

# Hindustan Zinc to Invest Rs 8,000 Cr to Expand Mining Operations

**H**industan Zinc Ltd (HZL) will invest Rs 8,000 crore in the next 3-5 years as the Vedanta Group firm looks to expand operations and capacity.

The firm aims to take the existing ore production levels of 9.36 million tonnes per annum (MTPA) to 14 MTPA and finished metal production to 1.10 MTPA from 0.85 MTPA, Hindustan Zinc said in a statement.

"As the company celebrates its Golden Jubilee year, it is all set to invest another Rs 8,000 crore in the coming 3-5 years on expansion of its mines and smelting operations," it added.

Vedanta Group Chairman Anil Agarwal said "When we acquired HZL as part of government's disinvestment programme in 2002, our focus was to make India self-sufficient in zinc.

"We are very proud that by adopting latest environment friendly technology, large investment in capacity expansions and continuous exploration, HZL is able to increase production five-fold and yet have reserves for another 30 years," Agarwal said.



HZL, which is celebrating 50 years of existence in 2016, has mines located in Agucha, Sindesar Khurd, Zawar, Rajpura Dariba, and Kayad in Rajasthan. Its smelters are located in Dariba, Chanderiya and Debari, also in Rajasthan.

It was formed under an Act of Parliament on January 10, 1966 as an integrated zinc-lead-silver producing company.

In 2002, under the government's disinvestment programme, Hindustan Zinc was acquired by Sterlite, now called Vedanta Ltd.

The investment of Rs 12,000 crore in the past years have brought many changes in not

just asset optimisation but also building new facilities into the business to give value to the shareholders, the statement said. It produces 474 MW of captive thermal power and 274 MW of wind energy. HZL CEO Sunil Duggal said the firm is exploring new areas where zinc could add value to consumers. "We are exploring the possibilities of galvanizing of car bodies and structures to increase their life-span," he added. The company is also looking to set-up a new fertiliser plant with a capacity to manufacture 0.5 MTPA of Di-Ammonium Phosphate in district Udaipur with an estimated investment of Rs 1,350 crore.

## Metals Sector Q3FY16 is Weak : ICICI Securities

**I**CICI Securities research report on Metals Sector Q3FY16 continued the weak trend caused by continuously falling commodity prices. The losses rake up, with only the miners reporting a positive PAT. We do believe though that with Q3FY16, the process of bottoming-out of earnings has started. While the process can be accelerated in the ferrous pack through government intervention, that in the non-ferrous pack can take support from incremental news of capacity cuts flowing in globally. Does this mean corresponding plateauing of sector multiples? Probably yes. Q3FY16 though is forgettable with the ferrous pack reeling from the price cuts witnessed QoQ (between 3-6%, with Tata Steel lowest at 3%) leading to a 20% sequential EBITDA drop in the ferrous segment. The non-ferrous segment fares no better, particularly with the disappointment in store for Hind Zinc, which witnessed a sharp cost escalation in Q3FY16, and the pack barring Vedanta witnesses a 30% QoQ



EBITDA drop. NMDC, with a 12% QoQ volume increase, limits its QoQ EBITDA drop to 10%. Aluminium operations churn out respectable performance yet again for Vedanta, but weak performance from Cairn and Hind Zinc drags EBITDA down by ~20% QoQ. We feel Vedanta's underperformance over the last quarter is overdone, and hence would like to present the stock as our top pick as we move into CY16. Also, we would like to highlight that despite the recent outperformance of the steel

stocks, imposition of Minimum Import Price can result in significant price outperformance for Tata/JSPL, while the upside looks limited for JSW / SAIL. Miners manage to report positive PAT in Q3FY16, all others being in the red. NMDC again manages to report 4% YoY volume growth as prices have declined ~43% YoY. GMDC is expected to witness the full brunt of realisation cut undertaken in September, and is expected to witness ~26% YoY decline in EBITDA. Declining commodity prices take out any chance of earnings stability in the non-ferrous pack. Hind Zinc is expected to disappoint as higher costs led to a ~30% YoY/QoQ EBITDA decline. Vedanta has been further impacted by the continued weakness in Cairn's performance, yet its aluminium or power operations are resilient. Hindalco has started witnessing the benefits of lower domestic coal prices as both its new smelters are now without captive coal blocks. Q3FY16 though, is forgettable for the company.