

Hindustan Zinc

Estimate changes



TP change



Rating change



Bloomberg	HZ IN
Equity Shares (m)	4225
M.Cap.(INRb)/(USDb)	2486.6 / 26.4
52-Week Range (INR)	733 / 398
1, 6, 12 Rel. Per (%)	14/28/30
12M Avg Val (INR M)	4660

Financials Snapshot (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Net Sales	408	447	491
EBITDA	221	249	284
PAT	138	156	179
EPS (INR)	32.7	36.8	42.3
GR. (%)	32.3	12.7	14.8
BV/Sh (INR)	53.6	79.4	109.6

Ratios

ROE (%)	76.8	55.4	44.7
RoCE (%)	64.8	56.3	49.5

Valuations

P/E (X)	18.0	16.0	13.9
P/BV (X)	11.0	7.4	5.4
EV/EBITDA (X)	11.0	9.5	7.8
Div Yield (%)	1.7	1.9	2.0

Shareholding pattern (%)

As of	Mar-26	Dec-25	Mar-25
Promoter	60.7	61.8	63.4
DII	32.8	32.6	32.1
FII	2.4	1.5	1.4
Others	4.1	4.0	3.1

FII includes depository receipts

CMP: INR589

TP: INR630 (+7%)

Neutral

Earnings beat over favorable pricing and lower costs

- Hindustan Zinc (HZ) reported revenue of INR135b (+49% YoY and +23% QoQ) for 4QFY26, beating our estimate of INR116b. The growth was driven by favorable commodity prices and volumes recovery.
- EBITDA came in at INR77b (+60% YoY and +27% QoQ), against our estimate of INR65b during the quarter. The increase was primarily on account of favorable metal prices and lower cost of production. EBITDA margin stood at 56.9% in 4QFY26 vs 55.1% in 3QFY26 and 53% in 4QFY25.
- Zinc COP (ex-royalty) stood at USD903/t in 4QFY26, declining 9% YoY and 4% QoQ, driven by lower power costs from increased domestic coal usage and better mined grades of 7.9% in 4QFY26 (~7.3-7.4% in FY26).
- APAT stood at INR50b (+68% YoY and +29% QoQ), against our est. of INR41b in 4QFY26.
- Mined metal for the quarter stood at 315kt (+1% YoY and +14% QoQ), driven by higher ore production and better grade.
- Refined metal production for the quarter stood at 282kt (+5% YoY and QoQ), driven by incremental capacity via debottlenecking at Chanderiya and Dariba with better plant availability. Refined zinc production was 227kt (+6% YoY and +3% QoQ), while refined lead production stood at 55kt (-2% YoY and +12% QoQ) due to partial pyro operation on lead mode.
- Salable silver production rose 11% QoQ and remained flat YoY at 176kt, in line with lead production.
- In FY26, the revenue grew 20% YoY to INR408b, whereas EBITDA and PAT increased by 27% and 34% YoY to INR221/138b, respectively. Zinc CoP (ex-royalty) stood at USD956/t (-9% YoY) in FY26.
- HZ clocked mined metal production of 1.11mt (+2% YoY), while refined metal stood flat YoY at 1.05mt in FY26. Of this, refined zinc output stood at 851kt (+3% YoY), and lead production declined 13% YoY to 197kt. The salable silver output declined 9% YoY to 627t during FY26.

Key management commentary

- The company guided for refined metal production of 1,100ktpa and expects to achieve silver output of 680t for FY27.
- HZ expects Zinc CoP (ex-Royalty) to remain at USD975-1,000/t in FY27. Crude volatility, explosives, and chemicals are included in FY27 cost assumptions. Management retains confidence, supported by higher renewable-energy usage and better ore grades.
- For 1QFY27, 20kt zinc is hedged at ~USD3,100/t and 25t of silver at ~USD57/oz, while FY27 hedges stand at 71kt of zinc at ~USD3,225/t and 59t of silver ~USD60/oz, offering partial downside protection.
- Management guided that the bulk of silver growth (towards ~1.5kt target) is contingent on doubling of lead capacity and SK mine ramp-up.

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Valuation and view

- HZ delivered a strong earnings performance in 4QFY26, primarily driven by favorable metal pricing and a recovery in volumes. The company continues to focus on increasing production output with tighter cost-control measures, which could lead to margin sustenance.
- The recently announced expansion plans are aligned with its long-term objective of doubling existing capacity and enhancing long-term earnings visibility. Although near-term earnings growth is capped due to limited capacity headroom, the LME/silver price inflation emerges as the key catalyst for incremental upside in the near term. We maintain our FY27/28 estimates and believe further price volatility could remain a potential risk or reward for the earnings visibility.
- **At CMP, HZ trades at 7.8x FY28E EV/EBITDA, and we believe the current valuation has priced in all the positive factors. We reiterate our Neutral rating with a TP of INR630 (premised on 8.5x EV/EBITDA on FY28E).**

Quarterly Performance

(INR b)

Y/E March	FY25				FY26				FY25	FY26	FY26	Vs.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est.%
Mine prodn. (kt)	263	256	265	311	265	258	276	315	1,095	1,114	315	
Sales												
Zinc refined (kt)	211	198	201	218	201	202	221	227	827	851	227	
Lead refined (kt)	51	63	55	56	48	45	49	55	225	197	55	
Silver (tonnes)	167	184	160	177	145	147	158	176	687	627	177	
Net Sales	81.3	82.5	86.1	90.9	77.7	85.5	109.8	135.4	340.8	408.4	115.8	16.9
Change (YoY %)	11.6	21.5	17.8	20.4	(4.4)	3.6	27.5	49.0	17.8	19.8		
Change (QoQ %)	7.7	1.5	4.4	5.5	(14.5)	10.0	28.4	23.4				
EBITDA	39.5	41.2	45.0	48.2	38.6	44.5	60.5	77.1	173.9	220.6	65.0	18.6
Change (YoY %)	17.9	31.3	27.8	32.1	(2.2)	7.8	34.6	59.9	27.3	26.9		
Change (QoQ %)	8.1	4.5	9.1	7.1	(19.9)	15.2	36.2	27.3				
As % of Net Sales	48.5	50.0	52.2	53.0	49.7	52.0	55.1	56.9	51.0	54.0		
Finance cost	2.6	3.0	2.9	2.5	2.4	2.6	2.0	1.9	11.0	8.8		
DD&A	8.4	8.8	9.1	10.1	9.1	8.8	9.5	10.5	36.4	37.9		
Other Income	2.7	2.7	2.2	2.3	2.8	2.4	2.9	2.8	9.8	10.9		
PBT (before EO item)	31.1	32.1	35.3	37.8	29.9	35.4	52.1	67.5	136.4	184.8	55.4	
EO exp. (income)	-	(0.8)	-	-	-	-	0.3	-	(0.8)	0.3		
PBT	31.1	31.3	35.3	37.8	29.9	35.4	52.3	67.5	135.5	185.1	55.4	21.9
Total Tax	7.7	8.0	8.5	7.8	7.5	8.9	13.1	17.2	32.0	46.8		
% Tax	24.7	25.7	24.1	20.6	25.2	25.2	25.1	25.4	23.6	25.3		
Reported PAT	23.5	23.3	26.8	30.0	22.3	26.5	39.2	50.3	103.5	138.3		
Adjusted PAT	23.5	24.1	26.8	30.0	22.3	26.5	38.9	50.3	104.4	138.1	41.1	22.5
Change (YoY %)	19.4	39.4	32.1	47.4	(4.7)	9.9	46.2	67.6	33.4	33.6		
Change (QoQ %)	15.1	(0.8)	15.1	12.1	(25.6)	18.6	47.8	28.5				



Highlights from the management commentary

Performance guidance

- The company has guided for refined metal production of 1,100ktpa and expect to achieve the silver output of 680t for FY27.
- HZ expects Zinc CoP (ex-Royalty) to remain at USD975-1,000/t in FY27. Crude volatility, explosives, and chemicals are included in FY27 cost assumptions. Management retains confidence, supported by higher renewable-energy usage and better ore grades.
- For 1QFY27, 20kt zinc hedged at ~USD3,100/t and 25t of silver at ~USD57/oz, while FY27 hedges stand at 71kt zinc at ~USD3,225/t and 59t of silver ~USD60/oz, offering partial downside protection.
- Natural gas shortages led to a marginal ~USD11/t cost increase in 4Q, with no impact on production volumes.
- Renewable energy contributed 18% of total power in FY26, and the company expects to reach 30-35% in FY27.
- Over the next five years, FCF pre-project capex is projected at ~INR500b cumulatively, with a CoP of USD1,000/t, considering ~70% RE usage by FY28.
- Management guided that the bulk of silver growth (towards ~1.5kt target) is contingent on the doubling of lead capacity and SK mine ramp-up.

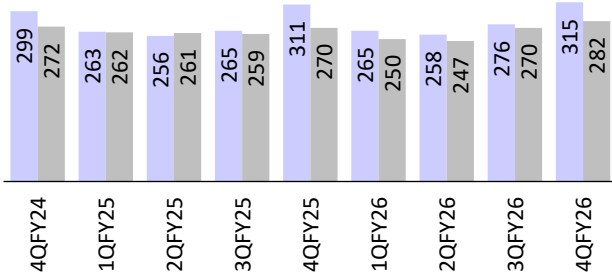
Capacity update/capital allocation

- The company targets 2mt metal capacity by FY31 (vs ~1.1mt currently), with zinc at ~1.6mt and silver at ~1.5kt, positioning HZ as a scaled global player. Capex would be funded via a mix of internal accruals and debt.
- The Board approved Phase-1 capex of INR120b, which includes 250ktpa zinc smelter at Debari + leaching and purification plant and an additional 160ktpa roaster, taking the total capacity to ~1.38mt, with execution timeline of ~36 months.
- FY27 capex is guided at USD500-600m towards smelter expansion, tailings reprocessing, and fertilizer project, supporting medium-term volume growth.
- For 250ktpa, integrated refined zinc capacity expansion, the site mobilization is completed and detailed engineering & mining partner deployment at site are currently underway, with an expected completion timeline of 2QFY29.
- The company completed detailed engineering at Rampura Agucha for the Zinc 10mtpa Tailings Reprocessing Plant. Major orders have been placed and activities have started at site, with expected completion by 4QFY28.
- The 510kt DAP/NPK fertilizer plant at Chanderiya is in progress and will be commissioned by 2QFY27 (earlier 1QFY27).
- The hot acid leaching plant for lead (27mtpa) and silver (6ktpa) recovery from smelting waste at Dariba will be completed by 2QFY27 (earlier 4QFY26).

Story in charts

Exhibit 1: Mine and refined metal production trends

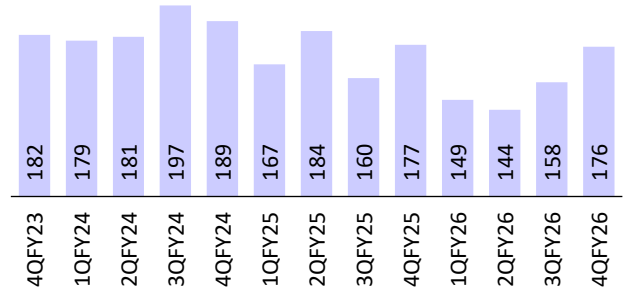
Mine production - kt Refined metal production - kt



Source: MOFSL, Company

Exhibit 2: Silver production (t) recovered in 4Q

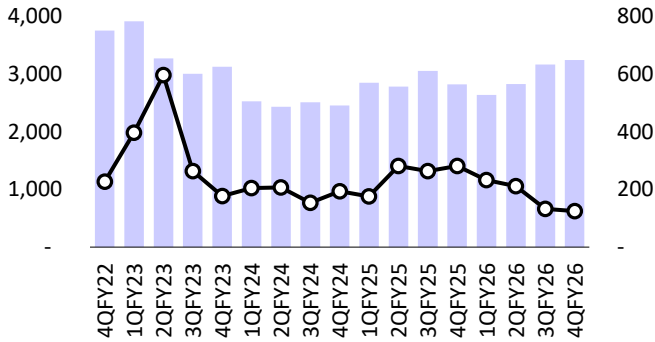
Silver production - t



Source: MOFSL, Company

Exhibit 3: Premium moderated QoQ to USD125/t

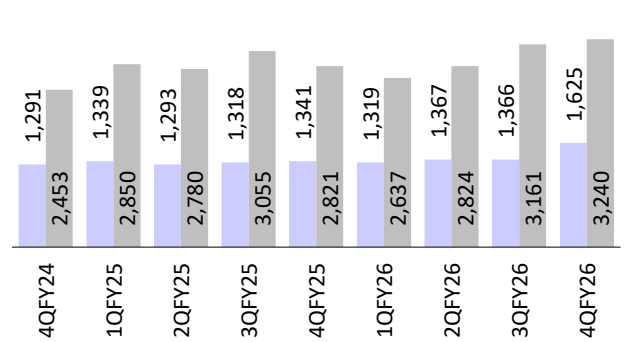
Zinc LME (\$/t, LHS) Premium (\$/t, RHS)



Source: MOFSL, Company

Exhibit 4: Reported Zinc's CoP declined to USD903/t

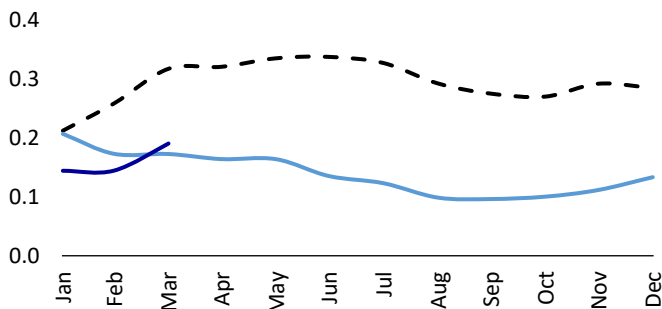
Zinc CoP (\$/t, LHS) Zinc LME (\$/t, LHS)



Source: MOFSL, Company

Exhibit 5: Zinc inventory trend (LME+SHFE)

--- CY24 — CY25 — CY26



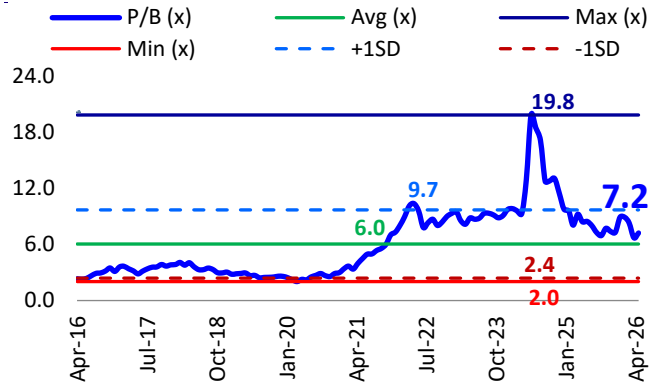
Source: MOFSL, Company

Exhibit 6: LME Zinc prices (USD/t)



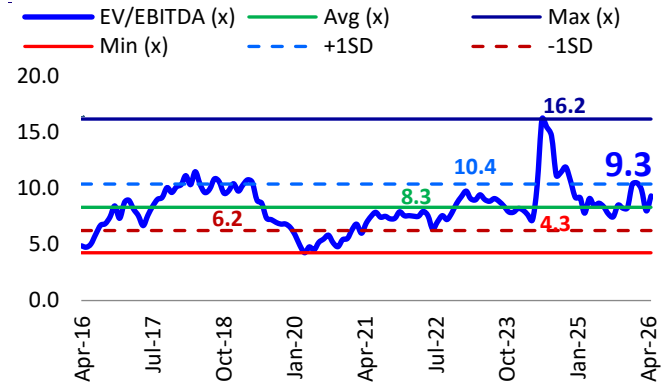
Source: MOFSL, Company

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



Source: MOFSL

Exhibit 8: EV/EBITDA trends



Source: MOFSL

Exhibit 9: Valuation

Valuation	UoM	FY28E
EBITDA	INR b	284
EV/EBITDA Multiple	x	8.5
Enterprise Value	INR b	2,412
Net Cash	INR b	257
Equity value	INR b	2,669
Shares outstanding	b	4.23
Target price (INR/sh)	INR/sh	630

Source: MOFSL

Exhibit 10: Estimate revision

		FY27E			FY28E		
		New	Old	% change	New	Old	% change
Revenue	Rs bn	447	440	2%	491	484	1%
EBITDA	"	249	249	0%	284	284	0%
Adj PAT	"	156	156	0%	179	179	0%
EPS	Rs/sh	37	37	0%	42	42	0%

Source: MOFSL

Financials and Valuation

Income Statement							INR b	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	226	294	341	289	341	408	447	491
Total Expenses	110	132	166	153	167	188	198	208
EBITDA	117	162	175	137	174	221	249	284
DDA	25	29	33	35	36	38	48	53
EBIT	91	133	142	102	137	183	201	231
Finance cost	4	3	3	10	11	9	9	10
Other income	18	12	14	11	10	11	17	19
PBT	106	142	153	103	136	185	209	239
Tax	26	45	48	25	32	47	53	61
Rate (%)	24.5	31.4	31.2	24.7	23.5	25.3	25.4	25.4
PAT (before EO)	80	98	105	78	104	138	156	179
EO expense (Income)	0	1	0	0	1	0	0	0
Reported PAT	80	96	105	78	104	138	156	179
APAT	80	98	105	78	104	138	156	179
Change (YoY %)	17.3	22.3	7.7	-26.2	34.5	32.3	12.7	14.8

Balance Sheet (Consolidated)							INR b	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	8	8	8	8	8	8	8	8
Reserves	315	334	121	144	125	218	327	455
Net Worth	323	343	129	152	133	226	335	463
Total Loans	65	28	119	85	108	84	82	80
Deferred Tax Liability	-11	9	23	23	23	23	23	24
Capital Employed	377	381	271	261	264	333	441	567
Gross Block	300	335	370	410	451	502	574	622
Less: Accum. Deprn.	132	161	194	229	265	303	351	404
Net Fixed Assets	168	174	176	182	186	199	224	218
Capital WIP	19	21	22	17	26	34	34	34
WC. Assets	259	252	156	140	133	190	270	404
Inventory	14	20	19	19	19	21	24	27
Account Receivables	4	7	4	2	1	4	6	7
Cash and Bank Balance	223	208	113	100	93	137	211	342
Loans and advances	18	17	21	19	19	29	29	29
WC. Liability & Prov.	69	66	84	78	81	90	87	90
Trade payables	15	20	21	21	22	31	27	30
Provisions & Others	54	46	63	57	59	60	60	60
Net WC. Assets	190	186	72	62	52	100	183	315
Appl. of Funds	377	381	271	261	264	333	441	567

E: MOFSL Estimates

Financials and Valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	18.9	23.1	24.9	18.4	24.7	32.7	36.8	42.3
Cash EPS	24.9	30.0	32.6	26.6	33.3	41.6	48.1	54.8
BV/Share	76.5	81.1	30.6	36.0	31.5	53.6	79.4	109.6
DPS	21.3	18.0	75.5	13.0	29.0	10.0	11.0	12.0
Payout (%)	112.7	77.9	303.5	70.8	117.4	30.6	29.9	28.4
Valuation (x)								
P/E	31.1	25.5	23.7	32.0	23.8	18.0	16.0	13.9
Cash P/E	23.6	19.6	18.1	22.1	17.7	14.1	12.2	10.7
EV/Sales	10.3	7.8	7.3	8.5	7.3	6.0	5.3	4.5
EV/EBITDA	19.9	14.2	14.2	18.1	14.4	11.0	9.5	7.8
Dividend Yield (%)	3.6	3.1	12.8	2.2	4.9	1.7	1.9	2.0
Return Ratios (%)								
EBITDA Margins	51.6	55.1	51.3	47.2	51.0	54.0	55.6	57.8
Net Profit Margins	35.3	33.2	30.8	26.8	30.6	33.8	34.8	36.3
RoCE (pre-tax)	28.5	38.3	47.9	42.4	56.2	64.8	56.3	49.5
RoIC (pre-tax)	56.7	81.5	86.1	64.0	83.1	99.5	94.2	101.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.4	1.7	1.9	1.6	1.9	2.1	2.1	2.2
Receivable (Days)	7	9	4	5	5	5	5	5
Trade payable (Days)	25	25	22	22	22	22	22	22
Leverage Ratio (x)								
Current Ratio	3.7	3.8	1.9	1.8	1.6	2.1	3.1	4.5
Interest Cover Ratio	28.4	50.1	46.9	11.8	13.5	22.0	23.3	25.2
Net Debt/Equity	(0.5)	(0.5)	0.0	(0.1)	0.1	(0.2)	(0.4)	(0.6)

Cash Flow Statement

	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
INR b								
EBITDA	117	162	175	137	174	221	249	284
Non-cash exp. (income)	0	1	2	16	(1)	(1)	-	-
(Inc)/Dec in Wkg. Cap.	6	(12)	6	(2)	3	(4)	(9)	(0)
Tax paid	(18)	(24)	(31)	(18)	(34)	(46)	(53)	(60)
CF from Op. Activity	106	127	151	133	142	170	187	223
(Inc)/Dec in FA + CWIP	(24)	(30)	(35)	(40)	(41)	(51)	(72)	(48)
Free Cash Flow	81	97	116	93	101	119	115	175
Interest & Dividend Income	15	9	14	11	10	11	17	19
Others	(15)	29	87	(5)	4	(49)	-	-
CF from Inv. Activity	(24)	8	66	(34)	(27)	(89)	(55)	(29)
Debt raised/(repaid)	65	(43)	90	(34)	22	(24)	(2)	(2)
Dividend (incl. tax)	(160)	(76)	(319)	(55)	(123)	(42)	(46)	(51)
Interest paid	(2)	(3)	(3)	(10)	(11)	(9)	(9)	(10)
Others	-	-	-	(1)	(3)	(4)	-	-
CF from Fin. Activity	(97)	(123)	(232)	(99)	(114)	(79)	(58)	(63)
(Inc)/Dec in Cash	(16)	13	(15)	(0)	0	2	74	131
Add: Opening cash balance	19	3	16	1	1	1	3	77
Adjustments	-	-	-	-	-	-	-	-
Closing cash balance	3	16	1	1	1	3	77	208
Bank balance and current investments	220	192	112	100	92	134	134	134
Closing Balance (incl. bank balance and inv.)	223	208	113	100	93	137	211	342

E: MOFSL Estimates

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=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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