HZL/2024-25/SECY/127

October 23 , 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 second quarter and half year ended on September 30, 2024

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings call held on Friday, October 18, 2024, with regard to the financial performance of the Company for the second quarter and half year ended on September 30, 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: 2024.10.23 15:07:47 +05'30'

Harsha Kedia
Company Secretary & Compliance Officer

Encl: as above

“Hindustan Zinc Limited

Q2 and H1 FY25 Earnings Conference Call”

October 18, 2024

MANAGEMENT: **MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER – HINDUSTAN ZINC LIMITED**
MR. SANDEEP MODI – CHIEF FINANCIAL OFFICER – HINDUSTAN ZINC LIMITED
MS. KRITIKA MEHTA – INVESTOR RELATIONS – HINDUSTAN ZINC LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Hindustan Zinc Second Quarter and Half Year FY 2025 Earnings Conference 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Kritika Mehta, Investor Relations. Thank you, and over to you, Ms. Mehta.

Kritika Mehta: Thank you, Nirav. A very good afternoon, everyone. I welcome you all to Hindustan Zinc's Second Quarter and Half Year ending 30th September'24 results briefing. In this call, we will refer to Q2 FY'25 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 the 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 the 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, Kritika. A very good afternoon to all of you. Thank you for joining us today for the second quarter and half year FY'25 results briefing. Before we dive into presentation, I want to inform you with profound sadness and a heavy heart that there has been an extremely unfortunate incident in our Sindesar Khurd underground mine on 19th of August 2024, where we have lost 2 lives due to the inadvertent entry of the jumbo machine into an open stope resulting in fatal injuries.

I extend my deepest condolences to the families of the deceased and assure them that we stand in solidarity with them as they navigate these difficult times, offering them full support. It is depressing to encounter such incidents in spite of a constant emphasis on inculcating a culture of safety-first across every corner of our business. Post an in-depth investigation, we will implement robust control measures and review our current safety measures to prevent such tragedies in future.

Further, breaking the stereotypes against women, we have established All Women Surface Rescue teams of 30 employees, fully equipped and trained in critical areas, including work at height and confined spaces, etcetera, across locations. Our first all-women underground mine rescue team has also gone global, securing the title of World's Second Best Women's Taskforce at the XIII International Mine Rescue competition held in Colombia.

Such path-breaking initiatives and industry-leading people practices have brought recognition to Hindustan Zinc as an employee's choice workplace at the W.E. Matter Global Employees Choice Awards of 2024. Featuring the Zinc City, Udaipur, we organized India's most beautiful

Vedanta Zinc City Half Marathon during the quarter for a noble cause of Run for Zero Hunger, garnering more than 5,000 participants and also hosted the prestigious Zinc College 2024 for around 100 international delegates from over 20 countries, solidifying India's zinc intensive low-carbon future.

Coming to the advancement on the sustainability front, we have extended our partnership with Serentica Renewables India Private Limited, with the third round-the-clock power delivery arrangement for 25 years, increasing the total RE power capacity to 530 megawatts with a guaranteed power supply of 315 megawatts in each 15 minutes' time block.

This agreement takes the overall renewable power supply to an equivalent of 70% of the operational power requirement across the operations of Hindustan Zinc as against the current overall renewable power share of 14%, resulting in a 69% carbon emission reduction from 5.5 million tons CO_2 equivalent to 1.7 million tons CO_2 equivalent per annum.

Last quarter, as you already know, we have commenced our journey towards zinc-based battery by partnering with US-based AEsir technologies as a preferred supplier for the nickel zinc batteries. Further advancing in this space, Hindustan Zinc is collaborating with Jawaharlal Nehru Center for Advanced Scientific Research, a premier institute sponsored by the Department of Science and Technology, Government of India, for the development of new edge zinc-based battery technologies accelerating the global transition to a sustainable energy solutions.

As an update, on our corporate social responsibility, Hindustan Zinc's unwavering efforts to bring in a positive impact on all communities intertwined with our operations have been recognized at the fourth Social Impact Award by TheCSRUniverse. Our state-of-the-art Zinc Footwall Academy has also been recognized as the Sports Academy of the Year at the Sports India Awards 2024. A quick snapshot of a few key CSR initiatives taken during the quarter is provided on Slide 12 for your reference.

Moving to the market update. As per leading analysts and latest updates, the market witnessed buoyed-up sentiments despite the prevailing geopolitical tensions post a larger-than-expected rate cut by US Fed and the policy support measures announced by China. With an increase in demand from improved manufacturing activities on the back of lower interest rates coupled with constricted business metal supply growth, we remain bullish on the metal prices.

India, which is the fastest-growing economies of the world is forecasted to have a GDP growth rate of 7%, and this demands a higher supply of metals to cater to the growing disparity between production and consumption, which is being translated into a steady increase in the metal imports. The steel production is also expected to reach over 300 million tons per annum by 2030 as compared to current production level of just over 100 million tons per annum.

This deficit, however, ensures a strong domestic market for Hindustan Zinc. The domestic zinc demand has grown sequentially and is expected to remain strong positioning India as the third largest zinc consumer by 2026. The silver prices touched their highest $32.48 per troy ounce in the month of September. In India, with the reduction in bullion import duty from 15% to 6%, domestic prices have fallen significantly; however, with improving customer sentiments and expected industrial demand, silver market is poised to grow much stronger.

Giving an update on the operational performance of the company, I am extremely pleased to inform you that Hindustan Zinc has recorded its highest ever second quarter and half year mined and refined metal production. The mined metal production in second quarter stood at 256,000 tons, up 2% year-on-year, while the refined metal production in second quarter was 262,000 tons higher by 8% year-on-year.

Our precious metal, silver production also stood at 184 tons, up 2% year-on-year and up 10% sequentially. Although the fumer is currently under ramp-up stage, we have produced an additional silver of 3 metric tons of silver and 1.5 kilotons of metal. Full ramp-up is expected by quarter 4 of FY'25, enabling the achievement of 33 tons of designed silver production.

Here, I would like to bring your attention to an important yet overlooked fact that Hindustan Zinc boasts industry-leading compounded annual production growth rate of around 5% in metals and silver, which is way ahead of other global zinc and silver peers. With consistent efforts, during the quarter, we have also delivered a significant cost reduction of 6% over last year to help the company register a net profit of INR2,327 crores with a massive growth of 35% over last year on the back of year-on-year growth in total revenue by 22%.

Coming to projects, progress for the new 160,000 tons per annum roaster in Debari and the 510,000 tons Hindustan Zinc Fertilizer Private Limited project is on track with final commissioning targeted by quarter 4 of this year and quarter 2 of next year, respectively. Talking on till date production, we have recorded a refined metal production of 524,000 tons in H1 of FY'25, which is up 5% year-on-year, considering a similar improvement in second half of this financial year. Refined metal production, we are confident on achieving the guidance and would like to keep it unchanged.

With this, I hand over the call to Sandeep for an update on financial performance.

Sandeep Modi: Thank you, Mr. Misra, and a very good afternoon, everyone. As Mr. Misra highlighted the best quarter operational performance, it is noteworthy that financial performance has been well supported by consistent cost reduction. I'm happy to share that the company has achieved the lowest second quarter cost in the last 4 years. With the increase in share of our renewable energy power as a part of third PDA with Serentica, as a group captive scheme, our major cost bucket of power would be predictable as it is a 25-year flat rate without any inflation. It will help us to move towards our designed cost of $1,000 per ton in a faster way.

Along with the favourable LME environment, the resultant financial numbers have been the best in terms of EBITDA margin clocking over 50%, highest in last 8 quarters with 450 bps Y-o-Y increase in margin. Our revenue, EBITDA and PAT before exceptional items, have been the best in last 6 quarters in absolute terms. Precious metals segment, that is Silver segment continues to contribute well around 40% in our overall segment results. The domestic primary zinc market share has also improved significantly to 78% from 71% last year in the same quarter.

Before delving into the details of the financials, I'm excited to share with you that Hindustan Zinc has won Bronze Award at the 5th Tax India Online Taxation Awards '24 for Outstanding Tax Transparency in the Corporate Above INR5,000 Crores Turnover category along with multiple other recognition, including the GST Compliance Excellence Award at the 8th Tax Strategy & Planning Summit & Awards, etcetera, underscoring the company's unwavering commitment towards transparency and best governance practices.

Aiding the government in its commitment to empower the MSME sector, Hindustan Zinc has taken a lead and prioritized the payments to its MSME vendors with an average payment cycle of 23 days during the quarter, which is half of the statutory requirement of 45 days. This corroborates our strong emphasis on the ESG principles fostering trust in our supply chain partnership through enhanced social responsibility.

Now detailing on the financial performance, the total revenue from operations during the quarter stood at INR8,252 crores, up 22% Y-o-Y with better metal and silver volume and prices, further supported by a strong dollar and marginally offset by lower lead prices. It's up 2% quarter-on-quarter on account of better lead and silver volume, partly offset by lower zinc volume and metal prices. For the half year, the revenue stood at INR16,382 crores, up 16% Y-o-Y on account of better metal volume, and zinc and silver prices, further supported by a strong dollar and partly supported by lower silver volume and lead prices.

The quarter 2 zinc cost of production, before royalty, stood at USD 1,071 per ton, lower by 6% Y-o-Y on account of higher volume, better linkage coal availability, further supported by softened coal and input commodity prices, along with the operational efficiencies year-on-year. It was lower 3% sequentially, in line with better linkage coal availability, operational efficiencies and softened coal and input commodity prices, further supported by better acid price realizations. Hindustan Zinc has delivered a 7% reduction in the half year cost of production, which clocked the 4-year lowest COP of $1,089 per ton on H1 basis, and for the quarter 2, $1,071, indicating a progress towards recording a fourth year lowest cost for the full year. The resulting EBITDA for the quarter registered a 6 quarter highest, as stated earlier, at INR4,164 crores, up 33% Y-o-Y and 6% quarter-on-quarter.

For the H1, it stood at INR8,109 crores, up 25% Y-o-Y, in line with the revenue and cost of production. The consolidated net profit before exceptional item for the quarter stood at it's the highest in the last 6 quarters, at INR2,389 crores, up 38% Y-o-Y and 2% quarter-on-quarter. Net profit before exceptional items for the half year stood at INR4,734 crores, up 28% Y-o-Y.

Coming to net profit after exceptional items, it was INR2,327 crores for the quarter, 35% Y-o-Y, in line with EBITDA and down 1% quarter-on-quarter on account of exceptional items, higher finance cost and tax expenditures offset by higher EBITDA. For the half year, it stood at INR4,672 crores, up 27% Y-o-Y, in line with EBITDA.

As a global industry leader, we have always been vigilant on the market dynamics, proactively monitoring and assessing their impact on our business. Last quarter, we have hedged 90 Kt of our expected zinc production for the full year as an ideal opportunity surface to cash in prevailing volatility in the market. This quarter, we have further sold forward 61 Kt of zinc, totalling the outstanding hedge position net of squared off during the quarter at 99 Kt of the zinc production for the remaining part of the fiscal year at an average price of USD 3,008 per ton. Taking it in a notch up, we have taken a confident leap of expanding our hedge to our precious metal that is silver. During the quarter, we have sold for over 83 metric tons of silver for the second half of the year at an average price of $32.26 per troy ounce. During the quarter, the company has locked in a gain of INR60 crores through a strategic hedging program.

While Hindustan Zinc's industry-leading production growth rate, as Mr. Misra mentioned, is worth mentioning, it is just one out of the numerous parameters like completely integrated operations, global cost leadership, ESG leadership, long mine life with second highest zinc reserves globally, India's only silver producer through primary route and consistent AAA rated by CRISIL and other agencies, which differentiate it from its global peers. While benefiting from this strong competitive advantage, Hindustan Zinc has been consistently recording a higher EBITDA margin among its global peers.

Coming to the closure, we keep our cost and capex guidance intact, and now I open the floor for your questions. Thank you.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Congratulations for a good performance. A couple of questions from my side. The first one is that the pyro plant was run on lead mode during the quarter. Now lead prices were relatively subdued, so was it to exhaust the existing inventory that we might have since SK mine production was also a little bit lower, as mentioned in the press release. Or was it to take advantage of the higher silver prices? And what would be the mode of operation going ahead?

Arun Misra: So technically, we operated on the lead mode to take advantage of silver prices, absolutely correct. Also, once we make the changeover immediately returning back to zinc would require some more further distillation of the zinc product in the pyro mode when we run. So otherwise, you will be producing products, which will not be fetching us at the same premium like a zinc SHG that we sell. So that would require some more distillation columns to be put in.

So we normally do the lead run if we at all -- whenever we pick up, at least we try to give a 4-, 5-month row at -- operations in a row, so that the material that silver has to get into WIP. Then from WIP, it has to get into bullion, then it gets into refining. So that whole cycle can be completed and we can take care of the WIP or locked-up silver before we exit that mode and get into zinc plus lead more.

So we say that we see that another maybe 1 or 2 months of operation would help us recover the silver, which is locked in the WIP and then we can transfer it to the zinc plus lead more sometime towards the end of this year. And zinc prices are steadily at around $3,000. As long as it is will take benefit of that by producing more zinc.

Amit Dixit: That's very helpful. So the second question is essentially on the cost of production. Now this quarter, we also saw a very good control on costs, costs went further down. And now it is basically a little bit above the mid-range of what we guided for the year. Now going ahead, since coal prices might just remain soft, other -- I mean you will get the cost advantage also because volumes are expected to pick up. So why have we kept our cost of production guidance same? I mean, shouldn't we be revisiting it now or will we do it at the end of third quarter or so?

Arun Misra: So while Sandeep will address the details, see the strategy is, going forward, as you know, H2 has the quarter 3, quarter 4 performances that are much stronger. So we would always expect much better performance both in terms of grade of material being mined, the operational performances, the current efficiencies, etcetera, etcetera, which should give us a cost advantage. While the coal prices may go up, at the same time, more and more renewable power will also drop in as time goes by. And we are very confident of getting the cost guidance as well, along with the metal guidance that we have given. Maybe Sandeep can elaborate on this.

Sandeep Modi: Amit, thanks for the question, and I am sure, you are fine. Regarding the cost, I think, just wanted to highlight the renewable energy has helped to reduce the cost Y-o-Y $9 per ton and our renewable power share has moved to, from last quarter, 8% to 14%. So it's very clearly that renewable energy is adding into the cost benefit. And by quarter 4, we will be exiting around 23% to 25% with the renewable energy share.

Of course, the cost guidance, as you said, mid, but I think we've also given the lower band of $1,050, so it's better to achieve the lower end of the guidance and to be better rather than revising the guidance. But I'm sure we have a better cost in terms of what we are predicting, but would like to keep it unchanged between $1,050 to $1,100 that has been overall given, but we are confident that we will be delivering towards the lower end of the cost band.

Moderator: Next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: We had, on the last call, mentioned that we had appointed a consultant for expansion to 2 million ton mine run rate and that report might be available by August, September. Would you be able to share highlights from the report and recommendations?

Arun Misra: No. So the report that we have now says that the mines have to be developed in a particular manner to make adequate ore for 2 million tons. So for that, we are now inviting discussions with mining contractors, which are -- who are global conductors. So by the end of November, we should be able to fix the global contractor, whom we will appoint for starting the mine development because that is the first part is the mine development, then only we can produce.

Then the question comes on the logistics of how to transport the material out of the mine and then the concentrator expansion, which is feasible and very easy to do. So that will follow. But first part, as far as this 2 million ton is concerned, project is feasible. There is no doubt on that. It is only the mining contractor's appointment and to see how the adequate metal in concentrate can be produced from the mine.

Kirtan Mehta: And how would that be linked to the exploration strategy because we will also have to sort of enhance exploration as well?

Arun Misra: Obviously. So we have got, say, 30 million ton metal in ore as resource. And out of that, we have got close to 12 million ton metal in ore as a reserve. So that 12 million ton metal in ore as a reserve provides at least 5 years, which you require mandatorily for mine planning for getting any approval through IBM and other such authorities, right? So with that -- we are safe on that. We have got 5 years -- more than 5 years of proven reserves at 2 million ton level.

Now the question is, we have got to subtract 12 million ton, we have got more than 18 million ton metal in ore in the resource category. Then the target will be to convert that into reserves. At our 90% level, that would also go down to maybe 16 million, 17 million tons of metal in ore as a reserve. And then, of course, parallelly, we'll be adding more from Zawar mine, from RD mine, would -- there is probability of adding more and more in resource.

Net-net, about 10 years of reserve at 2 million ton level, that is 12 million ton current reserve to expand to more than 20 million tons is very feasible and visible also.

Kirtan Mehta: And how would this be split across mines when we sort of target the 2 million-ton run rate? What will be the contribution of Zawar, RD and different mines?

Arun Misra: So exact percentage, I won't comment right now because let the full thing of the project be done. But of course, we would love to have as much production from Agucha as possible because that is the highest grade. And the biggest expansion that can happen with the current operations from, is in Zawar mine, where there is virgin resources are available. So we will have to make a combination so that overall grade, which is around 7.2%, 7.3% does not recede because that will impact the cost.

Kirtan Mehta: Right, sir. One more question was about, would you be able to highlight the sensitivity of your EBITDA to zinc and silver prices for a change of, say, $100 in zinc and $1 in silver?

Sandeep Modi: So I think it is not only the sensitivity of the prices, also the operational point of view, given that how much the lead MIC would be there, how much zinc MIC, how much the SK lead MIC would be there. So that is also one of the major driver when we take any pricing decision. Of course, on a thumb rule number -- point of view, even at the silver, if that the current level of $32, if I just do theoretically, the zinc prices has to be $3,400, $3,500 if I have to make it breakeven, just from your -- the understanding point of view, but which is more driven from the availability of the right blend of the concentrate, especially for the SK mine. I hope I am able to...

Kirtan Mehta: I did not actually understand when you say that the $32 silver, you said that the zinc price needs to be around INR3,400, INR3,500 for breakeven, I actually did not follow that. I'll probably take it offline.

Sandeep Modi: So I was saying -- you were saying about the pyro lead mode versus the zinc lead mode, to make it a breakeven if I have to produce zinc or silver that is more from a technical driven decision, availability of the concentrate especially from the SK mine. And as Mr. Misra was saying, technical, WIP, liquidation, there are many other variables. But from the pricing point of view, as an analyst, it may be a breakeven if the silver is $32 and zinc is $3,500, then we may make silver and zinc EBITDA equal unless -- because currently, the zinc LME $3,000 and silver $32, it's better to make silver, but the metal also has to be made available to consume.

Kirtan Mehta: Understood, sir. And probably one more last question. In terms of the zinc outlook, we had earlier expecting sort of zinc to reach $3,000. We are already at that level, so how do you see zinc progressing from here to the end of the financial year?

Arun Misra: So I have been very consistent in saying zinc balanced stable price is $3,000. So I don't expect a big change anywhere before December. November 6 is the US election. I think the results should be out by January 1st week. I think January 6 is their date for transfer of power. So by December end, once we know the results of US election, I think that will be the -- because a Fed rate cut has happened.

China, they have declared their policies for boost up of the economy. Now the next big thing that can happen is US elections, and we will see how the world market reacts to that. Rest of the events, for geopolitical events, whether Russia-Ukraine or Israel-Gaza, both are more than 1 year old and the whole business ecosystems have become -- have been oblivious to that.

Moderator: Next question is from the line of Vikash from PhillipCapital.

Vikash: Sir, given that our second half usually is quite good in the volume terms and we already did 523 Kt in the first half? Can we safely assume that we will at least meet the higher end of the volume guidance and probably exceed the expectation?

Arun Misra: First landing at the guidance is always important because if you're talking of volume. Where we end, of course, it depends up on how much more quarter 4 can be compared to quarter 3. So I'm with you on that, that I should motivate my people to reach the high end of the guidance. But let's see, we should be in the guidance. I think that is -- that is what we can safely aim for.

Vikash: Understood. Sir, my second question pertains to the fumers. We didn't get update on the fumers at what stage they are in, and the pending fumers have they commissioned or not?

Arun Misra: So fumer, we have been ramping up. And of course, we have faced many technical difficulties in the fumer. One, of course, we could not get Chinese experts at site because of various Visa issues, but we have been taking their help remotely and trying to manage. Last 3 months of operation, 3 or 4 months of operation, has given us sufficient knowledge as to set right a lot of the either design inefficiencies or early failures of certain parts of the equipment, which we are now taking a long shutdown and we are setting it right.

We are very confident that after this shutdown, the fumer will come back in the way it will operate and we know exactly how to operate now. So we should get fantastic results starting from quarter 3 into quarter 4.

Vikash: So as of now, we have not -- get any benefit of the fumers so far.

Arun Misra: I think about 3 tons of silver, we have got out of this fumer. And about 1.5 Kt or something like metal we have got.

Vikash: Understood. Sir, silver prices versus the MCX, so I believe we had to sell at certain discounts. So what was the discount in the 2Q and what is the spot discounts of premium versus any?

Arun Misra: No, we don't sell at discount. No, no.

Sandeep Modi: No, no, we don't sell on the discount. Basically, we compare our prices basis the CRISIL benchmark. So whatever the CRISIL publish the daily benchmark, against that we do, and we have always better than the CRISIL benchmark.

Arun Misra: So we don't sell at a discount of the LBMA prices.

Vikash: Understood. And sir, just one last question, if I may pitch in. Once our DAP plant would commission, I just wanted to understand what is the additional EBITDA at the full utilization at current prices that plant can make versus the acid, which we are selling?

Sandeep Modi: You are talking about the DAP plant means Debari plant?

Vikash: No, no. That's the fertilizer plant I'm talking about.

Sandeep Modi: Yes, yes. So Hindustan Zinc alloy has already given the EBITDA of INR13 crores in H1. And quarter 2, it has been given INR13 -- sorry, INR17 crores of the EBITDA in the Q2 itself. So at a full capacity level, it will be -- give around INR70 crores to INR80 crores of the EBITDA on a full year basis.

Vikash: Sir, that is understood. My question was pertains to DAP/NPK Fertilizer Plant at Chanderiya?

Arun Misra: It's DAP. D-A-P.

Sandeep Modi: So DAP NPK will give -- yes, yes, DAP...

Vikash: So once that is commissioned and ramped up, obviously, our by-product credits would also go down because we would be consuming it there. So EBITDA -- additional EBITDA expectations, I just wanted to understand.

Sandeep Modi: So additional EBITDA over the acid price realization today, what we are getting, it would be around INR450 crores to INR500 crores on the 5 lakh ton of the DAP NPK production.

Moderator: Next question is from the line of Ritesh Shah from Investec.

Ritesh Shah: A couple of questions. First is, do we have any hedges at this point in time for second half or for next fiscal?

Sandeep Modi: Yes. Ritesh, I hope you are doing good. Yes, we have hedges for H2, 1 lakh ton around for the zinc, hedged at $3,008 as I said in my opening remarks and also the silver has been hedged for the H2, 83 tons at a price of $32.26 per troy ounce.

Ritesh Shah: Sir, anything for next fiscal?

Sandeep Modi: No, nothing as of now for next fiscal year.

Ritesh Shah: Nothing, okay. My second question was any updates on Bamnia Kalan specifically, it's a big one. How are we looking at it? Any time lines?

Sandeep Modi: So Bamnia Kalan mine, it's a -- boundary work has already been done by the 90% and the portal construction work is going to start. So we believe that next 12 to 18 months because it's a mine life opening, so we have all the statutory approval in place. So mine opening is taking some portal construction reaching to the ore body. It should be, say, in my view, around quarter 4 of the '26 kind of thing situation where we should be able to reach to the ore body.

Ritesh Shah: This is helpful. Sir, third question is on Supreme Court mining judgment recently. Most of the companies, basically, they have spoken about hefty liabilities, but it's more work-in-progress. There is no clear-cut understanding on what the quantification is. Sir, what is our take over here? I was just looking at our contingent liabilities, there is a number, which is there, but would like to have your take on how we should understand or read this matter.

Sandeep Modi: So Ritesh, I think just to update you, I think that contingent liability number will not remain now. Whatever the number was there has been already provided. So net impact on account of the Supreme Court judgment from the retrospective point of view has been INR83 crores, which has been well provided in the books in quarter 2 and appearing as part of the exceptional item.

Ritesh Shah: It's only INR83 crores, right, also provided for, that's right?

Sandeep Modi: Yes, yes.

Ritesh Shah: Okay. That's very useful. Sir, just coming to a broader question. Hindustan Zinc hasn't provided for the dividend date. Usually, we see Hindustan Zinc going first and then Vedanta. Any specific reasons or not the right question?

Arun Misra: No, on the Board minutes, you will notice. There's no discussion on dividend today.

Sandeep Modi: And we did not give any dividend intimation any time.

Ritesh Shah: Correct. So normally, it's us first and then basically Vedanta comes in.

Arun Misra: What you are saying, frequency is fine, but the timing is different, no. The first activity has to start for the second activity. First activity will start with the notification for dividend, which has not happened.

Ritesh Shah: Fair thing. And sir, just 3 quick questions. Earlier, the company was planning to bifurcate the company into silver and zinc, is it something which is on the table? Or is it on the back burner?

Arun Misra: No, no, nothing is on back burner. It is -- all the issues we are discussing with government and whenever both sides agree, it will happen. The government disinvestment effort is also going on, so there are so many things happening parallelly.

Ritesh Shah: Okay. And sir, there were talks about setting up a zinc smelter in Gujarat. Is it on the table? Or is it off?

Arun Misra: It's not on the table.

Ritesh Shah: Okay. And lastly, sir, you indicated a couple of numbers for DAP NPK production. Possible to give some time lines over here, please?

Sandeep Modi: So fertilizer as per the committed time line is going to start in the FY '26 around Q3.

Moderator: Next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: I just have one question left. If you could please guide us on the capital structure? And what sort of debt do we expect to see on the balance sheet on a steady state basis? This question is because in the first half, we've given a substantial dividend and now we are sitting on almost INR6,000-odd crores of net debt. So are we open to -- I mean, for the dividend requirements, etcetera, are we able to run a net debt balance sheet? Or this is just a timing thing, and we would have a close to net debt 0 balance sheet going forward?

Sandeep Modi: So Sumangal, I think you rightly pointed out, it's a timing mismatch. Of course, given that INR12,000 crores was given in the form of dividend, and we have already generated free cash flow of INR7,000 crores in the H1, and normally H2 remains better. So I think it's only a timing difference. Of course, we are having the capex as well. So overall, we expect that given -- USD

1 million, we expect to generate free cash flow during this year. And by March end, we expect to be around INR2,000 crores kind of net debt number at the year end.

And on a steady basis, we will always be net cash. But as we go for the 2 million ton of the -- this expansion, we may look for the some debt equity, depending upon our project IRRs being a very, very high basis. So we'll see what is the better capital allocation when we go for 2 million tons. However in steady phase, we don't have anything at this point of time, which we should be worried about.

Sumangal Nevatia: Understood. Just 1 more question. Given we are talking about the very long-term target of 2 million tons. We're losing 2 mines, which is Zawar and RA in 2030 or we would be able to retain it. Is it possible to share what sort of, I mean, cost escalation scenarios are we building in internally, given this expanded capacity will come in around that time itself, where would we have to participate in the auction or at least match the highest bid?

Arun Misra: You will appreciate, in today's dynamic economic scenario, we normally plan at the most for 3 years. So we are in 2024 and the event is likely to happen in 2030, it's 6 years away. So let's see what happens to the policy by then. The realization of the entire auction process also would be better known, so we'll see by then what happens.

Sumangal Nevatia: Understand. And just one last question. Given all our projects are working well, next year, could we expect very close to our rated capacity of 1.2 million tons in terms of...

Arun Misra: Yes, yes, of course. Of course, we will try. We will -- at least 1.2 million ton next financial year.

Moderator: As there are no further questions, I would now like to hand the conference over to Ms. Kritika Mehta for closing comments.

Kritika Mehta: 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.

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