

# Hindustan Zinc

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	HZ IN
Equity Shares (m)	4225
M.Cap.(INRb)/(USDb)	1840.1 / 21.4
52-Week Range (INR)	673 / 378
1, 6, 12 Rel. Per (%)	-4/-12/-33
12M Avg Val (INR M)	1691

## Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Sales	341	356	372
EBITDA	174	200	213
PAT	104	122	131
EPS (INR)	24.7	28.8	31.0
GR. (%)	34.5	16.5	7.8
BV/Sh (INR)	31.5	48.3	67.3

## Ratios

ROE (%)	73.2	72.1	53.6
RoCE (%)	56.2	57.7	50.0

## Valuations

P/E (X)	17.6	15.1	14.0
P/BV (X)	13.8	9.0	6.5
EV/EBITDA (X)	10.7	8.8	7.8
Div Yield (%)	6.7	2.8	2.8

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	63.4	63.4	64.9
DII	32.1	32.0	32.5
FII	1.4	1.4	0.6
Others	3.1	3.2	2.0

FII Includes depository receipts

**CMP: INR436 TP: INR465 (+7%) Neutral**  
**In-line performance; silver segment to drive earnings**

- 1QFY26 revenue declined 4% YoY/15% QoQ to INR77.7b, in line with our est. of INR75.7b. The decline was primarily driven by lower volumes and low commodity prices, offset by higher prices of silver and by-products and stronger dollar.
- EBITDA was down 2% YoY/20% QoQ at INR38.6b, primarily due to weak volumes and softened commodity prices. EBITDA margin contracted to 49.7% from 53% in 4QFY25 and 48.5% in 1QFY25.
- Zinc cost of production (CoP) stood at USD1,010/t, down 9% YoY (+2% QoQ), on account of improved metal grades and increased consumption of domestic coal and renewable energy.
- APAT stood at INR22.3b (-5% YoY and -26% QoQ) against our est. of INR21.5b in 1QFY26.
- Mined metal stood at 265kt (flat YoY and -15% QoQ), led by mine preparation activities carried out during the quarter.
- Refined metal production at 250kt (-5% YoY and -7% QoQ - Refined zinc/lead production of 202kt/48kt), in line with plant availability and on account of maintenance activities.
- Saleable silver production declined 11% YoY and 16% QoQ to 149kt, majorly due to lower silver input from SK mine and in line with lead production.

## Key management commentary

- The reduction in CoP was on account of better mine grades, higher RE share via Serentica, and higher domestic coal usage amid muted imported coal prices.
- Considering improvements in efficiency, the company is confident of achieving the lower end of its full-year cost guidance (USD1,025-1,050/t).
- The completion of debottlenecking projects and the commissioning of a new roaster in 2Q will boost silver and metal production, supporting FY26 guidance of 700-710t.
- The fumer plant is operating at 60% capacity utilization, limited by lower silver input and delays in Chinese visa approvals for technical support.
- The 510kt DAP/NPK fertilizer plant at Chanderiya is in progress and will be commissioned by 1QFY27 (earlier 2QFY26). Out of the total FY26 capex of INR12b, HZ has already spent INR10b so far.
- In Jun'25, the company announced its plans to expand integrated refined metal capacity by 250ktpa, along with matching mines & mills capacity, with an investment of INR120b (guidance: INR35b in FY26, INR50b in FY27, and the rest in FY28). The expansion is expected to be completed in the next 36 months.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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### Valuation and view

- The expansion plans are in line with the company's long-term target of doubling its capacity. It also continues to focus on improving production with tight cost-control measures.
- We retain our earnings estimates for FY26-27E and expect HZ to maintain its focus on profitability. Additionally, the favorable pricing condition (especially Silver) could support the margins further.
- At CMP, HZ trades at 7.8x FY27E EV/EBITDA, and we believe the current valuation prices in all the positive factors. **We reiterate our Neutral rating with a TP of INR465 (premised on 8.5x EV/EBITDA on FY27 estimates).**

### Quarterly Performance

Y/E March	FY25				FY26				FY25	FY26E	FY26	Vs.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est.%
<b>Mine prodn. (kt)</b>	<b>263</b>	<b>256</b>	<b>265</b>	<b>311</b>	<b>265</b>	<b>280</b>	<b>282</b>	<b>298</b>	<b>1,095</b>	<b>1,125</b>		
<b>Sales</b>												
Zinc refined (kt)	211	198	201	218	201	212	215	224	827	851		
Lead refined (kt)	51	63	55	56	48	53	53	59	225	213		
Silver (tonnes)	167	184	160	177	145	182	194	184	687	706		
<b>Net Sales</b>	<b>81.3</b>	<b>82.5</b>	<b>86.1</b>	<b>90.9</b>	<b>77.7</b>	<b>89.6</b>	<b>93.0</b>	<b>95.6</b>	<b>340.8</b>	<b>356.0</b>	<b>75.7</b>	<b>2.7</b>
Change (YoY %)	11.6	21.5	17.8	20.4	(4.4)	8.6	8.0	5.2	17.8	4.4		
Change (QoQ %)	7.7	1.5	4.4	5.5	(14.5)	15.3	3.8	2.7				
<b>EBITDA</b>	<b>39.5</b>	<b>41.2</b>	<b>45.0</b>	<b>48.2</b>	<b>38.6</b>	<b>50.2</b>	<b>53.7</b>	<b>57.6</b>	<b>173.9</b>	<b>200.0</b>	<b>38.5</b>	<b>0.2</b>
Change (YoY %)	17.9	31.3	27.8	32.1	(2.2)	21.7	19.4	19.4	27.3	15.0		
Change (QoQ %)	8.1	4.5	9.1	7.1	(19.9)	30.0	7.1	7.1				
As % of Net Sales	48.5	50.0	52.2	53.0	49.7	56.0	57.7	60.2	51.0	56.2		
Finance cost	2.6	3.0	2.9	2.5	2.4	2.7	2.7	2.9	11.0	10.7		
DD&A	8.4	8.8	9.1	10.1	9.1	9.9	10.5	11.2	36.4	40.8		
Other Income	2.7	2.7	2.2	2.3	2.8	3.2	3.2	3.6	9.8	12.8		
<b>PBT (before EO item)</b>	<b>31.1</b>	<b>32.1</b>	<b>35.3</b>	<b>37.8</b>	<b>29.9</b>	<b>40.8</b>	<b>43.8</b>	<b>47.0</b>	<b>136.4</b>	<b>161.4</b>		
EO exp. (income)	-	(0.8)	-	-	-	-	-	-	(0.8)	-		
<b>PBT</b>	<b>31.1</b>	<b>31.3</b>	<b>35.3</b>	<b>37.8</b>	<b>29.9</b>	<b>40.8</b>	<b>43.8</b>	<b>47.0</b>	<b>135.5</b>	<b>161.4</b>		
Total Tax	7.7	8.0	8.5	7.8	7.5	10.1	10.8	11.5	32.0	39.9		
% Tax	24.7	25.7	24.1	20.6	25.2	24.7	24.7	24.4	23.6	24.7		
<b>Reported PAT</b>	<b>23.5</b>	<b>23.3</b>	<b>26.8</b>	<b>30.0</b>	<b>22.3</b>	<b>30.7</b>	<b>33.0</b>	<b>35.5</b>	<b>103.5</b>	<b>121.5</b>		
<b>Adjusted PAT</b>	<b>23.5</b>	<b>24.1</b>	<b>26.8</b>	<b>30.0</b>	<b>22.3</b>	<b>30.7</b>	<b>33.0</b>	<b>35.5</b>	<b>104.4</b>	<b>121.5</b>	<b>21.5</b>	<b>3.8</b>
Change (YoY %)	19.4	34.6	32.1	47.4	(4.7)	31.9	23.2	18.3	33.4	17.4		
Change (QoQ %)	15.1	(0.8)	15.1	12.1	(25.6)	37.4	7.5	7.7				



## Highlights from the management commentary

### Performance guidance

- RE share during 1QFY26 stood at 19% of the total energy mix as compared to 13% in FY25. Coal mix stood at 50% domestic vs. 45% imported in 1QFY26.
- The reduction in CoP during 1QFY26 was on account of better mine grade, higher RE share via Serentica and higher domestic coal usage amid muted imported coal prices.
- On account of improving efficiencies, the company is confident of achieving the lower end of its full-year cost guidance (USD1,025-1,050/t).
- Saleable silver production was lower than expected due to lower metal production and lower silver grades (88ppm vs. ~93-98ppm last year).

- Completion of debottlenecking projects and commissioning of a new roaster in 2QFY26 will boost silver and metal production, supporting HZ to meet the FY26 guidance of 700-710t.

### Capacity update/capital allocation

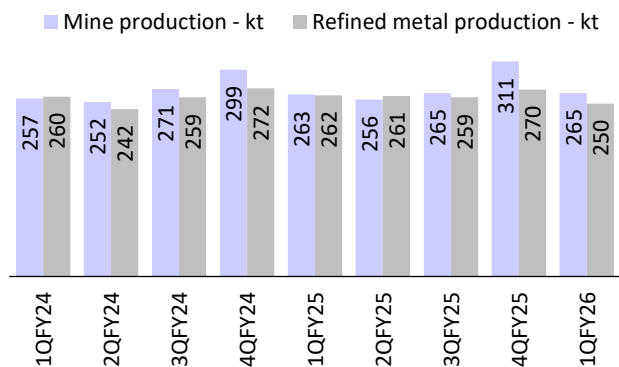
- The 510kt DAP/NPK fertilizer plant at Chanderiya is in progress and will be commissioned by 1QFY27 (earlier 2QFY26). Out of the total FY26 capex of INR12b, HZ has already spent INR10b.
- Ramp-up is expected to take 2-3 months, with full operations likely in 2HFY27 with revenue potential of INR20-25b and EBITDA of INR4-4.5b.
- Management expects 160ktpa roaster at Debari to be commissioned in 2QFY26 (earlier 1QFY26).
- It has completed debottlenecking at Dariba Smelting Complex. The Chanderiya Lead Zinc smelter debottlenecking is expected to complete by 2QFY26.
- The hot acid leaching technology innovative for lead (27mtpa) and silver (6ktpa) recovery from smelting waste at Dariba will be completed by 4QFY26.
- The Bamnnia Kalan mine is under development (40-45% complete) and is expected to be operational by late 2026 or early 2027, with grades projected to be at 8-9% (stands between RD and SK mines).
- In Jun'25, HZ announced integrated refined metal capacity expansion plans of 250ktpa, along with matching mines & mills capacity, with an investment of INR120b (guidance: INR35b - FY26, INR50b - FY27, and the rest in FY28). The expansion is expected to be completed in the next 36 months.
- Orders for a 250ktpa smelting complex have been placed, with mining orders to follow within 10-15 days and concentrator orders by mid-Aug'25.
- Phase-II aims to double the refined metal capacity to 2mtpa (1.6/0.4mtpa - Zinc/Lead, respectively) and silver capacity to 1.5ktpa. Management guided that the planning of phase-II is completed and all the orders will be placed by Sep'25.

### Other highlights

- Guided to distribute surplus cash after capex; maintaining a balance between leveraging and dividend payouts (brand fees payment of INR5b in 1QFY26).
- HZ had secured licenses for potash (Rajasthan), tungsten (AP) and rare earth blocks (UP). The potash block will complement the fertilizer business, while preliminary studies are ongoing for the tungsten/rare earth block.
- Long-term grade deterioration at mines like Rampura Agucha, SK, and RD is being managed through a strategic mining and new mine development (e.g., Bamnnia Kalan).

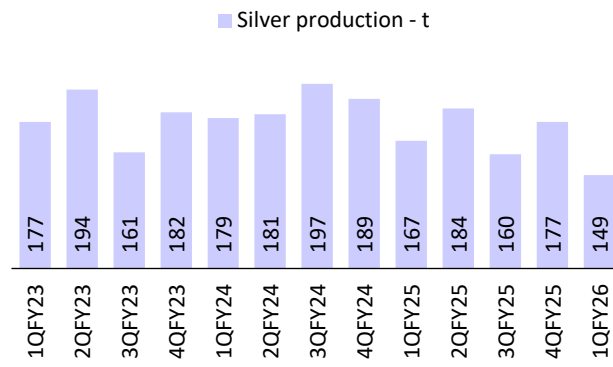
## Story in charts

**Exhibit 1: Mine production and refined metal production**



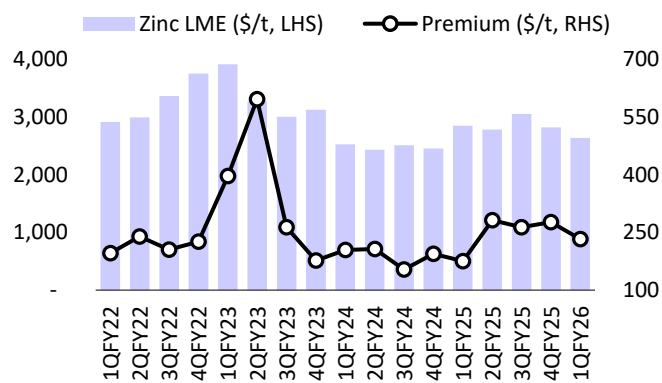
Source: MOFSL, Company

**Exhibit 2: Silver production (t) was weak in 1Q**



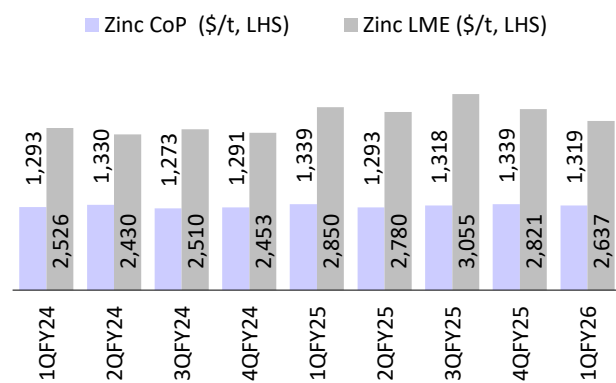
Source: MOFSL, Company

**Exhibit 3: Premium moderated QoQ to USD232/t**



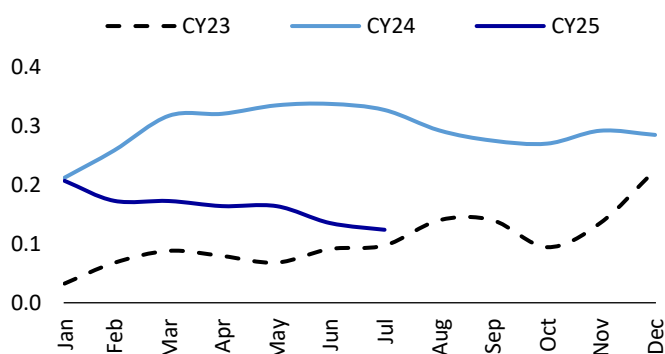
Source: MOFSL, Company

**Exhibit 4: Zinc's CoP stood at USD1,010/t**



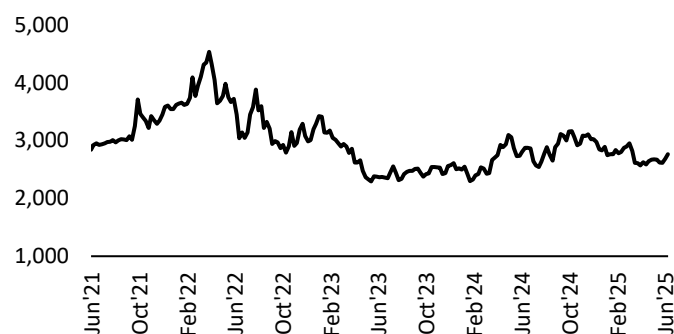
Source: MOFSL, Company

**Exhibit 5: Zinc inventory trend (LME+SHFE)**



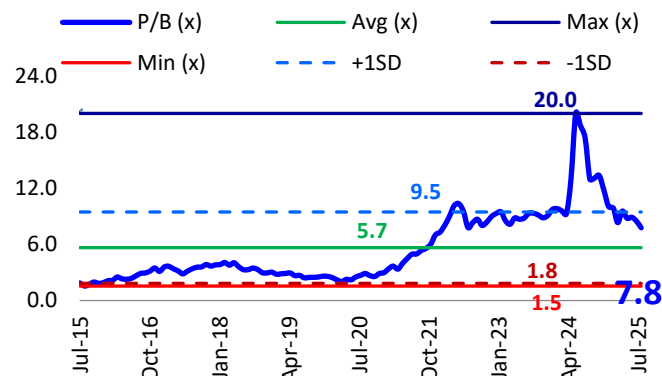
Source: MOFSL, Company

**Exhibit 6: LME Zinc prices (USD/t)**

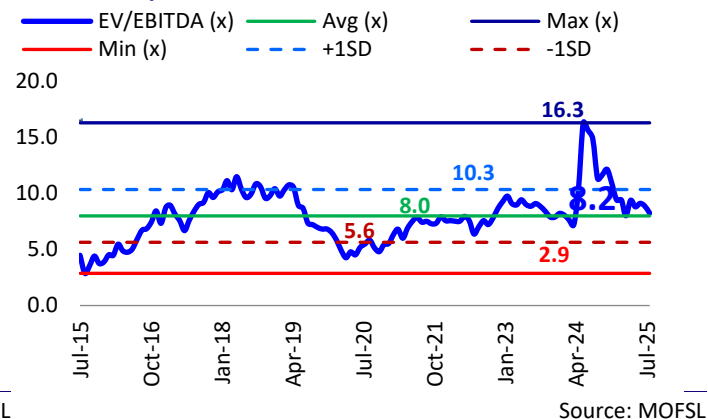


Source: MOFSL, Company

**Exhibit 7: : P/B ratio at elevated levels to justify high RoE**



**Exhibit 8: EV/EBITDA trends**



**Exhibit 9: Valuation**

Valuation	UoM	FY27E
<b>EBITDA</b>	INR b	213
EV/EBITDA Multiple	x	8.5
Enterprise Value	INR b	1,813
Net Cash	INR b	183
<b>Equity value</b>	<b>INR b</b>	<b>1,996</b>
Shares outstanding	b	4.23
<b>Target price (INR/sh)</b>	<b>INR/sh</b>	<b>465</b>

Source: MOFSL

## Financials and Valuation

Income Statement							INR b	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>186</b>	<b>226</b>	<b>294</b>	<b>341</b>	<b>289</b>	<b>341</b>	<b>356</b>	<b>372</b>
Total Expenses	97	110	132	166	153	167	156	159
<b>EBITDA</b>	<b>88</b>	<b>117</b>	<b>162</b>	<b>175</b>	<b>137</b>	<b>174</b>	<b>200</b>	<b>213</b>
DDA	23	25	29	33	35	36	41	42
<b>EBIT</b>	<b>66</b>	<b>91</b>	<b>133</b>	<b>142</b>	<b>102</b>	<b>137</b>	<b>159</b>	<b>171</b>
Finance cost	1	4	3	3	10	11	11	11
Other income	19	18	12	14	11	10	13	14
<b>PBT</b>	<b>84</b>	<b>106</b>	<b>142</b>	<b>153</b>	<b>103</b>	<b>136</b>	<b>161</b>	<b>174</b>
Tax	16	26	45	48	25	32	40	43
Rate (%)	18.9	24.5	31.4	31.2	24.7	23.5	24.7	24.7
<b>PAT (before EO)</b>	<b>68</b>	<b>80</b>	<b>98</b>	<b>105</b>	<b>78</b>	<b>104</b>	<b>122</b>	<b>131</b>
EO expense (Income)	0	0	1	0	0	1	0	0
<b>Reported PAT</b>	<b>68</b>	<b>80</b>	<b>96</b>	<b>105</b>	<b>78</b>	<b>104</b>	<b>122</b>	<b>131</b>
<b>APAT</b>	<b>68</b>	<b>80</b>	<b>98</b>	<b>105</b>	<b>78</b>	<b>104</b>	<b>122</b>	<b>131</b>
Change (YoY %)	-14.5	17.3	22.3	7.7	-26.2	34.5	16.5	7.8

Balance Sheet (Consolidated)							INRb	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	8	8	8	8	8	8	8	8
Reserves	395	315	334	121	144	125	196	276
<b>Net Worth</b>	<b>403</b>	<b>323</b>	<b>343</b>	<b>129</b>	<b>152</b>	<b>133</b>	<b>204</b>	<b>284</b>
Total Loans	6	65	28	119	85	108	106	104
Deferred Tax Liability	-18	-11	9	23	23	23	22	21
<b>Capital Employed</b>	<b>391</b>	<b>377</b>	<b>381</b>	<b>271</b>	<b>261</b>	<b>264</b>	<b>332</b>	<b>410</b>
Gross Block	272	300	335	370	410	451	466	482
Less: Accum. Deprn.	107	132	161	194	229	265	306	348
<b>Net Fixed Assets</b>	<b>165</b>	<b>168</b>	<b>174</b>	<b>176</b>	<b>182</b>	<b>186</b>	<b>160</b>	<b>134</b>
Capital WIP	25	19	21	22	17	26	26	26
<b>WC. Assets</b>	<b>262</b>	<b>259</b>	<b>252</b>	<b>156</b>	<b>140</b>	<b>133</b>	<b>226</b>	<b>331</b>
Inventory	18	14	20	19	19	19	19	20
Account Receivables	4	4	7	4	2	1	5	5
Cash and Bank Balance	222	223	208	113	100	93	182	286
Loans and advances	17	18	17	21	19	19	19	19
<b>WC. Liability &amp; Prov.</b>	<b>61</b>	<b>69</b>	<b>66</b>	<b>84</b>	<b>78</b>	<b>81</b>	<b>81</b>	<b>82</b>
Trade payables	15	15	20	21	21	22	22	23
Provisions & Others	46	54	46	63	57	59	59	59
<b>Net WC. Assets</b>	<b>201</b>	<b>190</b>	<b>186</b>	<b>72</b>	<b>62</b>	<b>52</b>	<b>146</b>	<b>250</b>
<b>Appl. of Funds</b>	<b>391</b>	<b>377</b>	<b>381</b>	<b>271</b>	<b>261</b>	<b>264</b>	<b>332</b>	<b>410</b>

E: MOFSL Estimates

## Financials and Valuation

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>16.1</b>	<b>18.9</b>	<b>23.1</b>	<b>24.9</b>	<b>18.4</b>	<b>24.7</b>	<b>28.8</b>	<b>31.0</b>
Cash EPS	21.5	24.9	30.0	32.6	26.6	33.3	38.4	41.0
BV/Share	95.4	76.5	81.1	30.6	36.0	31.5	48.3	67.3
DPS	16.5	21.3	18.0	75.5	13.0	29.0	12.0	12.0
Payout (%)	122.9	112.7	77.9	303.5	70.8	117.4	41.7	38.7
<b>Valuation (x)</b>								
P/E	27.0	23.0	18.8	17.5	23.7	17.6	15.1	14.0
Cash P/E	20.3	17.5	14.5	13.4	16.4	13.1	11.3	10.6
EV/Sales	8.7	7.4	5.6	5.4	6.3	5.4	5.0	4.4
EV/EBITDA	18.3	14.4	10.2	10.5	13.4	10.7	8.8	7.8
Dividend Yield (%)	3.8	4.9	4.1	17.3	3.0	6.7	2.8	2.8
<b>Return Ratios (%)</b>								
EBITDA Margins	47.7	51.6	55.1	51.3	47.2	51.0	56.2	57.3
Net Profit Margins	36.7	35.3	33.2	30.8	26.8	30.6	34.1	35.2
RoCE (pre-tax)	23.2	28.5	38.3	47.9	42.4	56.2	57.7	50.0
RoIC (pre-tax)	41.6	56.7	81.5	86.1	64.0	83.1	99.4	125.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.2	1.4	1.7	1.9	1.6	1.9	2.1	2.5
Receivable (Days)	8	7	9	4	5	5	5	5
Trade payable (Days)	29	25	25	22	22	22	22	22
<b>Leverage Ratio (x)</b>								
Current Ratio	4.3	3.7	3.8	1.9	1.8	1.6	2.8	4.1
Interest Cover Ratio	75.9	28.4	50.1	46.9	11.8	13.5	16.1	16.4
Net Debt/Equity	-0.5	-0.5	-0.5	0.0	(0.1)	0.1	(0.4)	(0.6)

### Cash Flow Statement

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>INRb</b>								
EBITDA	88	117	162	175	137	174	200	213
Non cash exp. (income)	0	0	1	2	16	(32)	-	-
(Inc)/Dec in Wkg. Cap.	-11	6	-12	6	(2)	3	(4)	(0)
Tax paid	-11	-18	-24	-31	(18)	(3)	(41)	(44)
<b>CF from Op. Activity</b>	<b>66</b>	<b>106</b>	<b>127</b>	<b>151</b>	<b>133</b>	<b>142</b>	<b>155</b>	<b>169</b>
(Inc)/Dec in FA + CWIP	-36	-24	-30	-35	(40)	(41)	(15)	(15)
<b>Free Cash Flow</b>	<b>30</b>	<b>81</b>	<b>97</b>	<b>116</b>	<b>93</b>	<b>101</b>	<b>140</b>	<b>154</b>
Interest & Dividend Income	5	15	9	14	11	10	13	14
Others	5	-15	29	87	(5)	4	-	-
<b>CF from Inv. Activity</b>	<b>-26</b>	<b>-24</b>	<b>8</b>	<b>66</b>	<b>(34)</b>	<b>(27)</b>	<b>(2)</b>	<b>(1)</b>
Debt raised/(repaid)	-19	65	-43	90	(34)	22	(2)	(2)
Dividend (incl. tax)	0	-160	-76	-319	(55)	(123)	(51)	(51)
Interest paid	-2	-2	-3	-3	(10)	(11)	(11)	(11)
Others	0	0	0	0	(1)	(3)	-	-
<b>CF from Fin. Activity</b>	<b>-21</b>	<b>-97</b>	<b>-123</b>	<b>-232</b>	<b>(99)</b>	<b>(114)</b>	<b>(63)</b>	<b>(64)</b>
<b>(Inc)/Dec in Cash</b>	<b>19</b>	<b>-16</b>	<b>13</b>	<b>-15</b>	<b>(0)</b>	<b>0</b>	<b>89</b>	<b>104</b>
Add: Opening cash balance	0	19	3	16	1	1	1	90
Adjustments	0	0	0	0	-	-	-	-
Closing cash balance	19	3	16	1	1	1	90	194
Bank balance and current investments	204	220	192	112	100	92	92	92
<b>Closing Balance (incl. bank balance and inv.)</b>	<b>222</b>	<b>223</b>	<b>208</b>	<b>113</b>	<b>100</b>	<b>93</b>	<b>182</b>	<b>286</b>

E: MOFSL Estimates

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## NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
SELL	$< -10\%$
NEUTRAL	$< -10\%$ to $15\%$
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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