventilation System, fully commissioned and operational at Agucha and in progress at SK and Zawar Mine. This ensures continuity of superior performance while maintaining our mine life at 25 plus years.

During the quarter, our mined metal and refined metal production was ever highest at 301,000 tons and 269,000 tons respectively, demonstrating our capability to produce 1.2 million tons MIC. Record performance was majorly driven by higher ore production, improved grades and better plant availability. We also delivered ever highest silver during the year, in line with lead metal production. We entered the new financial year on the back of such stellar performances. Such resilient efforts, blended with softening input costs, enabled delivery of strong operational performance, successfully achieving the annual guidance with an EBITDA margin of 52%. Some of the automation projects like smoke hour drilling have helped increase volume with marginal operating costs.

On projects front, happy to inform that our alloy plant execution is in process and commissioning is scheduled in Q1 of this financial year. For fertilizer plant, order placement is scheduled in this quarter and RD mill commissioning is also targeted in Q1 of FY '24. Also, we have successfully maintained a mine life of 25-plus years with strong R&R, demonstrating an increase of 2.7%

year-on-year and factoring production of FY '23, the increase is 7%. Maintaining a portfolio of mines with long life remains one of our key focus areas.

Before I hand over the call to Sandeep for an update on financial performance, I would like to present our production guidance for the fiscal year 2024. We expect mine metal for the year to be in the range of 1,075 kt to 1,100 kt and refined metal production for the year to be in the range of 1,050 kt to 1,075 kt, while FY '24 sellable silver production is expected to be between 725 tons to 750 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 to everyone. Supported by a consistent financial performance across the quarters, Hindustan Zinc experienced yet another record-setting annual performance, delivering historic high revenue, EBITDA, net profit and cash flow generation. This splendid performance is an accurate demonstration and a testimony of our continued efforts on operational efficiency, volume enhancement, cost optimisation, backed by agile decision making and a favourable LME environment. All of this has enabled us in sustaining robust and resilient margins even in an input commodity inflationary environment.

Coming to an update on the financial performance for the fourth quarter and the full year ended March '23, revenue from operations for the year was at a record INR34,098 crores, an improvement of 16% Y-o-Y. This was supported by improved Zinc LME and volumes, gains from strategic hedging of approximately INR800 crores, favourable exchange rates and better lead and silver volume, which was partially offset by lower lead and silver prices.

Revenue from operations during the quarter was INR8,509 crores, down 3% Y-o-Y, majorly on account of lower Zinc, lead and silver prices, which was partially offset by improved refined metal and silver volume and favourable exchange rates. Sequentially, revenue improved by 8%, primarily due to improved metal and silver volume, along with better Zinc, lead and silver prices.

Zinc cost of production before royalty during the quarter stood at $1,214 per ton, the lowest quarterly COP in FY '23, which was 6% better sequentially, 7% higher y-o-y in USD terms and 6% better sequentially, 17% higher in INR terms if we compare with the Y-o-Y. The sequentially improvement was mainly on account of better volume, improved grades, strong operational efficiency and supported by smoothened coal costs. For the full year, Zinc COP stood at $1,257 per ton, 12% higher Y-o-Y in USD terms and 21% higher in INR terms, though well, within the guidance given in October '22. The COP was up mainly on account of elevated coal prices, poor domestic coal (linkage) availability till December '22 and input commodity inflation, partially offset by higher volumes and improved operational efficiency.

The resulting EBITDA for the full year was a record of INR17,590 crores, an increase of 8% Y-o-Y driven by improved metal and silver volume, higher Zinc LME prices, gains from strategic hedging of INR800 crores and favourable exchange rates partially offset by higher costs and lower lead and silver prices.

EBITDA for the quarter was INR4,208 crores, down 16% Y-o-Y and up 13% sequentially. The quarter-on-quarter improvement was primarily driven by better revenues due to higher volume and prices coinciding with improved costs on account of relaxing input commodity inflation further supported by better volume, mining grades and operational efficiency. Please refer to EBITDA bridge from slides 23 to 25 for further details.

Consolidated net profit for the year was at historic high level of INR10,511 crores, a growth of 9% Y-o-Y, majorly led by higher EBITDA, partially offset by an increase in tax. Net profit for the quarter stood at INR2,583 crores, up 20% quarter-on-quarter. The sequential improvement was majorly on account of higher EBITDA and lower tax expenditure. Effective tax rate for the fourth quarter was 26.3% and for the full year was 31.2%. The tax expense and ETR was lower in Q4 mainly on account of a one-time adjustment. As the company is opting for the new tax regime from FY '24, paying tax at 25.17% instead of current ETR of 34.9%, deferred tax rate and liabilities have reinstated at 25.17%.

That said, our cash tax outflow has gone up for the year due to lesser amount of accumulated MET credit. Further, as we will be moving to the new tax regime from the fiscal year, our tax rate will be around 25%. I am also happy to state on record that in March '23, the Board had approved an interim dividend of INR26 per equity share, which is a 1,300% basis face value of INR2 per share and amounts to INR10,986 crores. This reinforces our commitment of providing superior shareholder returns continuously. Further, during the year we contributed INR24,949 crores to exchequer, including the dividend paid to Government of India and associated tax of INR10,855 crores.

Coming to our cost and capex guidance for the fiscal year '24, we expect our zinc cost of production to be in the range of $1,125 per ton to $1,175 per ton for the upcoming fiscal year, which is inclusive of higher mine development expenditure to support future volume growth. The guidance is contingent on the macroeconomic factors impacting input commodity prices. Having said that, given the fact that we have maintained our leadership position in the global cost curve, we remain confident to protect and improve our margins going forward as well.

Project capex for this year is expected to be in the range of $175 million to $200 million. We will continue to have a focused approach to investing in strategic projects with higher IRR and towards the sustainability aspect of the business.

With this, I open the floor for your questions. Thank you.

Moderator: Thank you. Our first question comes from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: Thanks for taking my question. This is pertaining to the current cash balance that the company has. Given the fact that we paid the dividend primarily by taking a smaller short-term debt, is the company looking to use this cash for any inorganic acquisition or what is the medium-term goal here?

Sandeep Modi: So currently any acquisition which will happen will be on the basis of the board-approved decision and any valuation or due diligence done. Given the fact that as of now our focus is to invest in the fertilizer and roaster project and currently the company has INR10,000 crores of gross investment in cash in cash equivalent. The borrowing is smaller and compared to the borrowing, our quarter 1 cash flow should be basically recouping whatever negative we are having. And if you see our guidance which we have given, I am sure you can do your math and comfortably we can generate in annual more than INR10,000 crores of cash flow.

Abhiram Iyer: Got it. So broadly this is not going to be the short-term debt then we convert it to a longer term debt? Because as per your statement it was roughly around INR11,000 crores?

Sandeep Modi: Yes, so we don't intend to do any short-term to long-term given that our cash flow position which I am again saying that the reinstate our position of the cash flow generation and historically we have been generating the cash flow. We should be able to pay within this financial year.

Abhiram Iyer: Got it. And just a follow-up to that, could you just give the nature of investments which are present, all of these liquid investments and mutual funds?

Sandeep Modi: I think that is not a standard disclosure but we invest in the high-quality debt instruments as per our investment policy.

Abhiram Iyer: Got it. So thank you very much. I will get back in queue.

Moderator: Thank you. Our next question comes from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Yes, hi. Congratulations for a good set of numbers and thanks for taking my question. My question is with respect to the mined metal production guidance. So if I look at your guidance, I mean it is, the upper end of guidance is also at 5% high, Y-o-Y. We have hit the mine metal rate of 1.2 million tons in this quarter. While I understand that, it is not that every quarter is uniform, but just wanted to understand why we have given such a subdued guidance and what are the key enablers for us reaching 1.2 million tons per annum and when we will reach it?

Arun Misra: So if I can remind you, we started off the discussion of the growth project as 1.2 million tons MIC. So while we can still produce 1.2 million tons MIC, what we have demonstrated in quarter 4, our focus going forward is actually move from MIC to finished metal. So we are looking at now putting one roaster and then we will try to do some debottlenecking of the leaching circuit to actually build up a capacity of 1.2 million tons.

So our immediate focus is to, with the available capacities, produce 1,120,000 tons, more than 1,100,000 tons of metal first and then whatever is that metal that we produce, correspondingly back up by MIC production. So that's why the numbers are such that the focus moves from MIC to metal. So somewhere around 1,050,000 tons to 1,075,000 tons of metal if we can produce, then we have calculated the MIC accordingly. Otherwise, with the roaster and through debottlenecking in the leaching, we will be able to go to that 1.2 million ton metal capacity instead of talking about MIC capacity.

Amit Dixit: Okay, just a follow-up. So when can we expect to reach this 1.2 million ton in metal then?

Arun Misra: After this roaster. We are taking say, 18 months of commissioning from the time of construction which will begin somewhere in June or July, then another 18 months. So maybe FY '25, FY 24-25 or FY 25-26 one of these two years would be close to 1.2 million tons.

Amit Dixit: Okay. Thanks a lot I will get back in the queue.

Moderator: Thank you. Our next question comes from the line of Love Sharma from Lombard Odier. Please go ahead.

Love Sharma: Hi. Thank you for taking the question. I had a question about in terms of this year from FY'24 onwards. You're going to pay some brand and royalty fee. Can I understand that amount has already been paid in April, and if so, how much is that? And generic question would be, you would pay directly to Limited or to PLC? Thank you.

Sandeep Modi: There's some background noise, but I'm sure you are trying to ask what is the brand fee expenditure. So, during the year, brand fees was approved from the 1st of October. So, this financial year, you see the impact of INR318 crores. And the next year will be depending upon the turnover, it will be 2% of the turnover. But roughly, it should be between INR650 crores to INR700 crores.

Love Sharma: Okay. Thank you. Can I ask question on the GRE to RE conversion. I know that you got the shareholders vote for that. Do you still need any other creditors vote to happen? Or is the process pretty much done? And on the NCLT approval is remaining?

Sandeep Modi: So, all the process have been done and then the formal procedure is going for the second motion to the NCLT, which has also been filed on the 10th April by Zinc. And once it is done, then it will require a Board approval. So, no separate creditor approvals are required.

Love Sharma: Okay. And what is the base point for the NCLT meeting you say, NCLT approval?

Sandeep Modi: So, we have filed on 10th April. So, NCLT whenever will give the hearing, then only we can comment upon it.

Love Sharma: Okay. Understood. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Yes, thanks. My first question is on the dividend payout. Now given that we've moved to a marginal net debt level, should we expect dividend payouts to be restricted by the cash flow or we are also okay by taking more debt and pay higher dividend like we did in FY'23? And also, given our FY'23 payments was much beyond our internal accrual, I mean, should we consider this as, frontloading of FY'24 dividend in FY'23, given that you commented that FY'24 cash flow will be used to repay the short-term debt?

Sandeep Modi: So, thanks for the question. So first of all, dividend payment is, I think, a Board decision. So, whenever it will happen, we will come to know. Obviously, any decision which will be taken by the Board, it will be depending upon the strong financial management. So, I'm sure the Board will consider all these factors before approving any dividend, which will happen in the future.

Sumangal Nevatia: Okay. All right. And just one last thing on the Zinc International acquisition, is it completely on the backburner that is called out? There were reports that the government is suggesting that we should consider the payment terms like some noncash method of acquiring or something of that is under consideration?

Arun Misra: No. So all we can comment here is the Zinc International acquisition was a great idea. We have got the Board approval, and we have filed it in the stock exchange. There is a letter which has been received from government that they are a majority of the minority shareholders. Their view in the public place. So, we are working on it, and we still believe that this is something that we must do for the sake of Hindustan Zinc. So, we will see where it ends. But we are really hopeful and we are on the job all the time.

Sumangal Nevatia: As of now, it's not been called out. It is still under works, right?

Arun Misra: No. Unless we, Board passes a resolution withdrawing this, till that time, it is not called off.

Sumangal Nevatia: Okay. Thank you and all the best.

Moderator: Thank you. Our next question comes from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Yes. Hi, thanks for taking my questions. Two things. One is on the cost of production that you have mentioned. Does it include the brand fee? And secondly, we have reduction in cost, which I think would have been a lot higher because the way coal prices have come off. And can you give us some colour as what has been the coal procurement cost and how we see going forward?

Sandeep Modi: So, Rahul thanks for the question. The cost which we report to the market is the V1 cost, which is for the conversion cost, total cost of production, that does not include the brand fee. Second, coming to the cost of coal. If we talk about that, as we said in the last quarter, that we were having certain high cost coal inventory. Obviously, that was taken for decision for the purpose of protecting the coal for the purpose of production. That has been depleted, and our coal cost has gone drastically reduced. And that's why you see, compared to quarter three versus quarter four, $80 cost reduction.

And we believe that our current import coal prices are around $150 to $160 per ton for the import prices. And we have also got almost 26% linkage coal in the last quarter four. And I'm sure this will continue. With that, we are quite confident that this guidance, whatever we have given for the cost are achievable. And given that our volume size will be also higher and since our 30% to 35% cost remains semi-variable or largely fixed. The volume benefit will come to us.

Rahul Jain: So just one more to add to that. We also have a captive coal mine development. Any progress on that?

Sandeep Modi: We don't have any captive coal mine development.

Rahul Jain: Okay. Thanks.

Moderator: Thank you. Our next question comes from the line of Pinakin Parekh from JPMorgan. Please go ahead.

Pinakin Parekh: Thank you. So my first question is, if you look at Hindustan Zinc balance sheet, it has materially weakened from its peak days of having a very large net cash balance. Now the gross debt is closer to INR12,000 crores. So, at this point of time, what is the management view on the debt on the book on a gross basis? Will management use the operating cash flow to reduce the gross debt on its book? Or should the debt increase through the course of FY'24?

Sandeep Modi: So, I will say Pinakin that this, as a answer for the earlier question also, at the current level of the guidance, and we are sure that we'll achieve this guidance 100%. And as I take the current LME level also, we are comfortably should be able to generate the cash flow of INR10,000 crores. And if you bifurcate in the quarter also, we should be, by May and even, we should be able to recoup, whatever the marginally, INR1,700 crores, INR1,800 crores, net debt is there.

Coming back to this cash flow generation, I'm sure at the March end, we should be able to be in a position if we generate the INR10,000 crores of cash, it will get netted off with the debt.

Pinakin Parekh: But sir, that would be, that will only happen if there are no dividend payout, right, in the course of FY'24. Because if the company pays out dividends, then effectively, this debt balance won't come down, right? So, are you saying that the dividend payouts reduce from here, and hence, the cash flows will be reserved to reduce the debt?

Sandeep Modi: So, I would like to answer this in a different manner also. First of all, dividend is a Board decision. So, whenever it will happen, you will come to know. And secondly, even if something happens from the dividend point of view, you will always have an investment against those whatever the borrowings are there. So, you will never be in a position where, like you are seeing marginally that because the retained earnings are also now limited. So that retained earnings, whatever is there, we won't be able to give the dividends beyond that retained earnings.

Pinakin Parekh: So just to simply ask, you don't expect the, on an absolute basis Hindustan Zinc to pay down the debt, right? Or would you reduce on an absolute basis the gross debt that is sitting on its books?

Sandeep Modi: Our target is to reduce the debt as per the whatever the maturity is coming from the generation of the cash or the investments, which we have in our books.

Pinakin Parekh: Understood. Thank you very much.

Moderator: Thank you. Our next question comes from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Hi sir, thanks for the opportunity. So, my first question is what is the exact quantum of retained earnings as of 31st of March, please?

Sandeep Modi: Hi Ritesh, so exact quantum of the retained earnings, excluding the general reserve is INR1,700 crores, and general reserve is INR10,384 crores.

Ritesh Shah: Perfect. That helps. Sir, second question is when we look at the holding at Hindustan Zinc, we find 88% either pledged or encumbered. Sir, can you please detail what this corresponds to and how should we look at this number? Can it go down going forward? Or are we okay with this number at 88%?

Sandeep Modi: I think pledge of the shares is something in the hands of the Vedanta. I don't think we can comment upon this. What we read in the media is that, today, the 91% of total is there, I think there is something non-disclosure undertaking of some things that are there, but I think me and Misra will be in a position to comment upon that part.

Ritesh Shah: All right. But sir, is it pledged or is it encumbered?

Arun Misra: Please, this is something to be in asked in the Vedanta after Board meeting. They would be open up for questions. It is better to put that question there.

Ritesh Shah: Sure, sir. Sir, any update on the OFS?

Arun Misra: Update on the OFS. So no, right now, I have not heard. And since we were expecting before March 31, but it has not happened. I'm sure the government will be looking at some suitable opportunities timing in the market. When the market will have the capacity to absorb, then we would relieve.

Ritesh Shah: All right.

Moderator: Our next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Thank you. In terms of these capital projects ahead, apart from the fertilizer plant and the roaster plant that we are discussing, are there any other projects on the drawing board as this is?

Arun Misra: Of course, we have our next target will be 1.5 million tons. It may have internal -- some stage of 1.35 million tons before actually going to 1.5 million tons. So maybe another 1 month, we should be able to come clean on what would be the next date, when should we launch the project, what will be investment outlay. So, all that, we are on the drawing board. We are close to finalizing those.

Kirtan Mehta: Thank you sir and if you can clarify the hedges, what Ritesh was asking.

Sandeep Modi: So as of now, we don't have any open hedge position.

Kirtan Mehta: Thank you sir.

Moderator: Our next question comes from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Thanks for taking my question again. Just wanted to understand the grade of ore in this quarter and how does it compare Q-o-Q?

Sandeep Modi: So, Amit the grade of ore this quarter was 7.42% compared to the last quarter of 6.96%.

Amit Dixit: Great. Thank you. that's it.

Moderator: Our next question comes from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir, one question, the brand fee element, which is there, does it accrue to Vedanta India? Or does it go to the parent?

Sandeep Modi: It goes to Vedanta Limited, Ritesh. As we already disclosed in our annual results and also last time, if the brand fee agreement has been signed to Vedanta Limited.

Ritesh Shah: Perfect. And sir, just one question. Hypothetically, you are unable to come through, you said another INR10,000 crores of leeway on the books. What is the ideal capital structure that you will be comfortable with?

Sandeep Modi: I think this is a forward-looking thing. We will have to see what should be the ideal. And I think we are to -- I think what will be the manner of the use, it is up to the Board. And when it will happen, I think we'll be able to tell -- comment at that point of time.

Ritesh Shah: Sure, sir. This will help. Thank you so much.

Sandeep Modi: Thank you Ritesh.

Moderator: Our next question comes from the line of Abhiram Iyer from Deutsche Bank.

Abhiram Iyer: I just wanted a clarification on the difference in the gross cash mentioned in the presentation, which is around INR10,000 crores versus adding up the investments, cash balances and bank accounts in the balance sheet, given which is around INR11,300 crores. Any particular reason why the INR1,000 crores has not been accounted for as gross cash?

Sandeep Modi: I'm not sure where you are seeing this, the INR11,917 crores is the debt. We are having INR10,061 crores is the gross investment in cash and cash equivalent.

Abhiram Iyer: Yes, and one thing is if I add up the investment, cash and bank balances given in the balance sheet, I get INR11,200 crores. So just asking...

Sandeep Modi: Okay. Yes. I got your point. There are certain unpaid dividend because if you the way the deposit of dividend on 31st, so there are certain dividends account, which is there in which the dividend money is there, which is a restricted cash, which we can't use because that was funded for the dividend purpose.

Abhiram Iyer: Understood, sir. And this would be part of the bank balances, is it?

Sandeep Modi: It would be part of the bank balance, but not for -- because at the same time, there will be a dividend liability sitting on the liability side.

Abhiram Iyer: Understood. Understood. Thank you. Thanks for the clarification.

Moderator: Our next question comes from the line of Pallav Agarwal from Antique Stock Broking Limited. Please go ahead.

Pallav Agarwal: Yes. Good evening, sir. So just on the guidance for silver production. So, we were targeting 1,000 tonnes sometime back. But even for the next year, we're just targeting about 750 tonnes at the upper end. So, is the lead production constrained or – when can we actually achieve this 1,000 tonnes of silver production?

Arun Misra: No. So fantastic, fantastic. I must appreciate your question. This has to do with -- absolutely, you have hit the nail on the head. Our entire operating flow sheet is comprising of zinc plus lead as a medium of production in the pyro. And instead of doing only lead production in the pyro plant of Chanderiya.

Whenever we do this, we always have lead MIC getting unconverted to metal and that is lying in stock. Even last year also, we ended up with having a lot of lead MIC in stock, which if we could convert, we could have produced some more silver. But we always preferentially use SK mine lead concentrate to get to maximize the silver production with the strategy we adopted this year.

Going forward, we have to unlock the lead production. To do the unlock the lead production, we have to increase the zinc production capacity in the existing circuit. That is where the investment in roaster, and it will be followed by some debottlenecking proposal in the leasing circuit. Then in the pyro, it can operate only in lead mode and then the 750 number perhaps to go to 800 or 825 kinds of tones once we do that. So which is maybe in 1 year away.

Pallav Agarwal: Sure, sir. Also, in terms of -- you mentioned the project capex, but what is the normal maintenance capex levels that we incur every year?

Sandeep Modi: It will be around $400 million.

Pallav Agarwal: The total you're talking about or it will be 400 plus 200?

Sandeep Modi: 400 plus 200.

Pallav Agarwal: Sure. And these covers -- any expenditure on fertilizer and other projects as well?

Sandeep Modi: So, $150 million, $200 million primary comprised of fertilizer and roaster and RE Power investment and $400 million is largely for mine development and mining equipment.

Pallav Agarwal: Sure sir, thank you. That's it from my side.

Moderator: Our next question comes from the line of Vishal Kulkarni from S&P. Please go ahead.

Vishal Kulkarni: My question is about the -- your cash management generally, because in the past, we have seen some cash in the form of unquoted mutual funds and perpetual securities.

Can I understand how easy this is to liquidate when you have to, let's say, for dividends or any other purpose? That's the first question and second, on the status of your transfer of retained earnings to general business, where do we stand on that one?

Sandeep Modi: If you see the investment, the investments are quite liquid whenever we want to sell. And while it is a long-term investment remain in the market, but however, we have been able to liquidate and we also can have a repurchase borrowing from these investments. So, beyond that, I won't be able to comment upon the investment part.

In GR to RE, I think I've already answered that INR10,384 crores is there and the second motion has been filed in the NCLT in April, and we await the hearing from them.

Vishal Kulkarni: Okay. Thank you.

Moderator: Our next question comes from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir, thanks for taking the question. I just want to remind a bit back. This is pertaining to Hindustan Zinc - Zinc International transaction. I just wanted to understand, sir, how will the flow of capital work. To my limited understanding, I think that we had taken an approval to create a wholly owned subsidiary, overseas subsidiary. I think it was called HZWOS. And then basically, we had to purchase subscribe to the shares of Zinc International, which was THL Zinc. And this was like a $3 billion, $2.9 billion, to be precise. I just wanted to understand, sir, how will the capital flow. You have an overseas subsidiary, which has been created. So, does the money flow from India to that particular entity and then to Vedanta? How does that work, sir?

Sandeep Modi: Until now, we have not incorporated any wholly owned subsidiary.

Arun Misra: It is part of the whole proposal. Since the proposal is yet to be approved, how can we create the subsidiary?

Ritesh Shah: Okay. But sir, hypothetically, if it had been done, how would have the money flowed?

Sandeep Modi: Money, if hypothetically will happen, it will happen from here to wholly owned subsidiary and wholly owned subsidiary buying from THL Zinc. But until now, I think we'll not able to -- we'll be unable to comment given that it is not yet approved by the Board -- yet not taken up from the shareholder purpose.

Ritesh Shah: Okay, sure. Thank you. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session, and I would like to turn the conference over to Jhalak Rastogi for closing comments.

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.

Arun Misra: Thank you.

Sandeep Modi: Thank you.

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