

# Hindustan Zinc Ltd Transforming from pure-play commodity to value added player



## Can you please introduce yourself and Hindustan Zinc?

Thank you so much; I'm thrilled to be part of this esteemed event at IGC 2022, a fabulous event we all look forward to every year. Representing Hindustan Zinc, I want to share that I've taken over as the CEO and as you're all aware, Hindustan Zinc is the leading primary producer of silver in India, and we have a substantial presence in the Indian domestic market; we cater to about 12-15% of the Indian domestic market. We're happy to say we've been catering to all the domestic requirements, from electrical contact manufacturers to various applications. As our Prime Minister said, in terms of Make in India and make for the world, I think we first have made in India to fulfil our domestic requirements; we're only a 650-700 tonne player as of now compared to the Indian market of 5000 tonnes so we have a long way to go and we're working on it.

**Hindustan Zinc being a vertically integrated player, we see only a few players in the global arena have the ambition to do value-added products in silver. What strategic plans do you have in place to address the value-added segment?**

Historically, we've been a commodity player, and it was a

conscious call to take a step back from being a pure-play commodity player. We're making strenuous efforts to be productive players. So, we are evaluating the opportunities of value-added products in silver, and we have already started making a few of them, like silver nitrate we have made in batches in the past. Still, we need to get into more commercialised space and more volume. So, we are evaluating the opportunities for alloys, coins and minted bars, and these are all under review, but I'm confident that in the coming years, we will have a strong footprint on the value-added side.

We continuously evaluate new opportunities and try to see how well we can use this opportunity. For example, in the growing renewable energy and EV space, We're looking to the government to support the entire make in India, especially for the solar panels and where we feel we can make a substantial contribution.

**Regarding the ramp-up of production, what are the plans for Hindustan Zinc?**

In terms of refining capacity, we're already there, we already have higher than existing products in terms of refining capacity, and if you look at the last three years,



**Mr Vijay Murthy**  
CEO of Lead, Silver and  
Minor Metals  
Hindustan Zinc Ltd

our silver production has remained constant between 625-700 tonnes, so we expect to end FY2023 with around 700-725 tonnes, but we do have an optimal target which we will continue to move and inch towards. We're hopeful that with successive exploration and maybe trying to optimise our silver resource, we should be able to reach our target. The target is to make for India and make for the world.

**You have recently launched an online portal. Can you share some details about it?**

We are one of the few commodity companies in the world going towards a digitally enabled end-



to-end, fully stacked Ecommerce kind of solution, so as of now, we are making most of our sales and making online price discovery. We will have end to end solution where customers can do their pricing, buy the metal and have complete logistics visibility until it reaches them, so that's the kind of solution we're looking at and investing substantially and enhancing our digital footprint.

**You want to make Hindustan Zinc an end-to-end integrated player and an inclusive player in the**

**Indian silver industry?**

Indeed, we want to partner with all the manufacturers. We do not just want to sell it to the financial instrument partner. Silver to us is a very passionate thing, we want it to be consumed, and that is why, be it tableware, electrical contacts or utensils, we want our silver to be consumed by the Indian public and to be proud that this has been produced from Indian soil.

**You want to convert every tonne of silver into value-added products?**

That's the long-term target, but the way the market develops in terms of the value-added products in India, we have to be cautiously optimistic

on that, and we'll look forward to it because India has varied applications. We are confident we have good days ahead with the growing middle class, silver fashion jewellery. People are optimistic that India will continue to be the silver home, and we'll continue to enhance our production in the future.

**What do you feel about coming to this event?**

If I must say, this is one event I always look forward to attending every year because we get to interact with so many people from the industry for one and a half days. Best wishes for IGC 2023.



*Heartfelt Condolences*

*Shri Nilesh Guptaji left to Heavenly Abode on 10 August 2022*



**Dear Shri Nilesh Guptaji,**

*You will always be remembered and celebrated.*

*The entire Bullion industry will miss you...*



# MCX- Product diversification & successful deliveries sign of market acceptance



**Mr Shivanshu Mehta**  
Head - Bullion, MCX

MCX Gold and Silver Prices are the benchmark for value-chain and end-consumers alike: Most Pricing is done MCX (+/-). MCX Bullion contracts are designed considering the need of all participant's namely large corporates, Retail jewellers, importers, investors and end consumers.

Further, MCX Gold and Silver prices reflects all four elements: USD/INR exchange rate, custom duty tariff, international gold and silver prices along with the domestic premium/discounts. Spot-Futures integration was thus seen via our compulsory delivery contracts.

MCX offers Gold 1kg, Gold Mini 100 grams, Gold Guinea 8 gram

and Gold Petal 1gram futures contract and in Silver we have Silver 30kg, Silver Mini 5kg and Silver Micro 1kg futures contract backed by delivery. MCX has seen deliveries of 129 MT of Gold & and over 4,212 MT of Silver since inception.

Smaller denomination contracts are designed to cater to the organized retail investor demand. Investment in smaller denomination contracts are backed with delivery, providing a systematic investment plan (SIP) type of flexibility. Coins and bars can be held and accumulated in the electronic format and physical delivery is also available. Every bar and coin comes with an individual assaying certificate, quality assurance given. Convenience of transaction and liquidity of exchange platform are key advantages leading to better Cash flow management, margin protection and Inventory hedging amid volatile prices.

MCX designed one gram Gold Petal future contract (**first ever deliverable one gram gold contract in the world**) to cater to organized retail investor demand, by providing a systematic investment plan (SIP) type of flexibility with an electronic accumulation, saw successful delivery of **62 kgs ( 61,954 coins)** since it's launch in October 2019 till June 2022 contract.

Similarly, Silver (1kg) Micro contract that became deliverable

with one kilogram silver bar as delivery lot from February 2020 series, has seen successful delivery of **45,994 kgs**. Silver Mini (5 Kg) contract that became deliverable with Silver (five nos. of one kilogram bars) as delivery lot from June 2020 series, saw successful delivery of **86,080 kgs**.

These three products have strengthened the bullion portfolio further and successful deliveries are a sign of market acceptance.

In volatile situations there is a need to hedge via MCX futures and options contracts to safeguard the profit margins. MCX emerged as an efficient platform for price risk management for Gold and Silver. The close integration of the MCX futures and physical commodity markets in India, reflects the attractiveness of the exchange-traded commodity futures market in India as an efficient platform for price risk management.

MCX also successfully launched Gold 1kg Options contract with Gold (1 Kg) Futures as underlying on October 17, 2017.

#### **The advantages of Options are:**

- Options offer the buyer an Insurance against adverse movement, but allow for participation on favorable side
- Maximum Loss to the extent of Premium paid for Buyer
- Exchange Traded options are free from counter-party risk
- Futures & Options combination

(both risk management tools) gives leverage of futures with safety of Options. Hence, profit is possible from change in future prices but losses are limited via Options

- Participants can devise numerous effective hedging strategies
- Better Cash-flow management because of one-time payment of Premium
- Low Transaction Cost, low capital intensive
- Flexible pricing via Put options: Jewelers may offer the lower of current price / or of a future date, for example - Akshay Tritiya as Festive Scheme

Gold Options (1 kg) contract registered it's highest turnover (post LES) of Rs.4638 crore on May 24, 2022, highest volume (post LES) of 9.49 MT on March 16, 2020 and highest open interest of 8.75 MT on March 20, 2020. Similarly, Silver

30kg Options contract with Silver (30 Kg) Futures as underlying was launched on May 24, 2018. Silver Options contract registered highest turnover of Rs. 740 crore on August 26, 2020, highest volume of 113 MT on June 23, 2022 and highest open interest of 172 MT on August 17, 2020.

After receiving overwhelming response for Gold 1kg and Silver 30kg options contract we received requests from jewelers to introduce smaller denomination options that would enable them to hedge via options, as the advantages of options are multifold, and as listed below:

Hence, MCX designed the Silver Mini Options and Gold Mini Options contract and launched the same on July 19, 2021 and April 25, 2022 respectively. Gold Mini and Silver Mini Options contract caters to small and medium jewelers who can easily mitigate their price risk

by hedging in smaller denomination Options contract and take the above listed advantages. Further, Gold Mini and Silver Mini Options contract has less premium making it affordable and feasible to the small retailers and investors.

To make the Exchange's bullion derivative contracts more relevant to the physical market players and in line with the broader national objective of 'Atmanirbhar Bharat', MCX empaneled domestic refiners as per "MCX Good Delivery Norms for BIS-Standard Gold/Silver" effective from March 6, 2021 and saw a successful delivery of 1,262 kg valued at 622 crore till July 2022 contract.

This initiative of empaneling domestic refiners by MCX may serve the nation by reducing disparities, encouraging quality gold recycling and reducing import dependence.

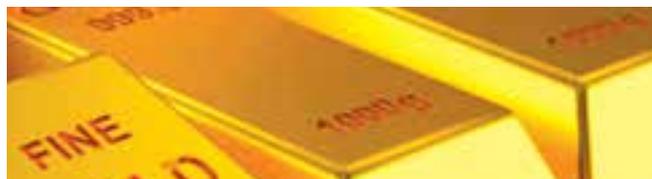


  
**BRINKS**

**Team BRINK'S is delighted to inform that BRINK'S is the 1st Global Company to be appointed as Vault Manager by IFSCA for IIBX at Gift City. Looking forward for your support & business as always**

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# INDIA news



## Import duty hike: No gain from raising gold levies Import duty hike: No gain from raising gold levies

July 1, 2022, the Central Board of Excise hiked the import duty on gold from 7.5% to 12.5%. Gold also attracts GST and other levies, so the effective tax on gold adds up to just over 18% of its value. This

action may have been triggered by the drop in India's forex reserves over the past few months—\$16.7 billion since March. Anybody bypassing the official channel (i.e., smuggling gold) stands to make a 15.85% return for a one-time trade over a few days. Even high-flying hedge funds would be hard-pressed to match such a return. The government has just raised the incentive for gold smuggling, ignoring India's experience from the 1970s and more recent lessons from immediate neighbour Sri Lanka.

The increase in customs duty on gold is an attempt to reduce the outflow of foreign exchange. The action is understandable, as India's trade deficit has increased to \$25.6 billion for June 2022 and \$70.3 billion for Apr-June 2022. Meanwhile, the rupee has also weakened by over 5% since 2022 to Rs 79/USD. Indians are amongst the most avid consumers of gold. Gold is one of the few ways to preserve wealth across generations; unlike land, it is portable.

**Source:** <https://www.financialexpress.com>

## India's decision to hike import duty on gold to make prices more attractive in GCC, says Malabar Gold official:

The recent announcement by the Indian government to raise import duty to 12.5% from 7.5% is expected to make gold more expensive across India. This hike has increased the gold price difference between the GCC and India. The gold price in the GCC will get more attractive than in India, with a saving of 12-15%. The weakening rupee will further increase the gold rate in India.

**Source:** <https://www.gulf-times.com>



MALABAR  
GOLD & DIAMONDS



## Gold import duty will promote grey market: WGC India.

The sharp increase in gold import duty will again incentivise gold smuggling and push the trade to deal with the grey market. Though gold prices are falling globally, it has remained steady in India due to rupee depreciation against the dollar. The price difference between legal and smuggled commodities will significantly boost jewellers to source gold illegally.

**Source:** <https://www.thehindubusinessline.com>



## SBI crosses the Rs 1-trillion-mark in gold loans

In the first quarter of FY23, the bank has seen decent traction in the segment and much better growth compared to what it saw during the corresponding period in the past. At the end of March 2022, the value of SBI's outstanding gold loans to individuals stood at Rs 23,063 crore. The Rs 1-trillion portfolio, therefore, likely includes agri- loans backed by gold. The value of total outstanding gold loans to individuals in the banking sector as of May 20, 2022, stood at Rs 73,752 crore.

**Source:** <https://www.financialexpress.com>



## IDBI Bank's Gold Loan Business Crosses Rs 10,000-Crore Milestone

The bank's gold loan book has achieved a prestigious milestone and crossed the Rs 10,000 crore landmark. In the last two years, the bank's gold loan book has doubled from Rs 5,000 crores to Rs 10,000 crore. The LIC-controlled bank said its loan processing system is fully automated, which has helped in the growth of the gold loan book. Customers complete the transactions generally in 10-15 minutes, it added.

**Source:** <https://www.outlookindia.com>



## Invest in Digital Gold

Fintech startup Dinero, on July 12, launched the option to win digital gold on its app by partnering with MMTC-PAMP India Pvt. Ltd, in a bid to attract young Indians. With this launch, users stand a chance to win 999.9 per cent pure gold at any time on Dinero's application. The Dinero app encourages young people to invest in various avenues through its platform and rewards them with items, including digital gold, once they reach the investment goal.

Dinero and MMTC-PAMP create the perfect synergy, capitalizing on the digital infrastructure provided by MMTC's platform and Dinero's consumer base to reach out to the segment of young Indians, urging them to invest their money further and earn Digital Gold as a reward.

**Source:** <https://www.news18.com>



## MCX cautions investors against fraudulent online gold investment schemes

MCX, the country's largest commodity exchange, has warned investors not to get trapped in the fraudulent gold investment schemes run by unscrupulous online websites using its brand name. MCX has clarified that it has not associated with DBS Bank in Singapore for any wealth management activities, nor does it have any relationship with Gold-Master. Gold-Master is neither registered as a member of the exchange nor is it an 'Authorized Person' of any registered member of the Exchange.

**Source:** <https://www.thehindubusinessline.com>



## Egyptian companies inject \$8.1m investments in the gold exploration sector

Akh Gold, a subsidiary of Altus Strategies, signed a \$4.1m agreement with the Egyptian government to search for gold in nine areas in the Eastern Desert. Moreover, the Egyptian Mining and Manufacturing Company – MEDAF signed a similar agreement worth \$3m to search for gold in one area.

**Source:** <https://dailynewsegypt.com>

# INTERNATIONAL news

## Serabi mines less gold in the first half but expects to hit the 2022 target.

Serabi produced 15,480 ounces of gold in the first half of 2022, down 9.7% from the 17,135 ounces it produced a year ago. The gold grade worsened to 6.06 grammes of gold per tonne from 6.71 in the first half of 2021. In the second quarter of 2022, Serabi produced 8,418 ounces, down 7.0% from 9,048 a year ago. In the second quarter, gold grade improved by 12% to an average of 6.43 grammes of gold per tonne from 5.72 a year ago. Serabi Gold shares fell 1.5% to 39.80 pence each in London.

Source: <https://www.lse.co.uk>



## Turkey, Uzbekistan and Kazakhstan have become the world's lead buyers of gold.

Turkey became the largest precious metal buyer at the end of spring, with gold reserves replenished by 13 tons. The Central Bank of Uzbekistan scored second by buying 9 tons and increasing volumes for the second month in a row. Kazakhstan's National Bank, with additional 6 tons, became the third on the list.

Source: <https://akipress.com>



## UAE: VAT on gold-making charges may impact other businesses

The Federal Tax Authority (FTA) recently issued a public clarification - VATP029 - relating to B2B supplies of gold and products mainly consisting mainly of gold ('Gold Items'). As the clarification relates to gold-making charges, CFOs/CEOs in other businesses (especially those in Designated Zones (DZs)) have ignored its impact on their operations.

Source: <https://www.khaleejtimes.com>

## Gold an Effective Store of Value Amidst Falling Yen, Says World Gold Council

The latest market research report published by the WGC highlights gold as an effective store of value amid the falling Japanese currency. The Japanese yen has weakened significantly during the first six months of the current year. The currency has registered an 18% decline against the US dollar, dragging it to the lowest point since 1998. The interest rate spread between Japan and other key markets sharply widened. The worsening trade deficit and the country's economic declaration during the year's initial quarter weighed on the local currency.

Source: <https://www.scrapmonster.com>

