

**October 31, 2014**

**Hindustan Zinc Ltd.**

BSE Code: 500188

NSE Code: HINDZINC

Reuters Code:

HZNC.NS

Bloomberg Code: HZ:IN

Hindustan Zinc Ltd, (HZL) a Vedanta Group Company in zinc-lead-silver business, is India's only and the world's largest integrated producer of zinc. HZL is also the largest primary producer of silver in India. Production capacity stands at 9.75 MTPA and the overall metal production capacity is 879,000 TPA of zinc and 185,000 TPA of lead. With reserves and resources of 313 million tonnes, company's exploration programme is integral to its growth and future expansions. The company governs about 85% of the growing zinc market in India. All units of HZL are power independent and operate on captive thermal power plants with a power generation capacity of 474 MW. Hindustan Zinc is also expanding in Green Energy by setting up 275 MW wind energy farms.

### Investor's Rationale

**Higher metal prices boosted topline** – HZL registered a 6.5% YoY growth in its topline to ₹37,492.2 mn in Q2FY15, driven by higher zinc LME prices, despite lower volumes and rupee depreciation. The revenue from the Zinc & Lead business represents 90% of its revenue, saw growth of 9.6% YoY to ₹33,687.6 mn. While, the revenue from Silver metal fell by 19.3% at ₹3,129.5 mn.

**Net profit grew impressively by 33.1% on strong topline** – HZL's profit grew handsomely by around 33.1% YoY to ₹21,835.29 mn in Q2FY15 as against ₹16,402.5 mn in Q2FY14 on the back of strong assets realization. Further, Interest cost declined by 83.7% at ₹13.1 mn in against ₹80.3 mn. Further, other income grew robustly by 161.0% YoY to ₹6,966.5 mn. Consequently, NPM expanded 566 bps YoY to 48.5% from 42.9%.

**EBITDA margin contracted 33bps on higher royalty fee & lower production** – EBITDA grew marginally by 6.2% YoY to ₹19,995.5 mn against ₹18,834.0 mn, mainly due to increased employee cost and higher mine development cost. Mining royalty & mining expenses grew by 14% and 10.6% respectively. Employee expenses also grew by 22.1% YoY at ₹2,156.3 mn and cost of material consumed also grew by 546% YoY at ₹1,203.85 mn. Accordingly, OPM contracted 33 bps YoY to 52.6% from 52.9%.

**Focusing on expansion to maintain market leadership** - HZL stated that all expansion projects are advancing well; Mine development has increased 21% in H1 to 24.9 km from 20.6 km a year ago. Underground mine development rates at Rampura Agucha are expected to improve during H2 due to enhancement in productivity and resources. To mitigate the risk of delay in expansion projects, mine design and planning for further deepening of the pit at Rampura Agucha is under progress, which will extend the life of the open pit. During the quarter, environmental clearance was received for enhancement of production capacity of Kayad mine from 0.35 MTPA 2 to 1.0 MTPA.

### Market Data

|                            |     |           |
|----------------------------|-----|-----------|
| 52-week High-Low (₹)       |     | 184/114.8 |
| Rise from 52WL (%)         |     | 48.08     |
| Correction from 52WH (%)   |     | 7.60      |
| Beta                       |     | 1.11      |
| 1 year Average Volume (mn) |     | 1.42      |
|                            | 3M- | 4.53      |
| Stock Return (%)           | 6M- | 33.07     |
|                            | 1Y- | 28.57     |
| Market Cap (₹bn)           |     | 721.68    |
| Book Value (₹)             |     | 88.56     |

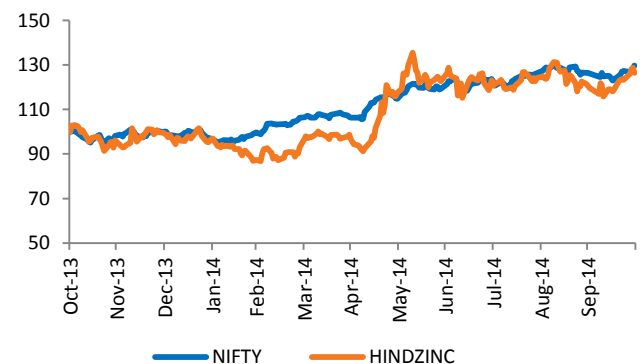
### Shareholding Pattern

|                     | Sep'14 | Mar'13 | Chg    |
|---------------------|--------|--------|--------|
| Promoters (%)       | 64.92  | 64.92  | 0.00   |
| FII (%)             | 2.15   | 2.12   | 0.03   |
| DII (%)             | 31.03  | 31.06  | (0.03) |
| Public & Others (%) | 1.9    | 1.9    | 0.00   |

### Quarterly Performance (Consolidated)

| (₹mn)      | Q2 FY'15 | Q2 FY'14 | Q1 FY'15 | YoY Change(%) | QoQ Change (%) |
|------------|----------|----------|----------|---------------|----------------|
| Sales      | 37,492.2 | 35,204.5 | 29,626.5 | 6.5           | 26.5           |
| Op. exp    | 18,028.3 | 16,757.3 | 16,547.8 | 7.6           | 8.9            |
| EBITDA     | 19,995.5 | 18,834.0 | 13,524.1 | 6.2           | 47.9           |
| OPM (%)    | 52.6     | 52.9     | 45.0     | (33bps)       | 76bps          |
| Net profit | 21,835.2 | 16,402.5 | 16,176.7 | 33.1          | 35.0           |
| NPM (%)    | 48.5     | 42.9     | 43.4     | 566bps        | 510bps         |
| EPS (₹)    | 5.2      | 3.9      | 3.8      | 33.2          | 35.0           |

### One Year Price Chart





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