

Hindustan Zinc Limited

Results for the Fourth Quarter and Full Year Ended March 31, 2016

“Record annual metal volumes; highest ever annual dividend”

Operational Highlights - FY 2016

- Mined metal production in line with guidance, marginally higher than FY 2015
- Record annual integrated zinc, lead and silver production; up 5%, 33% and 58% respectively
- Total R&R of 389.9 million MT, a net addition of 14.8 million MT

Operational Highlights - Q4 FY 2016

- Record integrated silver metal production; up 65% y-o-y to 122 MT
- Integrated lead production up 16% y-o-y to 38kt
- Integrated zinc production down 29% y-o-y to 154kt, in-line with mine plan

Financials

- Special Golden Jubilee dividend of 1200% (Rs. 24 per share of Rs. 2), the highest single dividend paid by any private sector company in India; total dividend for the year at 1390%, with outflow including DDT of Rs. 14,137 crore
- EBITDA at Rs. 1,296 crore for the quarter and Rs. 6,655 crore for FY 2016, in-line with LME and volume
- Net Profit up 8% y-o-y to Rs. 2,149 crore for the quarter and flat at Rs. 8,167 crore for FY 2016

Mumbai, April 21, 2016: Hindustan Zinc Limited today announced its results for the fourth quarter and full year ended March 31, 2016.

Mr. Agnivesh Agarwal, Chairman –

“Hindustan Zinc has come a long way since its incorporation fifty years back and it gives me immense pleasure to acknowledge that the Company has created enormous value for its shareholders over the last decade culminating in Special Golden Jubilee dividend paid out earlier this month. While the year witnessed volatile commodity prices and depressed market sentiments in general, Hindustan Zinc continued to outperform its previous operational records as well as generate unparalleled value for shareholders consistently.”

Financial Summary

(In Rs. Crore, except as stated)

Particulars	Q4			Q3	Financial Year ended 31 March		
	2016	2015	Change	2016	2016	2015	Change
Net Sales/Income from Operations							
Zinc	2,013	3,206	-37%	2,472	10,158	11,096	-8%
Lead	538	470	14%	430	1,886	1,784	6%
Silver	403	273	48%	368	1,387	1,187	17%
Others	116	124	-6%	115	528	522	1%
Total	3,070	4,073	-25%	3,385	13,959	14,589	-4%
EBITDA	1,296	2,005	-35%	1,469	6,655	7,447	-11%
Profit After Taxes	2,149	1,997	6%	1,811	8,167	8,178	0%
Earnings per Share (Rs.)	5.09	4.73	6%	4.29	19.33	19.35	0%
Mined Metal Production ('000 MT)	188	269	-30%	228	889	887	0%
Refined Metal Production ('000 MT)							
Integrated Refined Metal							
Zinc	154	217	-29%	206	759	721	5%
Saleable Lead ¹	38	33	16%	35	140	105	33%
Zinc & Lead	193	250	-23%	242	899	826	9%
Saleable Silver ^{2,3} (in MT)	122	74	65%	116	422	266	58%
Total Refined Metal							
Zinc	154	217	-29%	206	759	734	3%
Saleable Lead ¹	38	36	6%	35	145	127	14%
Zinc & Lead	193	253	-24%	242	904	861	5%
Saleable Silver ^{2,3} (in MT)	122	81	51%	116	425	328	30%
Wind Power (in million units)	62	73	-15%	67	415	444	-7%
Zinc CoP without Royalty (Rs. / MT)	58,044	50,831	14%	52,427	52,646	53,228	-1%
Zinc CoP without Royalty (\$ / MT)	853	820	4%	795	804	870	-7%
Zinc LME (\$ / MT)	1,679	2,080	-19%	1,613	1,829	2,177	-16%
Lead LME (\$ / MT)	1,744	1,806	-3%	1,681	1,768	2,021	-13%
Silver LBMA (\$ / oz.)	14.9	16.7	-11%	14.8	15.2	18.1	-16%
USD-INR (average)	67.5	62.2	8%	65.9	65.5	61.1	7%

(1) Excluding captive consumption of 909 MT in Q4 FY2016 and 6,657 MT in FY2016 as compared with 1,910 MT and 7,755 MT in respective corresponding prior period.

(2) Excluding captive consumption of 4.7 MT in Q4 FY2016 and 34.5 MT in FY2016 as compared with 9.9 MT and 40.2 MT in respective corresponding prior period.

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

Note: Numbers may not add up due to rounding off; historical numbers may have changed due to regrouping

Operational Performance

Mined metal production in Q4 was 188kt, 30% lower y-o-y and 17% lower than Q3. The decrease was on account of lower production primarily from Rampura Agucha open pit as per the mine plan, which was partially offset by record production from all the underground mines especially Sindesar Khurd and Kayad mines, also resulting in higher lead and silver volumes. For the full year period, mined metal production was marginally higher in-line with guidance.

Refined zinc metal production during the quarter was 29% lower y-o-y and 25% lower than Q3 in-line with the mined metal production. Integrated lead and silver metal production during the quarter increased by 16% and 65% respectively compared to corresponding prior quarter primarily due to higher volumes from the silver rich Sindesar Khurd mine.

Refined metal production during the year was higher than mined metal production primarily on account of conversion of existing mined metal inventory and enhanced smelter efficiencies. Integrated zinc, lead and silver metal production during the year increased by 5%, 33% and 58% respectively from previous year.

Financial Performance

Revenues during the quarter were Rs. 3,070 crore, which is 25% lower from a year ago. The decrease was on account of lower zinc volumes and LME, partly offset by higher volumes of lead & silver and rupee depreciation. For the full year, revenues were marginally lower at Rs. 13,959 crore primarily on account of lower LME & silver prices, largely offset by higher volumes and rupee depreciation.

The zinc metal cost of production per MT before royalty during the quarter was Rs. 58,044 (\$853), higher by 4% from a year ago in dollar terms and 14% in rupee terms. The increase was due to lower production volumes from Rampura Agucha open cast mine in accordance with mine plan resulting in lower average grades. This was further accentuated by higher mine development, partly offset by lower coal & commodity prices.

For FY 2016, net zinc metal cost per MT before royalty was Rs. 52,646 (\$804), which is 8% lower in dollar terms and marginally lower in rupee terms due to higher volumes of integrated production, better smelter efficiencies, lower coal & commodity costs, partly offset by lower average grades due to change in mining mix and higher mine development. Looking at the recent commodity price downturn, the Company has re-negotiated several contracts to optimize costs and expect this to translate into significant savings in FY 2017.

The above revenue and cost of production resulted in a 35% decline in EBITDA during the quarter to Rs. 1,296 crore and 11% decline for full year to Rs. 6,655 crore.

Net profit increased by 8% to Rs. 2,149 crore in Q4 FY 2016 as compared Rs. 1,997 crore in corresponding prior quarter, helped by higher other income due to mark to market gains on investment income. Additionally, the provision for tax during the quarter was negative largely on account of substantial liquidation of investments at year end for payment of special dividend; the corresponding realised profits were set off by carried forward tax losses, significantly lowering the tax for the year. Tax rate for FY 2017 is expected to be higher than MAT. In FY 2016, net profit was flat at Rs. 8,167 crore.

Dividend

On March 30, 2016, the Board of Directors declared a Special Golden Jubilee dividend of 1200% i.e. Rs. 24 per share on share of Rs. 2 each. This dividend entails an outflow of Rs. 12,205 crore, including dividend distribution tax (DDT). This is the largest ever single dividend paid by any company in the private sector and is the second highest in Indian corporate history.

The special dividend was in addition to the first interim dividend paid (Rs. 3.80 per share) in October 2015. The total dividend outflow including DDT for FY 2016 was Rs. 14,137 crore (Rs. 27.80 per share or 1390%) against Rs. 2,207 crore (Rs. 4.40 per share or 220%) a year ago. In view of the special dividend paid earlier this month, no final dividend is recommended.

Expansion Projects

The Company achieved total mine development of 15,638 metres during the quarter, up 24% y-o-y and taking the annual mine development to an all-time high of 56,573 metres, up 18%.

Rampura Agucha decline development rate increased considerably during the quarter, reaching an all-time record of 1,425 metres in March 2016. Ore production at Rampura Agucha underground mine from stopes commenced during the quarter and Paste fill plant was commissioned. In the main shaft sinking project, focus has shifted to off shaft development work at the depth of 860 metres of the final depth of 950 metres.

At Rampura Agucha open cast mine, work for deepening of pit by additional 50 metres (referred as 'Stage V') is progressing satisfactorily.

Work is at full swing for the new 1.5 mtpa capacity mill at Sindesar Khurd mine, which is expected to be commissioned by end of the financial year. Main shaft sinking has been completed up to the ultimate depth of 1,052 meter even as off shaft development continues to be ahead of schedule.

Kayad mine surpassed the targeted production capacity of 1 mtpa during the quarter. The debottlenecking of the existing mill at Zawar is progressing well and will increase the capacity to 2.7 mtpa by year end.

Reserve and Resource

During the year, gross addition of 25.3 million MT were made to reserve and resource (R&R), prior to a depletion of 10.5 million MT, adding further to our R&R. Total R&R at March 31, 2016 were 389.9 million MT containing 36.1 million MT of zinc-lead metal and 1,007 Moz of silver. Overall mine life continues to be 25+ years.

Outlook

PROJECTS: The Company's transition to underground mining is progressing well. Share of underground mined metal production increased from 28% in FY 2015 to 40% in FY 2016, while continuing to reduce cost of production through various efficiency improvement programs and cost reduction initiatives aided by a benign commodity environment, despite additional regulatory levies and lower average grades resulting from change in mining mix. This is further expected to climb to around 60% in FY 2017 while the cost of production excluding royalty is expected to remain stable. Sindesar Khurd and Kayad mining projects continued to outperform even as Rampura Agucha underground project picks up pace with record mine development towards year end. Company expects to reach the 1.2 mtpa mined metal production capacity within the next three years.

PRODUCTION: In FY 2017, mined metal is expected to be higher from FY 2016. Similar to recent years, quarterly variations in production is expected due to waste and ore sequence at Rampura Agucha open cast mine partly offset by ramp up of underground mines. Production during second half of the year will be much higher than the first half; in the first half, Q1 will be much lower than Q2. Volumes will gradually ramp up as the year progresses, as per mine plan. Integrated lead and silver metal production in FY 2017 will be higher from FY 2016, while integrated zinc metal production will be at similar levels of FY 2016 due to skewed availability of zinc mined metal.

Liquidity and investment

The Company's cash and cash equivalents increased to Rs. 35,235 crore as at March 31, 2016, before outflow of Rs. 12,205 crore of Special Golden Jubilee dividend including DDT.

Earnings Call on Friday, April 22, 2016 at 10:00 am (IST)

The Company will hold an earnings conference call on Friday, April 22, 2016 at 10:00 am IST, where senior management will discuss the Company's results and performance. The dial in numbers for the call is given below:

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About Hindustan Zinc

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

Hindustan Zinc has a world-class resource base with total reserve & resource of 389.9 million MT and average zinc-lead reserve grade of 11.7%. The Company has a track record of consistently growing its reserve & resource base since 2003 and currently has a mine life of over 25 years.

The Company is self-sufficient in power with an installed base of 474 MW coal-based captive power plants. Additionally, it has green power capacity of 309 MW including 274 MW of wind power and 35 MW of waste heat power. The Company has an operating workforce of over 17,000 including contract workforce.

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

Disclaimer

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