

Hindustan Zinc Ltd

Zinc prices to show recovery; Silver rally remains strong; maintain BUY!

Key takeaways from the Q1FY26 results

- **Top-line:** Revenue from operations for the quarter stood at Rs 77,230 mn (vs our estimate of Rs 76,756 mn) down 14.6% QoQ and 5.0% YoY, driven by lower lead and zinc volumes as well as a substantial fall in LME Zinc prices due to the introduction of Trump tariffs. Top-line fall also reflects the fall in silver volumes on the back of lower lead production and mining grade fall.
- The fall in the metal volumes for the quarter was partially offset by a rise in the silver prices which came in at an average of \$33.70/oz vs \$31.90/oz in Q4FY25 (6% QoQ increase). Silver realizations also saw a 17% YoY jump (\$28.80/oz for Q1FY25).
- **EBITDA profile:** Absolute EBITDA for the quarter stood at Rs 38,160 mn (vs our estimates of Rs 36,817 mn). EBITDA margins for the quarter stood at 49.4% vs 52.9% in Q4FY25 and 48.6% in Q1FY24.
- **PAT:** Net profit for the quarter stood at Rs 22,040 mn, down ~26% QoQ and 6.5% YoY.
- **Mined metal production** stood at 265kt in Q1FY26 vs 310kt during the previous quarter.
- **Refined metal sales** came in at 249kt (201kt for Zinc and 48kt for Lead).
- **Silver volumes** saw a 18% decrease QoQ and were reported at 145 tons.
- **Zinc CoP** for the quarter stood at \$1,010/t (vs \$994/t in Q4FY25), lower by 8.8% YoY on account of improved metal grades supported by increased renewable energy, higher by-products sales, and softened input commodity prices. QoQ increase (1.6% increase) in CoP is primarily on account of lower volumes seen during Q1FY26 sequentially.
- **Hindustan Zinc Alloys** production stood at 5.10 kt for Q1FY26, taking the overall VAP to c.24%.
- 160 ktpa roaster at Debari will be commissioned in mid of Q2FY26.
- Completion of the 21 ktpa cellhouse debottlenecking at Dariba and Chanderiya is expected by Q2FY26.
- The 510 ktpa DAP/NPK plant is under-progress and is expected to be completed by Q1FY27.
- The hot-acid leaching technology for recovery of lead and silver from smelting waste at Dariba is expected to be completed by FY26 end. The leaching plant is expected to produce about 27 tons of Silver and 6ktpa of incremental lead volumes from the smelting waste at Dariba.

Our View (more on page 4)

We continue to maintain our positive stance on HZL on the back of strong operational performance expected from both the silver and refined metal segments. We project Revenue and EBITDA to grow at 7% and 11.1% respectively over the FY25-27E period.

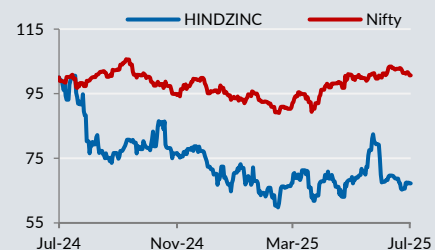
We continue to value HZL at 11x FY27E EV/EBITDA to arrive at our target price of Rs 551/share.

Reco	: BUY
CMP	: Rs 436
Target Price	: Rs 551
Potential Upside	: +27%

Stock data (as on Jul 18, 2025)

Nifty	24,968
52 Week h/l (Rs)	670 / 378
Market cap (Rs/USD mn)	1846887 / 21439
Outstanding Shares (mn)	4,225
6m Avg t/o (Rs mn):	1,811
Div yield (%):	6.7
Bloomberg code:	HZ IN
NSE code:	HINDZINC

Stock performance



	1M	3M	1Y
Absolute return	-0.7%	-1.0%	-32.1%

Shareholding pattern (As of Mar'25 end)

Promoter	63.4%
FII+DII	33.5%
Others	3.1%

Δ in estimates

FY26E	New	Old
EBITDA	179,065	177,771
FY27E	New	Old
EBITDA	213,645	213,645

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	551	551

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	339,690	346,278	388,993
YoY (%)	17.4	1.9	12.3
EBIDTA	172,960	179,065	213,645
EBITDA (%)	50.9	51.7	54.9
PAT	102,790	105,341	130,105
EPS	24.5	24.9	30.8
P/E (x)	17.8	17.5	14.1
BVPS	31	46	62
P/B (x)	13.8	9.4	7.0
ROE (%)	77.3	53.7	49.5
ROCE (%)	58.8	48.4	47.3

MANAV GOGIA

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Exhibit 1: Actuals vs Estimates

Rs mn	Actuals	Estimates		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Revenue	77,230	76,756	76,752	0.6%	0.6%	<ul style="list-style-type: none"> Marginal beat on estimates. LME Zinc price correction and lower volumes impact performance sequentially.
EBITDA	38,160	36,817	37,979	3.6%	0.5%	
EBITDA %	49.4%	48.0%	49.5%	140 bps	(10 bps)	
PAT	22,040	20,615	21,075	6.9%	4.6%	

Source: Bloomberg; YES Sec

Exhibit 2: Quarterly Snapshot

Rs mn	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% QoQ	% YoY
Revenue	81,300	82,420	85,560	90,410	77,230	(14.6%)	(5.0%)
Cost of goods sold	16,910	18,320	16,380	15,760	15,310	(2.9%)	(9.5%)
Employee costs	2,280	1,840	2,420	2,240	1,900	(15.2%)	(16.7%)
Other expenses	22,600	21,220	22,180	24,580	21,860	(11.1%)	(3.3%)
EBITDA	39,510	41,040	44,580	47,830	38,160	(20.2%)	(3.4%)
EBITDA %	48.6%	49.8%	52.1%	52.9%	49.4%	(6.6%)	1.7%
Other income	2,770	2,680	2,210	2,300	2,820	22.6%	1.8%
Depreciation	8,430	8,750	9,030	10,130	9,110	(10.1%)	8.1%
Finance costs	2,560	3,190	2,850	2,510	2,390	(4.8%)	(6.6%)
Exceptional items	-	830	-	-	-		
Profit before tax	31,290	30,950	34,910	37,490	29,480	(21.4%)	(5.8%)
Taxes	7,710	7,970	8,440	7,730	7,440	(3.8%)	(3.5%)
Profit after tax	23,580	22,980	26,470	29,760	22,040	(25.9%)	(6.5%)

Source: Company, YES Sec

Exhibit 3: Operational Highlights

Rs mn	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% QoQ	% YoY
Mined metal (kt)	263	262	265	310	265	(14.5%)	0.8%
Zinc (kt)	211	198	201	218	201	(7.8%)	(4.7%)
Lead (kt)	51	63	55	56	48	(14.3%)	(5.9%)
Refined metal sales (kt)	262	261	256	274	249	(9.1%)	(5.0%)
Silver (Tons)	167	184	160	177	145	(18.1%)	(13.2%)

Source: Company, YES Sec

Exhibit 4: Key Monitorables & Triggers

What to Watch	Why it Matters	Timeline
160 ktpa Roaster expansion at Debari	Essential part of the zinc smelting process	Q2FY26
21 ktpa Cell house debottlenecking	Increase in volumes expected	Q2FY26
Hot-acid leaching plant	Expected recovery of 27 tonnes of Silver and 6 ktpa lead from the smelting waste at Dariba	Q4FY26
510 ktpa DAP/NPK plant	To forward integrate the sulphuric acid business for better realizations and margins	Q1FY27

Source: YES Sec

KEY CONFERENCE CALL TAKEAWAYS

General business updates

- **Zinc CoP:** Major driver of the costs following down was the increase in mining grade, increased mix of domestic coal, in the usage of renewable energy in the power mix. Imported coal saw a fall in the prices. **Current coal mix** -> Domestically sourced: 55% and the remaining would be imported.
- Mining grade averaged at about 7.53% for Q1FY26 and was 7.40% during Q1FY25. The increase in the mining grade also played a part in Zinc CoP coming down.
- RE share in the energy mix currently stands at 19% with the remaining coming through thermal energy: FY25 average was 13%. The company aims to reach a share of 30% by the end of FY26 which should see about \$10/t cost savings on the Zinc CoP.
- **Silver volumes:** Lower volumes in Q1FY26 majorly on the back of lower lead volumes and mining grade quality. Company aims to make up for volumes over the course of H2FY26. The management reiterated meeting the production guidance.
- **Fumer ramp-up:** Continue to face Chinese visa problems; currently working at a 55%-60% utilization rate.
- **Plant delays:** 99% of the roaster structure has been readied and the company is already undertaking trial runs for coal and other inputs.
- The company continues to study the possibility of running more on the Lead mode to benefit from the rise in silver prices, however, the strategic decision mainly lies based on the quality of the grade of the mined metal and the quality of silver content in the same.
- Total capex spent on Fertilizer plant: Rs 18bn. Around Rs 10bn is already spent while the remaining is expected to be incurred during FY26. Revenue expectations: Rs 20-25bn; EBITDA expectations: Rs 4.5-5bn.
- **Critical minerals:** The potash mines will add more value to the Fertilizer plant which is being set-up to better utilize the sulphuric acid by-product in the long-term. The company believe that the REE block in UP could be an interesting one for the future as the reserves show potential of extracting mononitride which could in turn be used to extract Uranium.
- The company expects free cash flow generation at current LME and volume pre-capex should be around Rs 100bn for FY26, so debt levels shouldn't be too high going ahead with the new capex plan in place as well.
- **Phase-1 update:** Smelter orders already placed. Mining expansion orders to be placed in the upcoming two weeks. Phase-II of growth will also be seeing orders placed by September 30, 2025.
- Brand fees in Q1FY26 paid in advance: Rs 1,060 crores. Should remain at 3% of the total revenue for the remaining of the contract period (till FY28).

Project updates

- **Debari Roaster:** Project will now be commissioning during mid Q2FY26.
- **DAP/NPK Plant:** Project is now targeted to be completed by Q1FY27.
- **Hot Acid Leaching Plant:** Expected completion by Q4FY26.
- **Cellhouse debottlenecking:** Expected to be completed by the end of Q2FY26.

Operational guidance for FY26E (as previously provided by the company)

- **Mined Metal:** 1,125kt (+-10kt); **Refined Metal:** 1,100kt (+-10kt); **Silver:** 700-710 tons; **Zinc CoP:** \$1,025-1,050/t
- **Growth capex:** \$225-250mn

INVESTMENT THESIS AND VALUATION

1-Year View: LME Zinc recovery and silver rally to aid FY26 performance

Following the imposition of tariffs in April 2025, LME Zinc prices, which had averaged ~\$2,890/t in March, dropped sharply to below-\$2,600/t levels through April and May. However, prices have shown a meaningful recovery over the past month, and we expect this trend to sustain in the near term. This recovery bodes well for HZL and should support margin recovery for the remainder of FY26. On the other hand, silver prices have surged to record highs. Q1FY26 saw lower silver volumes due to mining grade challenges, hence, we have reduced our annual estimate of 704 tons by about 1% for FY26E, also factoring in a pickup in mining activity during H2FY26. We believe HZL is well placed to benefit from the both the recovering zinc prices and rising silver prices, supporting our constructive stance over the next 12 months.

3-Year View: Growth capex now underway with mine expansions and new zinc smelter

HZL has embarked on a new capex cycle aimed at doubling its mined and refined metal capacities over the long term. The first phase of this expansion is already underway, focused on scaling operations at its Rampura Agucha and Rajpura Dariba mines in Rajasthan along with a new 250 ktpa zinc smelter at Debari. With India's steel sector witnessing steady growth through capacity additions, zinc demand is poised to remain strong, offering a structural tailwind for HZL. Near-term volume growth is also expected through ongoing debottlenecking initiatives. We believe this strategic capex program not only reinforces HZL's leadership in the domestic market but also strengthens its long-term competitive position globally.

Exhibit 5: Valuation Summary

Rs million	FY27E	Per-share
EBITDA	213,645	50.57
EBITDA multiple (x)	11.0	
EV	2,350,093	556.24
(-) Net Debt	38,471	9.11
(+) CWIP at 50% discount	16,510	3.91
Market capitalization	2,328,132	551.04
No. of shares outstanding	4,225	
Rs/share	551.04	
CMP	435.50	
Upside (%)	26.5%	

Source: YES Sec

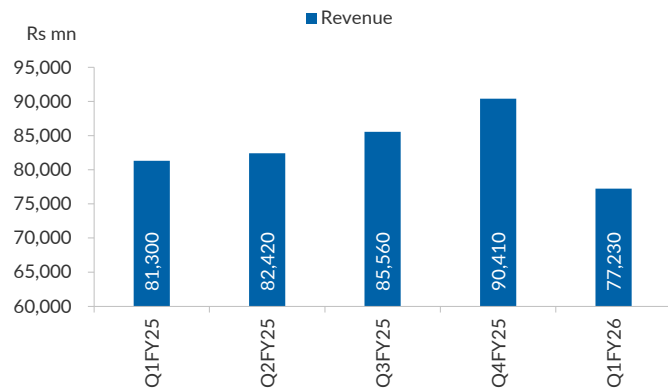
Exhibit 6: Estimate Revisions

Metric	New Estimates		Old Estimates		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Refined metal sales (kt)	1,090	1,184	1,101	1,184	(1.0%)	0.0%
Zinc prices (\$/t)	2,692	2,850	2,670	2,850	0.8%	0.0%
Lead prices (\$/t)	2,017	2,150	2,010	2,150	0.3%	0.0%
Silver sales (tons)	697	752	704	752	(1.0%)	0.0%
Silver prices (\$/oz)	34.47	34.50	33.50	34.50	2.9%	0.0%
EBITDA	179,065	213,645	177,771	213,645	0.7%	0.0%
EBITDA margin	51.7%	54.9%	51.6%	54.9%	0.2%	0.0%

Source: YES Sec

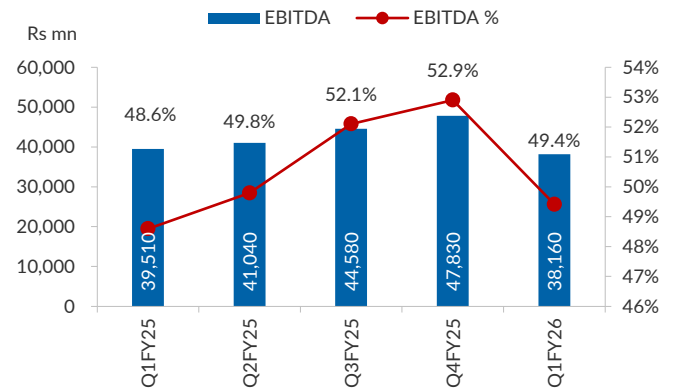
QUARTERLY TRENDS IN CHARTS

Exhibit 7: Revenues fall sequentially



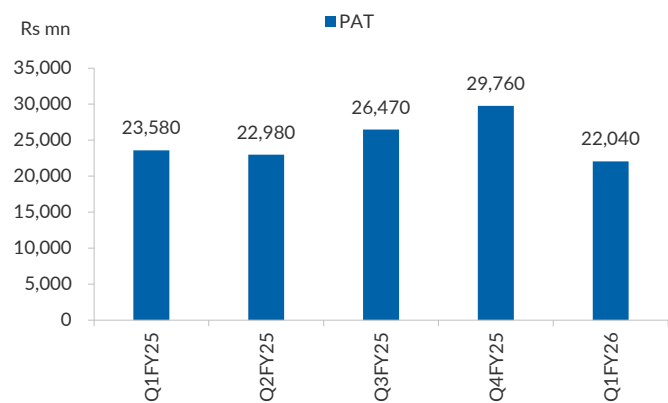
Source: Company, YES Sec

Exhibit 8: Margin profile impacted due to falling pricing



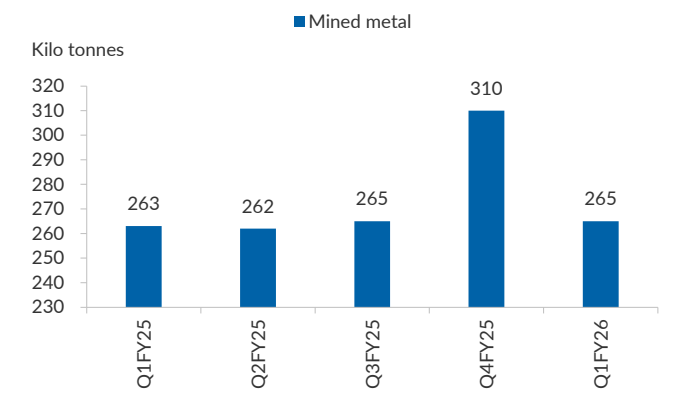
Source: Company, YES Sec

Exhibit 9: PAT follows similar trajectory



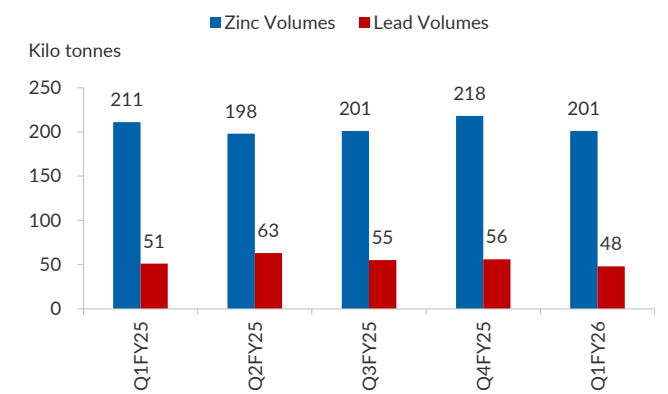
Source: Company, YES Sec

Exhibit 10: Mined metal output



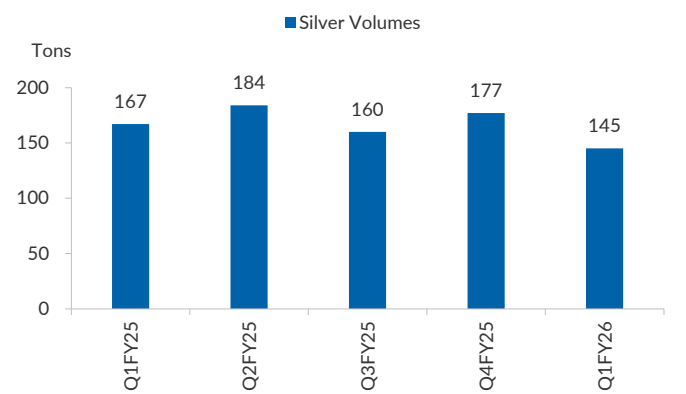
Source: Company, YES Sec

Exhibit 11: Refined metal volumes



Source: Company, YES Sec

Exhibit 12: Silver volumes now expected to pick-up



Source: Company, YES Sec

FINANCIALS

Exhibit 13: Income Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net revenue	226,290	294,400	340,980	289,340	339,690	346,278	388,993
Cost of goods sold	47,300	58,410	76,360	62,040	67,370	65,369	70,958
Employee cost	7,600	7,170	8,430	8,260	8,780	9,000	9,224
Other expenses	54,670	66,560	81,070	82,430	90,580	92,845	95,166
EBITDA	116,720	162,260	175,120	136,610	172,960	179,065	213,645
% Margin	51.6%	55.1%	51.4%	47.2%	50.9%	51.7%	54.9%
Dep. & Amort.	25,310	29,170	32,640	34,660	36,340	38,091	38,899
Other income	18,190	12,160	13,820	11,030	9,960	10,190	10,444
Finance costs	3,860	2,900	3,330	9,550	11,110	10,616	11,716
Exceptional items	-	1,340	-	-	830	-	-
Profit before tax	105,740	141,010	152,970	103,430	134,640	140,548	173,474
Taxes	25,940	44,710	47,770	25,560	31,850	35,207	43,368
Profit after tax	79,800	96,300	105,200	77,870	102,790	105,341	130,105
EPS - Basic and Diluted	18.89	23.11	24.90	18.43	24.53	24.93	30.79

Source: Company, YES Sec

Exhibit 14: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Assets							
PPE	164,470	171,650	175,280	178,750	183,580	215,489	244,090
CWIP	19,220	20,750	21,070	15,290	25,520	25,520	33,020
Non-current assets	211,590	206,880	205,920	212,110	227,750	258,944	295,685
Inventories	14,250	19,530	18,620	19,240	18,820	16,118	17,497
Trade receivables	4,060	7,160	3,800	1,610	1,120	2,846	3,197
Cash and equivalents	3,130	15,920	590	510	940	7,142	15,046
Bank	90,630	41,710	13,530	1,220	810	17,886	52,993
Current assets	245,680	239,830	148,620	126,930	116,430	139,725	184,893
Total assets	457,270	446,710	354,540	339,040	344,180	398,669	480,578
Equity and liabilities							
Equity share capital	8,450	8,450	8,450	8,450	8,450	8,450	8,450
Other equity	314,680	334,370	120,970	143,880	124,450	187,541	254,272
Non-current liabilities	55,380	42,950	50,700	78,530	99,530	95,408	106,690
Current liabilities	78,760	60,940	174,420	108,180	111,750	107,269	111,166
Total equity and liabilities	457,270	446,710	354,540	339,040	344,180	398,669	480,578

Source: Company, YES Sec

Exhibit 15: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Profit before taxes	105,740	141,010	152,970	103,430	134,640	140,548	173,474
Depreciation & amortization	25,310	29,170	32,640	34,660	36,340	38,091	38,899
Finance costs	3,860	2,900	3,330	9,550	11,110	10,616	11,716
CFO before working cap changes	116,840	162,810	177,500	137,010	173,880	189,255	224,089
Working capital changes	6,380	(11,990)	5,560	13,990	1,150	1,686	2,381
Cash generated from operations	123,220	150,820	183,060	151,000	175,030	190,941	226,470
Taxes paid	(17,550)	(23,910)	(31,400)	(17,570)	(33,760)	(35,207)	(43,368)
Net CFO	105,670	126,910	151,660	133,430	141,270	155,734	183,102
Net CFI	(24,350)	8,460	65,250	(34,050)	(26,580)	(70,000)	(75,000)
Net CFF	(96,970)	(122,580)	(232,240)	(99,460)	(114,260)	(62,866)	(65,091)
Net change in cash	(15,650)	12,790	(15,330)	(80)	430	22,868	43,011
Cash at beginning	18,780	3,130	15,920	590	510	940	7,142
Cash at end	3,130	15,920	590	510	940	7,142	15,046

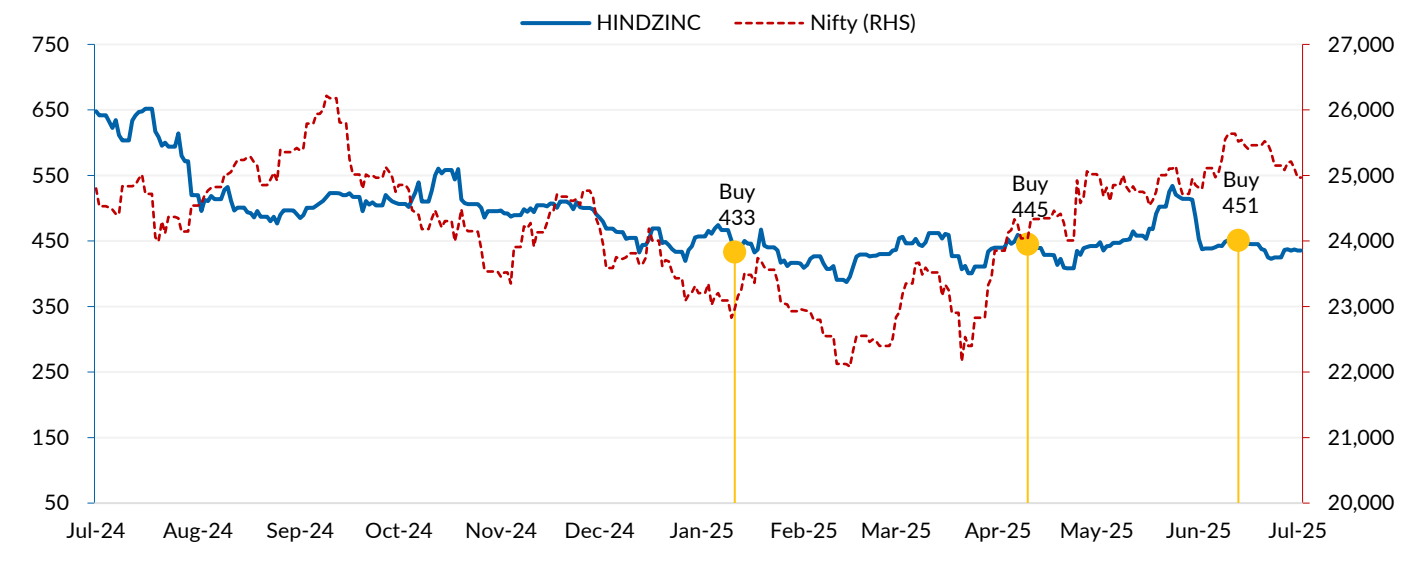
Source: Company, YES Sec

Exhibit 16: Key Ratios

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth (%)							
Revenues	21.9	30.1	15.8	(15.1)	17.4	1.9	12.3
GP	21.0	31.8	12.1	(14.1)	19.8	3.2	13.2
EBITDA	31.9	39.0	7.9	(22.0)	26.6	3.5	19.3
EBIT	39.2	45.6	7.1	(28.4)	34.0	3.2	24.0
PAT	17.3	20.7	9.2	(26.0)	32.0	2.5	23.5
Margins (%)							
GP	79.1	80.2	77.6	78.6	80.2	81.1	81.8
EBITDA	51.6	55.1	51.4	47.2	50.9	51.7	54.9
EBIT	40.4	45.2	41.8	35.2	40.2	40.7	44.9
PAT	35.3	32.7	30.9	26.9	30.3	30.4	33.4
Return profile (%)							
ROE	24.7	28.1	81.3	51.1	77.3	53.7	49.5
ROCE	24.1	34.5	79.1	44.2	58.8	48.4	47.3
Per share (Rs)							
EPS	18.9	23.1	24.9	18.4	24.5	24.9	30.8
BVPS	76.5	81.1	30.6	36.1	31.5	46.4	62.2
P/E (x)	14.4	13.4	12.0	15.9	17.8	17.5	14.1
P/BV (x)	3.6	3.8	9.8	8.1	13.8	9.4	7.0

Source: Company, YES Sec

Recommendation Tracker



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