

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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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.%
Mine prodn. (kt)	263	256	265	311	265	280	282	298	1,095	1,125		
Sales												
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		
Net Sales	81.3	82.5	86.1	90.9	77.7	89.6	93.0	95.6	340.8	356.0	75.7	2.7
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				
EBITDA	39.5	41.2	45.0	48.2	38.6	50.2	53.7	57.6	173.9	200.0	38.5	0.2
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		
PBT (before EO item)	31.1	32.1	35.3	37.8	29.9	40.8	43.8	47.0	136.4	161.4		
EO exp. (income)	-	(0.8)	-	-	-	-	-	-	(0.8)	-		
PBT	31.1	31.3	35.3	37.8	29.9	40.8	43.8	47.0	135.5	161.4		
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		
Reported PAT	23.5	23.3	26.8	30.0	22.3	30.7	33.0	35.5	103.5	121.5		
Adjusted PAT	23.5	24.1	26.8	30.0	22.3	30.7	33.0	35.5	104.4	121.5	21.5	3.8
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

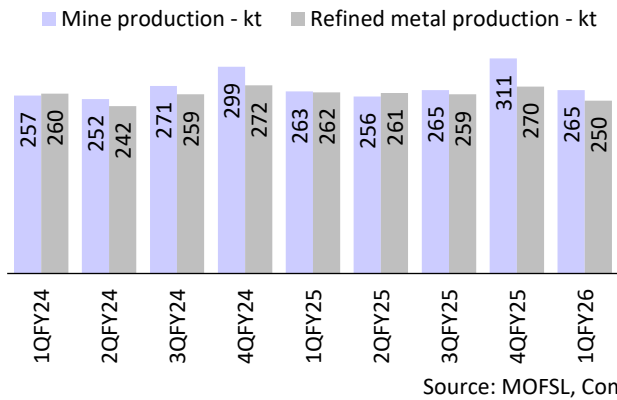


Exhibit 2: Silver production (t) was weak in 1Q

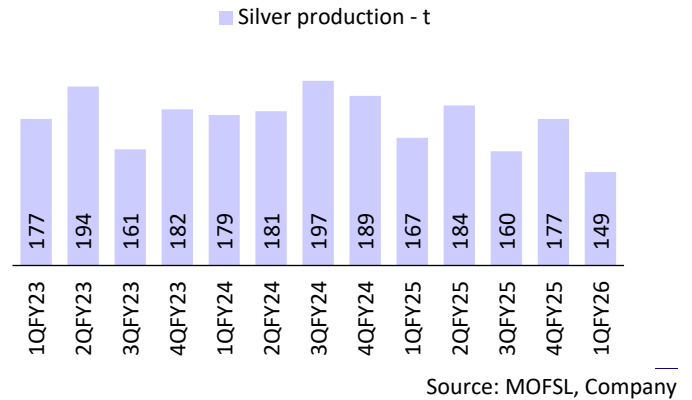


Exhibit 3: Premium moderated QoQ to USD232/t

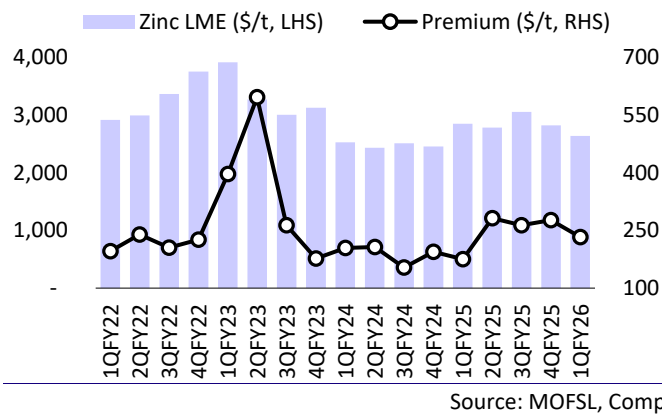


Exhibit 4: Zinc's CoP stood at USD1,010/t

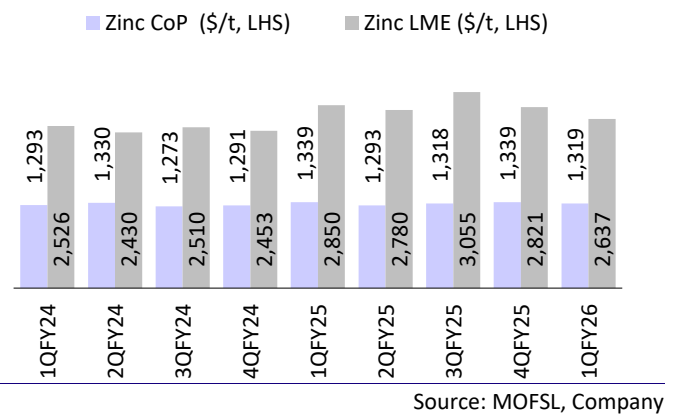


Exhibit 5: Zinc inventory trend (LME+SHFE)

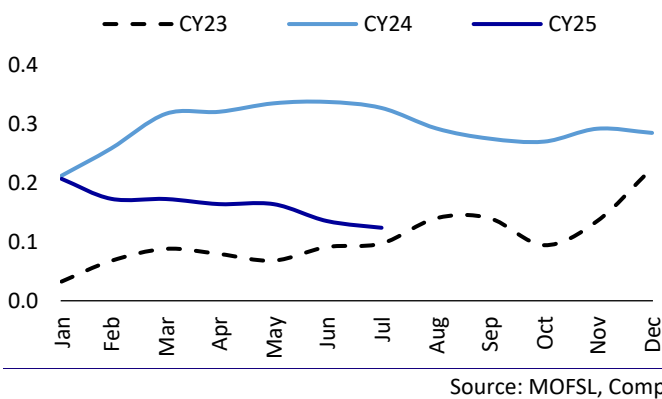


Exhibit 6: LME Zinc prices (USD/t)

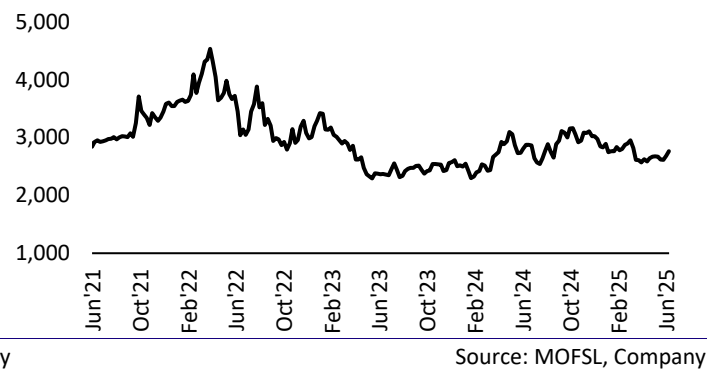


Exhibit 7: : P/B ratio at elevated levels to justify high RoE

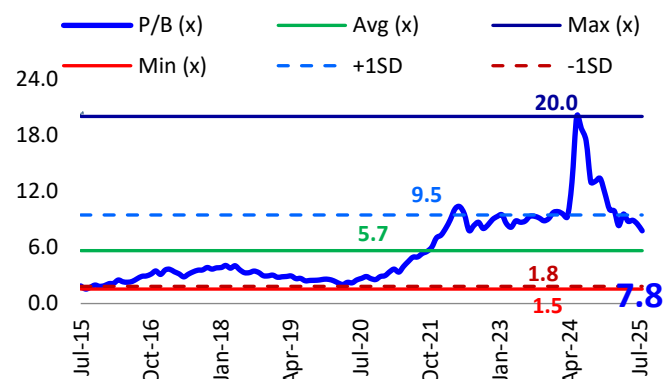


Exhibit 8: EV/EBITDA trends

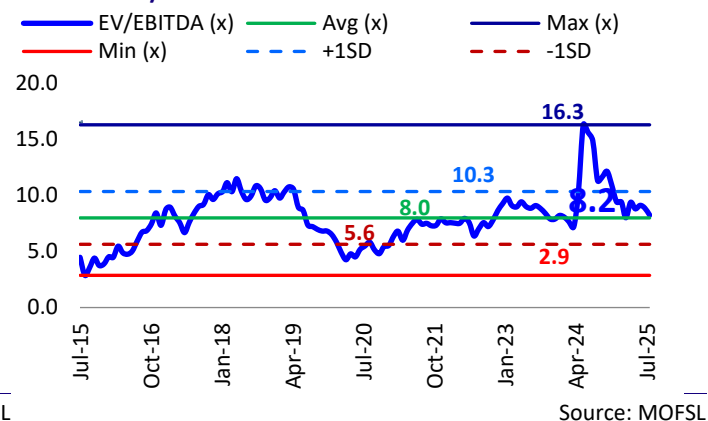


Exhibit 9: Valuation

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

Source: MOFSL

Financials and Valuation

Income Statement							INR b	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	186	226	294	341	289	341	356	372
Total Expenses	97	110	132	166	153	167	156	159
EBITDA	88	117	162	175	137	174	200	213
DDA	23	25	29	33	35	36	41	42
EBIT	66	91	133	142	102	137	159	171
Finance cost	1	4	3	3	10	11	11	11
Other income	19	18	12	14	11	10	13	14
PBT	84	106	142	153	103	136	161	174
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
PAT (before EO)	68	80	98	105	78	104	122	131
EO expense (Income)	0	0	1	0	0	1	0	0
Reported PAT	68	80	96	105	78	104	122	131
APAT	68	80	98	105	78	104	122	131
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
Net Worth	403	323	343	129	152	133	204	284
Total Loans	6	65	28	119	85	108	106	104
Deferred Tax Liability	-18	-11	9	23	23	23	22	21
Capital Employed	391	377	381	271	261	264	332	410
Gross Block	272	300	335	370	410	451	466	482
Less: Accum. Deprn.	107	132	161	194	229	265	306	348
Net Fixed Assets	165	168	174	176	182	186	160	134
Capital WIP	25	19	21	22	17	26	26	26
WC. Assets	262	259	252	156	140	133	226	331
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
WC. Liability & Prov.	61	69	66	84	78	81	81	82
Trade payables	15	15	20	21	21	22	22	23
Provisions & Others	46	54	46	63	57	59	59	59
Net WC. Assets	201	190	186	72	62	52	146	250
Appl. of Funds	391	377	381	271	261	264	332	410

E: MOFSL Estimates

Financials and Valuation

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	16.1	18.9	23.1	24.9	18.4	24.7	28.8	31.0
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
Valuation (x)								
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
Return Ratios (%)								
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
Working Capital Ratios								
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
Leverage Ratio (x)								
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
INRb								
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)
CF from Op. Activity	66	106	127	151	133	142	155	169
(Inc)/Dec in FA + CWIP	-36	-24	-30	-35	(40)	(41)	(15)	(15)
Free Cash Flow	30	81	97	116	93	101	140	154
Interest & Dividend Income	5	15	9	14	11	10	13	14
Others	5	-15	29	87	(5)	4	-	-
CF from Inv. Activity	-26	-24	8	66	(34)	(27)	(2)	(1)
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)	-	-
CF from Fin. Activity	-21	-97	-123	-232	(99)	(114)	(63)	(64)
(Inc)/Dec in Cash	19	-16	13	-15	(0)	0	89	104
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
Closing Balance (incl. bank balance and inv.)	222	223	208	113	100	93	182	286

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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