

Hindustan Zinc

Operator: Ladies and gentlemen, good day and welcome to the Q2 FY27 earnings conference call hosted by Hindustan Zinc Ltd. As a reminder, all participant lines will be in 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 and then zero on your touchtone phone. I now hand the conference over to Ms. Raksha Jain, Director of Investor Relations of Hindustan Zinc Ltd. Thank you, and over to you.

Raksha Jain – Director of Investor Relations: Thank you, operator, and good evening, ladies and gentlemen. Thank you for joining us today to discuss the Q2 and half-year results of FY27. In this call, we will refer to an investor presentation available on our company's website. Please note that today's entire discussion will be covered by the safe harbor clause mentioned on slide 2 of the presentation. Today's call is joined by our CEO, Mr. Amarendra Prakash, and our CFO, Mr. Amit Gupta, who will also be interacting with you during the call. Management will be discussing the operational and financial updates for the quarter, followed by a Q&A session. Now, I would like to invite Mr. Amarendra Prakash to present the results. Over to you, sir.

Amarendra Prakash – CEO: Thank you, Raksha. A very good evening to all of you. Thank you for joining us today. I am happy to report that we are sustaining our strong momentum in Q2, delivering solid operational and financial performance while we continue to focus on our strategic priorities. Our cost competitiveness and disciplined execution have helped us sustain this momentum.

If I look at how we define our success, safety, of course, remains a core measure of our operating performance. In this quarter, we recorded zero fatalities across all our operations. We are committed to achieving net zero by 2050, as already informed. We are increasing our renewable energy basket. In this quarter, renewable energy accounted for 27% of our power consumption, which we intend to take to 35% in the quarters to come.

In one of our subsidiaries, HZAPL, Hindustan Zinc Alloy Private Limited, I am happy to report that the subsidiary is now using 100% renewable power. We also introduced our first electric crane at the Rajpura Dariba complex and our first electric cherry picker at Rampur Agucha. Further, we are entering into partnerships with different agencies to continue our ESG drive. We have tied up for high-density plantations at the Chanderiya Lead-Zinc Smelter and also entered into an MoU to deploy a further 30 electric vehicles for material movement.

I am pleased to share that our ESG reporting suite, comprising the sustainability report, climate action report, and TNFD report, is all available on our website. Similarly, our CSR initiatives continue to deliver meaningful impact. As a highlight, I would like to inform you that we added almost 3,000 Nand Ghars across Rajasthan, thereby taking our overall presence of Nand Ghars in the country to 12,263.

Looking at the market environment, India's growth outlook remains strong. GDP projections are in the range of 6.4% in 2026 and 6.7% in 2027. As you know, this is well above the global growth rate projections of 3% and 3.4%, respectively. This has been possible, in part, through government capital expenditure, which has risen 2.6 times over the last 6 years. In FY27 also, government capital expenditure is budgeted at approximately 4.4% of GDP.

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Hindustan Zinc

Coming to our industry, zinc fundamentals remain strong, with 2026 forecast refined zinc demand at 13.87 million tons, whereas the supply outlook is at 13.69 million tons. That means there is almost a 180 KT deficit in the market. New projects are limited, as we hear, and mine closures and declining grades will mean that over the next decade, we see the markets remaining tight, whereas infrastructure growth, urbanization, and electrification indicate annual demand growth in the market.

Silver, again, is expected to remain in deficit for the sixth consecutive year in 2026. The overall shortfall is projected at about 1.44 thousand tons. Industrial demand for silver is increasing. As we look at the new-tech and new-tech markets, as you all know, we have been looking at them, but now the world is realizing that old-age minerals and metals are what will actually make this new-tech industry feasible.

Coming to the operational performance of the company, mine metal production has risen 5% year-on-year. This is the highest-ever second-quarter output. Similarly, our refined metal production has risen 7% year-on-year. I am happy to report that zinc cost of production is better by 29%.

Our zinc cost of production in Q2 FY27 stands at 703 dollars per ton. Earlier, we had guided that our zinc cost of production for the year would be in the range of 975 to 1,000 dollars. However, looking at the current improvements in zinc cost of production, we are revising our COP guidance to 825 to 850 dollars for the full year.

Similarly, saleable silver production has risen 20% year-on-year. This stands at 173 tons in this quarter. This has contributed approximately 45% of cost of profitability, so it remains very important to us.

Our industry-leading cost position, strong production, and favorable commodity prices have driven a record quarterly financial performance. Our EBITDA stands at 9,285 crores, and net profit is at a record level of 6,412 crores.

Going forward, our growth projects remain on track. Engineering and procurement for the 250 KTPA integrated zinc expansion is almost complete, and mine development is underway. Similarly, the 10 million tons per annum tailings reprocessing plant is also progressing as per plan.

Looking ahead, we remain focused on translating this momentum into sustained performance. For this, we will have disciplined execution of our expansion projects, further strengthen our cost leadership, and unlock greater value from our resources.

Our growth is AI-driven and technology-led. We focus on AI in a big way, not just by implementing AI use cases, but also by making our processes AI-native. Our strong start to FY27 reinforces our confidence in the strategy ahead, backed by our integrated business model and favorable structural demand trends. Hindustan Zinc Ltd. is well-positioned to accelerate its 2X growth journey.

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

Amit Gupta – CFO: Thank you, Mr. Prakash, and good evening, everyone. The global business environment remains challenging amid escalating geopolitical tensions, energy and trade

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Hindustan Zinc

disruptions, changing tariff policies, and divergent regional growth trends. While these dynamics are likely to drive near-term volatility across inflation, currency, and financial markets, India remains a key growth driver supported by resilient domestic consumption and sustained investment in infrastructure and manufacturing.

In this environment, commodity prices will continue to be influenced by geopolitical developments, energy costs, monetary policy, currency movements, and global growth trends. Energy market disruptions have heightened volatility, while supply constraints and low inventories have provided support to zinc prices, and the persistent supply deficit has remained favorable for silver. Despite near-term uncertainties, the medium-term to long-term outlook for our key metals remains positive.

Our integrated business model, competitive cost structure, prudent capital allocation, and robust balance sheet position us well to navigate market volatility, pursue strategic growth opportunities, and sustain value creation across commodity cycles.

Our strong momentum continued in this second quarter, with record quarterly EBITDA surpassing 9,000 crore for the first time. This was driven by consistent execution, the benefit from last year's debottlenecking project, the commissioning of an additional roaster, and cost of production. Our precious metal portfolio also continues to contribute meaningfully to our profitability.

During the quarter, we delivered revenue from operations of 15,093 crore, up 77% year-on-year. This growth was led by higher metal production and supportive commodity prices, with better byproduct realization, lead concentrate sales, and a stronger dollar providing additional upside.

The combination of strong revenue growth and operating leverage translated into the highest-ever quarterly EBITDA of 9,285 crore, up 108% year-on-year, with an industry-leading margin of 62%.

Profitability was further strengthened by quarterly zinc cost of production at 703 dollars per ton, excluding royalty since the underground transition. In addition, we monetized 10 KT of lead concentrate during the quarter, containing approximately 10 tons of silver and 6,000 tons of lead.

Together, stronger revenue and margins drove record quarterly net profit of 6,412 crore, up 142% year-on-year. This strong performance, together with robust quarterly results, translated into the best-ever first-half financial performance.

Our half-year revenue from operations reached 28,840 crore, up 77% year-on-year, while EBITDA grew 108% to 17,359 crore, supported by lower zinc cost of production, excluding royalty, at 726 per ton. Net profit rose to a record 11,881 crore, up 143% year-on-year, reaffirming the resilience of our business model and strong cash generation capability.

The trailing 6,389 crore of free cash flow before growth capex during the quarter highlights the strength of our underlying cash flows, cost competitiveness, and prudent financial management. This strong cash generation provides the capacity to advance our strategic expansion plan while preserving financial discipline and supporting sustainable long-term value creation.

We closed the quarter with a net cash balance of 11,268 crore, reinforcing our financial strength and providing ample headroom to capitalize on growth opportunities. Our robust balance sheet and

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Hindustan Zinc

disciplined capital allocation approach enable us to balance investment in future growth with attractive shareholder returns.

In the first half of the year, we delivered a 15% total shareholder return, including 62 rupees per share in capital appreciation and an 11-rupee dividend. This places Hindustan Zinc Ltd. among the top...

Management: ...metal companies and top 40 Nifty 100 companies by market capitalization at September end. Our returns were 12 times the Nifty 50 and 4 times the Nifty 100, reinforcing our commitment to long-term value creation.

Our contribution to India's economic growth remains an integral part of our philosophy. During the first half of the year, Hindustan Zinc Ltd. contributed more than 13,000 crores to the national exchequer through taxes, royalties, duties, and other statutory levies, reinforcing our role as a responsible corporate citizen and a meaningful contributor to India's economic development.

Looking ahead, we remain focused on strengthening our cost leadership, advancing our capacity expansion plan, and maintaining a strong balance sheet to support consistent cash generation and attractive shareholder returns. With our 2X growth ambition, integrated operating model, and favorable long-term demand prospects for zinc and silver, we are well-positioned to capitalize on emerging opportunities and deliver sustainable long-term value for our stakeholders.

With that, I would like to thank all the shareholders for their continued trust and support. I will now hand over this call to the operator for the Q&A session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take our first question from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal – Antique Stock Broking: Good afternoon, sir, and congratulations on a very good set of numbers. My first question is on hedging. If you could share what levels or what quantity of hedges we have and break it down over the quarters for the rest of the year, that would be helpful.

Management: At this point in time, for Q3, we have 40 KT of zinc hedged, and 36 KT of zinc hedged for Q4, at the rate of 3,476 for Q3 and 3,698 for Q4. We also have 8 tons of silver hedged, only in Q3, at a rate of 68 dollars per ounce.

Pallav Agarwal – Antique Stock Broking: Thank you for that, sir. My second question is on cost. We are significantly below where we started with our cost guidance of 975 to 1,000 dollars per ton. Have sulfuric acid prices remained strong? Can there be a positive surprise to our revised guidance of 825 to 850 dollars going ahead?

Management: You are right. From a cost point of view, we have a positive surprise on byproduct realization, which is sulfuric acid, and there are also cost escalations because of geopolitical issues. That is impacting us by almost 50 dollars. In totality, we are delivering the cost, and for Q2, we

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believe that we will be broadly in the same range, delivering the overall cost estimate for the year at 825 to 850 dollars.

Pallav Agarwal – Antique Stock Broking: Thank you, sir. That is it from my side.

Operator: Thank you. The next question is from the line of Kartikeya Pandey from 360 One Capital. Please go ahead.

Kartikeya Pandey – 360 One Capital: Hi, sir. Thank you for the opportunity, and congratulations on a great set of numbers. Am I audible properly?

Operator: Yes, please go ahead.

Kartikeya Pandey – 360 One Capital: I have just 2 questions. First, what was your domestic coal usage as a percentage in Q2?

Management: It was 32%.

Kartikeya Pandey – 360 One Capital: On the capex front, how much was the capex in Q2, and how much of that was sustaining capex and how much was growth capex? Could you bifurcate it?

Management: During the quarter, we spent around 1,200 crore on sustaining capex and around 700 crore on growth capex.

Kartikeya Pandey – 360 One Capital: What is the full-year outlook on this? How much will be sustaining capex and growth capex?

Management: For the full-year outlook, we are on the same lines as we guided. The full-year outlook is in the range of 5,000 crore only, and with the expansion that we are expecting in Q3 and Q4, we will be able to spend more during those quarters, typically.

Kartikeya Pandey – 360 One Capital: Thank you, sir. I will rejoin the queue.

Operator: Thank you. The next question is from the line of Anuj Khandelwal from JM Financial. Please go ahead.

Anuj Khandelwal – JM Financial: Good afternoon, sir. Congratulations on a really good set of numbers. Do we have any update on the new critical mineral blocks that we have? Hello, am I audible?

Management: Yes, can you hear us?

Anuj Khandelwal – JM Financial: Yes.

Management: The 4 critical blocks that we have are essentially exploration blocks. Three out of those 4 are exploration blocks. We have guidance that we will finish our exploration program in Q3 FY29. That will be the time when we will know the exact ore body position and the resources available there. Once we conclude this, we can come back with the production plan and all our business plans.

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Hindustan Zinc

The gold block, {? Arali ?} block, and {? Jhatam ?} are mining leases, and we have executed those mining leases. We will be going ahead. They will give some indication of the resources and the business plan in 2–3 years.

Anuj Khandelwal – JM Financial: Thank you, sir. Can you also tell me what the ore grade was in Q2?

Management: It was around 6.7%, 7.7%, and 7.6% ore grade.

Anuj Khandelwal – JM Financial: Thank you very much, sir.

Operator: Thank you. We will take our next question from the line of Shweta Dixit from Systematix. Please go ahead.

Shweta Dixit – Systematix: Good afternoon. Thank you. We sold lead concentrate in Q2 as well. Could you indicate what the revenue and margins were like for concentrate sales in this quarter, and what your plan is for the rest of the year?

Management: During this quarter, we sold 10 KT of concentrate, which consisted of 10 tons of silver and 6,000 tons of lead. Overall revenue generated was 300 crores, and the profit created out of this was 155 crore.

In terms of plans, we do not have any specific plan for the concentrate. We take a call based on the business decision. Only if we have more concentrate in place than our smelter capacity do we take this call.

Shweta Dixit – Systematix: Understood. Lastly, is there any change or update on the silver production guidance for FY27, since we have done 321 tons in the first half?

Management: We are confident that we will be able to deliver our guidance of 680 tons. If you see, in the first half we sold 20 KT of concentrate, which also included 20 tons of silver. Taken together, we have done 340 tons, you can assume, in the first half, and we are confident that in the second half we will be able to deliver as per the guidance.

Shweta Dixit – Systematix: For FY28, are we looking at a 730–750 kind of number?

Management: We can hope to do that. We have some debottlenecking projects in the pipeline, so we will be finalizing the numbers toward the end of the year.

Shweta Dixit – Systematix: Thank you very much. That is it from my side.

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

Sumangal Nevatia – Kotak Securities: Good evening. Thank you for the opportunity. My first question is whether it is possible to share the COP number without the sulfuric acid credits, just to get a better sense of what is happening with the overall other costs. Also, could you share the sulfuric acid revenue contribution for Q2 or 1H FY27?

Hindustan Zinc

Management: Sulfuric acid is a byproduct, and if you see this business, we have multiple byproducts. Although sulfuric acid prices are high, we can say that we have a significant benefit in our COP from sulfuric acid. However, we are giving a COP number as an overall number only, and we are not providing any guidance on sulfuric acid because it is absolutely dependent on the market, and we sell everything on an auction basis.

Sumangal Nevatia – Kotak Securities: Is it possible to share what the contribution was last year? Was it around 1,500-odd crores in revenue?

Management: We can say around 1,000 to 1,200 crores.

Sumangal Nevatia – Kotak Securities: This year, whatever the first-half run rate is, is it higher, or by how much is it higher versus last year? Could you provide any color on that, sir?

Management: Again, I am saying that we are not giving any guidance or any number on sulfuric acid because it is a byproduct for us, and we sell it at an auction price. We receive whatever the market price is during that period. Therefore, there is no such guidance on sulfuric acid.

Sumangal Nevatia – Kotak Securities: Understood. That was the only question I had. Thank you, and all the best.

Operator: Thank you. We will take our last question from the line of Ram from JP Morgan. Please go ahead. Sorry, we have lost his connection. As there are no further questions, I now hand the conference over to Ms. Jain for closing comments. Over to you.

Ms. Jain: Thank you, operator, and thank you all for joining today's call. Should you have any further questions or require additional information, please feel free to reach out to the investor relations team. Thank you, and have a great day.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.