

Hindustan Zinc Limited

Results for the First Quarter Ended June 30, 2016

***“Silver production higher by 20%;
Lower production as per plan with second half to be substantially stronger”***

Operational Highlights

- Mined metal production of 127kt as per mine plan, second half to be substantially stronger
- Integrated zinc and lead production at 101kt and 25kt; down 46% and 11% respectively compared to Q1 FY 2016, in-line with mined metal
- Integrated silver production at 89 MT; up 20% compared to Q1 FY 2016
- Rampura Agucha and Sindesar Khurd mines amongst the top ten best mines in the country that were awarded with Ministry of Mines’ Five Star rating

Udaipur, July 20, 2016: Hindustan Zinc Limited today announced its results for the first quarter ended June 30, 2016.

Mr. Agnivesh Agarwal, Chairman –

“In line with strong zinc fundamentals and our expectations, zinc prices surged 14% in Q1 FY 2017 as compared to the previous quarter, making it the best performing base metal. We also witnessed a rally in silver prices, which along with increasing volumes is accentuating its contribution in our profits, having reached almost 20% at present. Our transition to underground mining is progressing well with robust mine development, especially during last few months. Production from our underground mines has also ramped up significantly.”

Financial Summary

(In Rs. Crore, except as stated)

Particulars	Q1			Q4
	2017	2016	Change	2016
Net Sales/Income from Operations				
Zinc	1,726	2,787	-38%	2,013
Lead	301	411	-27%	538
Silver	332	259	28%	403
Others	142	139	2%	116
Total	2,501	3,596	-30%	3,070
EBITDA	1,130	1,679	-33%	1,296
Profit After Taxes	1,037	1,940	-47%	2,146
Earnings per Share (Rs.)	2.45	4.59	-47%	5.08
Mined Metal Production ('000 MT)	127	232	-45%	188
Refined Metal Production ('000 MT)				
Integrated Refined Metal				
Zinc	101	187	-46%	154
Saleable Lead ¹	25	27	-11%	38
Zinc & Lead	126	214	-41%	193
Saleable Silver ^{2,3} (in MT)	89	74	20%	122
Total Refined Metal				
Zinc	102	187	-45%	154
Saleable Lead ¹	25	31	-20%	38
Zinc & Lead	127	218	-42%	193
Saleable Silver ^{2,3} (in MT)	89	75	18%	122
Wind Power (in million units)	148	127	17%	62
Zinc CoP without Royalty (Rs. / MT) ⁴	62,138	50,955	22%	58,028
Zinc CoP without Royalty (\$ / MT) ⁴	928	802	16%	860
Zinc LME (\$ / MT)	1,918	2,190	-12%	1,679
Lead LME (\$ / MT)	1,719	1,942	-11%	1,744
Silver LBMA (\$ / oz.)	16.8	16.4	2%	14.9
USD-INR (average)	66.9	63.5	5%	67.5

(1) Excluding captive consumption of 1,084 MT in Q1 FY2017 as compared with 2,184 MT in Q1 FY 2016 and 909 MT in Q4 FY 2016

(2) Excluding captive consumption of 5.5 MT in Q1 FY2017 as compared with 11.3 MT in Q1 FY 2016 and 4.7 MT in Q4 FY 2016

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

(4) The COP numbers are after adjusting for deferred mining expenses under Ind-AS. Without this adjustment, Zinc CoP per MT would have been Rs. 76,448 (\$1,142) as compared with Rs. 50,955 (\$802) in Q1 FY 2016 and Rs. 58,044 (\$860) in Q4 FY 2016

Note:

1) Historical numbers have been revised as per Ind-AS reporting

2) Numbers may not add up due to rounding off; historical numbers may have changed due to regrouping

Operational Performance

Ore production from Sindesar Khurd decline reached the originally conceived capacity of 3.75 million MT per annum rate and production from Rampura Agucha underground mine crossed one million MT per annum production rate during the quarter. Mined metal production was in-line with mine plan and guidance with lower production from Rampura Agucha open cast mine as more waste was excavated than ore in accordance with the waste-ore sequence. Mined metal production during the quarter was 127kt, 45% lower y-o-y and 33% lower than previous quarter. The transition to underground mines is progressing well and mined metal production for the full year will be higher than previous year. The production plan for the year outlines second half volumes to be substantially higher than first half; in the first half, Q2 will be much stronger.

In accordance with mined metal availability and accretion to inventory, refined zinc production during the quarter decreased by 46% y-o-y and 34% from previous quarter. Integrated lead production during the quarter was lower by 11% y-o-y and 36% sequentially for the same reason.

Integrated silver metal production was up by 20% y-o-y on account of higher volumes from Sindesar Khurd mine, though lower by 27% compared to previous quarter due to accretion to inventory and lower volumes from Rampura Agucha mine. Silver recoveries were better during the quarter driven by higher recoveries from Sindesar Khurd mine and enhanced smelter efficiency.

Five Star Rating by Ministry of Mines - Rampura Agucha and Sindesar Khurd mines were awarded the prestigious Five Star rating recently initiated by Ministry of Mines for the efforts and initiatives taken for implementation of the Sustainable Development Framework and for exemplary compliances & best practices. The 1 to 5 scale evaluation is based on performance in the area of scientific and efficient mining, addressing social impacts of our resettlement and rehabilitation requirements, local community engagements and welfare programmes, steps taken for progressive and final mine closure and over all reporting and adoption of international standards. This five star rating was bestowed to only ten best mines in the country, including two of Hindustan Zinc.

Changes in Accounting

The Company has adopted Indian Accounting Standards (Ind-AS) reporting from the current financial year. Correspondingly, comparative periods of previous year have also been re-cast where necessary. Ind-AS also incorporates the IFRS methodology of temporarily capitalising excess overburden in periods of high waste-to-ore ratio in open cast mining to more closely relate the costs to actual production volumes; accordingly, Rs. 189 Crore was capitalised which will be reversed in H2 FY 2017 where waste excavation is expected to be low.

Additionally, cumulative mark-to-market gain on corporate bonds of Rs. 160 Crore was capitalised including Rs. 66 Crore for the current quarter. Change in method of depreciation on Plant & Machinery increased this head by Rs. 171 Crore.

The net impact of these accounting changes has resulted in a reduction in Profit before tax by Rs. 48 Crore for the quarter.

Financial Performance

Revenues during the quarter were Rs. 2,501 Crore, which is 30% lower from a year ago. The decrease was on account of lower volumes, primarily zinc, and lower LME partly offset by higher rupee depreciation and higher silver price. On a sequential basis, revenue decreased by 19% due to lower volumes, partly offset by higher zinc & silver prices.

The zinc metal cost of production per MT before royalty (COP) during the quarter increased Rs. 62,138 (\$928) in line with production plan of lower volumes from Rampura Agucha open cast mine in the current quarter and thus lower average grades. This was partly offset by lower coal & commodity prices, cost optimization projects in procurement & commercial and higher by-product credits. This incorporates the Ind-AS adjustment outlined under 'Changes in Accounting' section. The COP in dollar terms will be better in FY 2017 compared to previous year.

The above revenue and cost of production resulted in a 33% y-o-y decline in EBITDA during the quarter to Rs. 1,130 Crore and 13% decline from previous quarter. Silver EBITDA during the quarter was Rs. 293 Crore, up 32% from Rs. 222 Crore a year ago.

The smaller investment corpus on account of dividend pay-out in the beginning of the quarter led to lower investment income, which along with higher tax rate and higher depreciation resulted in net profit of Rs. 1,037 Crore, lower by 47% y-o-y and 52% from previous quarter.

Expansion Projects

The Company continued with high pace of mine development, achieving 14,011 metres of total mine development during the quarter, up 18% from a year ago.

During the quarter, mine development at Rampura Agucha underground mine crossed the 4,000 metre benchmark for second quarter in a row. Further, all three surface ventilation fans of 250 kW were commissioned for north decline. Main shaft sinking crossed 900 meters against the final depth of 950 meters and winder erection work commenced during the quarter.

Sindesar Khurd main shaft sinking work has already been completed to the ultimate depth of 1,052 metres and off shaft development work continues to be ahead of schedule even as work on up-ramp commenced during the quarter. Progress of new 1.5 mtpa capacity mill and power up-gradation projects are in full pace and in line with commissioning by end of the financial year.

Zawar mill debottlenecking along with associated power and infrastructure projects are progressing well while Kayad mine project is near completion having achieved its eventual capacity of 1 million MT per annum.

Liquidity and investment

The Company's net cash and cash equivalents are at Rs. 23,349 Crore as at June 30, 2016, after outflow of Rs. 12,205 Crore of Special Golden Jubilee dividend including dividend distribution tax in April 2016.

Earnings Call on Thursday, July 21, 2016 at 3:00 pm (IST)

The Company will hold an earnings conference call on Thursday, July 21, 2016 at 3:00 pm IST, where senior management will discuss the Company's results and performance. The dial in numbers for the call is given below:

Primary: +91 22 3960 0762

Secondary: +91 22 6746 5962

For further information, please contact:

Ekta Singh

Manager

Investor Relations

hzl.ir@vedanta.co.in

Tel: +91 800 3099676

Pavan Kaushik

Associate Vice President

Corporate Communications

pavan.kaushik@vedanta.co.in

Tel: +91 99288 44499

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.