

Hindustan Zinc | BUY

Margins supported by higher prices; outlook optimistic

Hindustan Zinc reported 3Q consol. EBITDA of INR60.5bn, higher than JMfe of INR54bn. EBITDA increased by ~36% QoQ driven by higher LME / silver prices along with lower cost of production. Zinc CoP (w/o royalty) declined to USD940/t vs USD994/t in 2Q driven by lower power cost due to higher domestic coal usage & softened coal prices. In-line with lower Zinc CoP in 9MFY26, company has guided for a sustained CoP of USD950-1,000/t. Key takeaways from the call are a) volume guidance for FY26 maintained for refined / mined metal and silver b) company plans to hedge 10-20% of its annual volumes going ahead as a safeguard measure for top-line and margins c) growth capex guidance for FY26 stands at USD300mn while maintenance capex guidance maintained at USD400mn and d) renewable energy currently contributes to ~20% of total power requirement; company expects this to go to 20% / 35-40% / 70% in FY26 / FY27 / FY28 leading to cost savings of ~INR2.5-3bn per year. We remain positive on HZL given its presence in the lower end of the global cost curve facilitated by high grade captive mines sufficient to meet requirements for decades, 100% captive power plants, sizeable scale, diversified revenue stream with increasing contribution from silver sales. With LME Zinc and Silver prices sustaining at record levels, we revise our earnings upwards by 10% / 22% / 29% for FY26E / FY27E / FY28E leading to a revised target price of INR770/sh at 18x P/E multiple for FY28. Maintain BUY.

- **Margins improve given higher LME / silver and lower costs:** The Company registered net sales of INR109.8bn, up ~28% QoQ, driven by higher volumes along with higher LME and silver prices. Zinc CoP for 3Q stood at USD940/t down QoQ driven by lower power cost due to higher domestic coal usage & softened coal prices. In-line with lower Zinc CoP, company has guided for a sustained CoP of USD950-1,000/t. Consequently, EBITDA for the quarter came in at INR60.5bn, up ~36% QoQ. Mined metal production for 3Q stood at 270kt vs 247kt in 2Q, up ~9% sequentially. Adj. PAT came in at INR38.9bn, up 47% QoQ.
- **Hedging to safeguard margins; zinc-lead mix shift to provide earnings visibility:** Company plans to hedge 10-20% of its annual volumes going ahead. This acts as a safeguard measure for the top-line as well as the margins in a volatile price scenario. Company hedged 47kt of Zinc and 55 tons of silver at USD37/t.oz in 3QFY26. Company plans to hedge a similar percentage of volumes going ahead in order to ensure margin stability. Company also plans to operate in zinc plus lead mode going ahead given the elevated zinc prices – leading to more production of zinc along with due amount of silver. Consequently, company is expected to remain focused on debottlenecking of lead production facility in order to increase silver production. Renewable energy mix currently stands at ~20% of total power requirement which is expected to go up to 70% by FY28 leading to cost savings of ~INR2.5-3bn per year.
- **FY26 guidance maintained; outlook positive:** Company has maintained its FY26 volume guidance for mined metals / refined metals / silver to 1,125 (+/-10) ktpa / 1,075 (+/-10) ktpa / 680 (+/-10) ktpa. Company is expecting very strong 4QFY26 in terms of volume driven by a) seasonally strong quarter, b) all the shutdowns cleared and c) debottlenecking projects completed. Consequently, company expects Silver production to be 200t+ in 4QFY26 and has maintained its annual guidance of 680 (+/-) tons. Growth capex guidance has been revised to USD300mn and maintenance capex guidance maintained at USD400mn for FY26.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	770
Upside/(Downside)	16.6%
Previous Price Target	600
Change	28.4%

Key Data – HZ IN

Current Market Price	INR660
Market cap (bn)	INR2,790.4/US\$30.7
Free Float	10.2%
Shares in issue (mn)	4,225.0
Diluted share (mn)	4,225.0
3-mon avg daily val (mn)	INR5,168.8/US\$56.9
52-week range	671/378
Sensex/Nifty	83,246/25,586
INR/US\$	90.9

Price Performance

%	1M	6M	12M
Absolute	12.2	51.6	44.6
Relative*	14.4	48.9	33.0

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	289,320	340,830	417,729	477,402	517,533
Sales Growth (%)	-15.2	17.8	22.6	14.3	8.4
EBITDA	136,560	173,880	217,062	262,755	289,378
EBITDA Margin (%)	47.2	51.0	52.0	55.0	55.9
Adjusted Net Profit	77,590	104,360	134,149	162,802	179,826
Diluted EPS (INR)	18.4	24.7	31.8	38.5	42.6
Diluted EPS Growth (%)	-26.2	34.5	28.5	21.4	10.5
ROIC (%)	57.7	76.7	85.8	82.3	70.6
ROE (%)	55.2	73.2	84.9	73.3	58.2
P/E (x)	35.0	26.7	20.8	17.1	15.5
P/B (x)	17.9	20.9	15.3	10.7	7.8
EV/EBITDA (x)	19.8	16.1	12.8	10.5	9.4
Dividend Yield (%)	2.0	2.0	3.0	3.0	3.0

Source: Company data, JM Financial. Note: Valuations as of 19/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key Conference Call takeaways:

- FY26 maintained guidance at:
 - Mined metal: 1,125 (+/-10) ktpa
 - Refined Metals: 1,075 (+/-10) ktpa
 - Silver: 680 (+/-10) metric tons
 - Sustained Zinc CoP is expected to be in USD 950-1,000/t range going ahead.
 - Growth Capex: USD300 mn – USD180mn incurred in 9MFY26
 - Maintenance Capex : USD 400mn
- Company is expecting very strong 4QFY26 in terms of volumes driven by a) seasonally strong quarter, b) all the shutdowns cleared and c) debottlenecking projects completed. Consequently, company expects Silver production to be 200t+ in 4QFY26 and has maintained its annual guidance of 680 (+/-) tons.
- Company plans to hedge 10-20% of its annual volumes going ahead. Hedging for Silver was done in Jun'25 for 3QFY26 and 4QFY26.
- Hedging for 3QFY26:
 - 47kt of Zinc hedged in 3QFY26
 - 55 tons of silver hedged at USD37/t.oz
- Hedging for 4QFY26 and FY26:
 - 53kt of Zinc hedged at USD 2,900/t for 4QFY26
 - 68 tons of Silver hedged at USD39/t.oz for FY26
- Hedging for FY27:
 - 66kt of Zinc hedged at USD 3,117/t
 - 56 tons of Silver hedged at USD58/t.oz
- Project updates:
 - Debottlenecking at Chanderiya Lead Zinc Smelter commissioned in 3QFY26
 - The 510 Ktpa Fertiliser plant to be commissioned by 1QFY27
 - Hot acid leaching plant at Dariba to be completed by 4QFY26
 - Integrated refined metal capacity of 250 ktpa to be commissioned by 2QFY29
 - Zinc tailing reprocessing plant of 10 Mtpa at Rampura Agucha to be commissioned by 4QFY28.
- Zinc CoP for 3Q stood at USD 940/t - lowest in 5 years driven by lower power cost due to higher domestic coal usage & softened coal prices, higher byproduct realization and increased production partly offset by higher mine development.
- Renewable energy mix currently stands at ~20% of total power requirement. Company expects this to go to 20% / 35-40% / 70% in FY26 / FY27 / FY28. This is expected to lead to cost savings of ~INR2.5-3bn per year.

Exhibit 1. Operational performance

Operational parameters	3QFY26	3QFY26E	% Var	3QFY25	YoY %	2QFY26	QoQ %	9MFY26	9MFY25	YoY%
Volumes (tons)										
Zinc	221,000	221,000	0.0	201,000	10.0	202,000	9.4	625,000	610,000	2.5%
Lead	49,000	49,000	0.0	55,000	-10.9	45,000	8.9	142,000	169,000	-16.0%
Silver (kgs)	158,000	158,000	0.0	160,000	-1.3	147,000	7.5	454,000	511,000	-11.2%
Actual realization (USD/ton)										
Zinc	3,293	3,289	0.1	3,321	-0.8	3,036	8.5	3,074.27	3,132	-1.9%
Lead	2,373	2,145	10.6	2,174	9.1	2,138	11.0	2,216.74	2,257	-1.8%
Silver (USD/kg)	1,901	1,889	0.6	1,086	75.0	1,329	43.0	1,465.65	1,036	41.5%
LME Spot Prices										
Zinc	3,045	3,045		3,068	-0.7	2,821	7.9	2,842	2,917	-2.6%
Lead	2,005	2,005		2,050	-2.2	2,003	0.1	1,991	2,112	-5.8%
Implied premium (USD/ton)										
Zinc	248	244	2	253	-2.0	215	15.4	233	215	8.0%
Lead	368	140	162	124	196.9	135	172.4	226	145	56.5%
INR/USD	89.1	89.1		84.3	5.7	87.3	2.1	87	83.9	4.1%

Source: Company, JM Financial

Exhibit 2. Quarterly performance

Y/E March (Rs mn)	3QFY26	3QFY26E	% Var	3QFY25	YoY %	2QFY26	QoQ %	9MFY26	9MFY25	YoY%
Net Sales	109,800	103,310	6.3	86,140	27.5	85,490	28.4	273,000	249,960	0.1
Refined metals volume (k tons)	270	270	0%	256	5.5	247	9.3	767	779	-1.5%
Refined metals realization (US\$/ton)	3,126	3,081	1%	3,075	1.7	2,872	8.8	2,915.5 1	2,942	-0.9%
Mining, manf. and power exp. (Incl. Change in Invent.)	33,980	35,706	-4.8	28,350	19.9	29,090	16.8	91,180	88,270	3.3%
Mining, manf. and power/t	125,852	132,245		110,742		117,773		118,879	113,312	4.9%
Change in inventory	1,110	0		-460		-400				
Change in inventory per ton	4,111	0		-1,797		-1,619				
Gross profit	75,820	67,604		57,790		56,400		181,820	161,690	
Gross margin (%)	69.1%	65.4%		67.1%		66.0%		1	64.7%	
Gross margin/t	280,815	250,386		225,742		228,340		237,053	207,561	
Royalty expense	13,220	12,233	8.1	10,370	27.5	10,070	31.3	32,380	29,420	10.1%
Royalty/t	48,963	45,309		40,508		40,769		42,216	37,766	
Royalty as a % of sales	12%	12%		12%		12%				
Staff Cost	2,060	1,250	64.8	2,430	-15.2	1,880	9.6			
Staff Cost/t	7,630	4,630		9,492		7,611				
Total expenditure	49,260	49,189	0.1	41,150	19.7	41,040	20.0	129,420	124,280	4.1%
Reported COP w/o royalty (USD/t)	940	990		1,041	-9.7	994	-5.4	981	1,073	-8.5%
EBITDA	60,540	54,121	11.9	44,990	34.6	44,450	36.2	143,580	125,680	14.2%
EBITDA (%)	55.1	52.4		52.2		52.0		53	50	
EBITDA /ton	224,222	200,447		175,742	27.6	179,960	24.6	187,197	161,335	
Other income	2,930	2,405	21.8	2,180	34.4	2,380	23.1	8,100	7,560	7.1%
Depreciation	9,470	9,000	5.2	9,050	4.6	8,820	7.4	27,420	26,260	4.4%
EBIT	54,000	47,526		38,120	41.7	38,010	42.1	124,260	106,980	16.2%
Interest	1,950	2,600	-25.0	2,850		2,590		6,940	8,440	-17.8%
PBT	52,050	44,926		35,270	47.6	35,420	47.0	117,320	98,540	19.1%
XO items	250	0		0		0		250	(830)	
Tax	13,140	11,231		8,490		8,930		29,580	24,210	
Eff. Tax rate (%)	25.2	25.0		24.1		25.2		25	25	
Reported PAT	39,160	33,694	16.2	26,780	46.2	26,490	47.8	87,990	73,500	19.7%
Adjusted PAT	38,910	33,694	15.5	26,780	45.3	26,490	46.9	87,740	74,330	18.0%
Net debt/(cash)	(3)	-		41		25				

Source: Company, JM Financial

Exhibit 3. Fair Value		(INR bn)
		FY28E
EPS		43
P/E Target multiple (x)		18.0
Target price (INR/share)		770

Source: JM Financial

Exhibit 4. Key Assumptions Table					
	FY24	FY25	FY26E	FY27E	FY28E
Zinc (USD/ton)	2,489	2,910	2,900	3,000	3,000
Lead (USD/ton)	2,117	2,081	2,000	2,050	2,100
INR/USD	83.4	84.5	89.0	90.0	90.0

Sales volume assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Zinc (ktpa)	817	827	845	864	912
Lead (ktpa)	216	225	228	228	228
Silver (ktpa)	746	687	690	713	721

Financial assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Revenue	2,89,320	340,830	417,729	477,402	517,533
EBITDA	1,36,560	173,880	217,062	262,755	289,378
PAT	77,590	104,360	134,149	162,802	179,826
EPS	18.4	24.7	31.8	38.5	42.6

Source: Company, JM Financial

Exhibit 5. Change in estimates										
	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	394,371	420,561	439,773	417,729	477,402	517,533	5.9%	13.5%	17.7%
EBITDA	INR mn	199,792	223,254	235,177	217,062	262,755	289,378	8.6%	17.7%	23.0%
PAT	INR mn	121,608	133,737	139,372	134,149	162,802	179,826	10.3%	21.7%	29.0%
EPS		28.8	31.7	33.0	31.8	38.5	42.6	10.3%	21.7%	29.0%
Target Price	INR	600			770			28.4%		
Rating		BUY			BUY					

Source: JM Financial

Exhibit 6. EBITDA sensitivity with commodity, currency and CoP

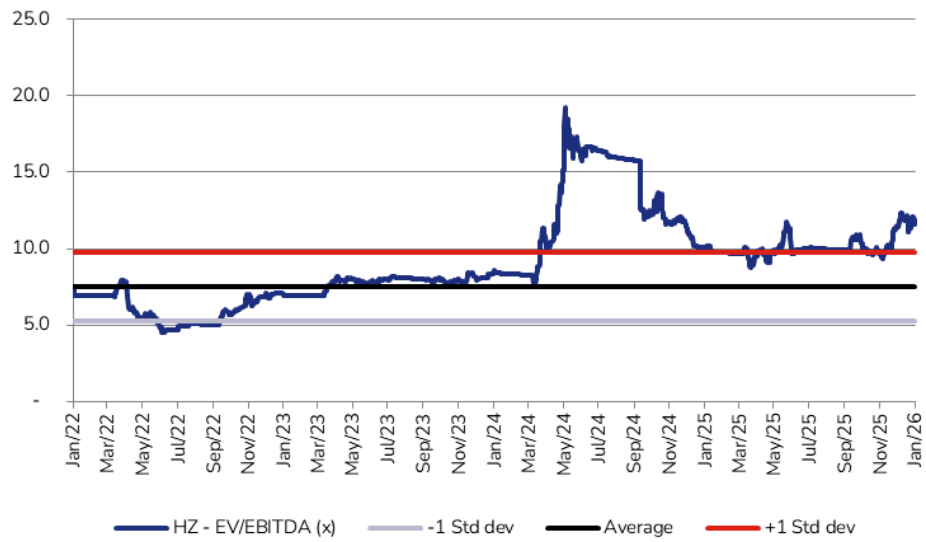
Impact of change in Commodity Prices on annual EBITDA		
Commodity	Change	Impact on EBITDA (₹ Cr)
Zinc	\$100/MT	660-690
Lead	\$100/MT	130-150
Silver	\$1/toz	170-190

Impact of exchange rate change on annual EBITDA		
Currency	Change	Impact on EBITDA (₹ Cr)
INR/USD	₹ 1	190-220

Impact of change in zinc COP on annual EBITDA		
Particular	Change	Impact on EBITDA (₹ Cr)
Zinc COP	\$25/MT	210-230

Source: Company, JM Financial

Exhibit 7. Hindustan Zinc: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

Exhibit 8. Hindustan Zinc: 1yr forward PE valuation



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	289,320	340,830	417,729	477,402	517,533
Sales Growth	-15.2%	17.8%	22.6%	14.3%	8.4%
Other Operating Income	0	0	0	0	0
Total Revenue	289,320	340,830	417,729	477,402	517,533
Cost of Goods Sold/Op. Exp	18,230	19,940	43,388	49,144	53,426
Personnel Cost	8,280	8,860	9,119	9,282	9,690
Other Expenses	126,250	138,150	148,160	156,221	165,040
EBITDA	136,560	173,880	217,062	262,755	289,378
EBITDA Margin	47.2%	51.0%	52.0%	55.0%	55.9%
EBITDA Growth	-22.0%	27.3%	24.8%	21.1%	10.1%
Depn. & Amort.	34,680	36,400	36,973	44,673	48,837
EBIT	101,880	137,480	180,089	218,082	240,541
Other Income	10,740	9,830	9,776	10,488	11,227
Finance Cost	9,550	10,950	11,000	11,500	12,000
PBT before Excep. & Forex	103,070	136,360	178,865	217,070	239,768
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	103,070	136,360	178,865	217,070	239,768
Taxes	25,480	32,000	44,716	54,267	59,942
Extraordinary Inc./Loss(-)	0	-830	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	77,590	103,530	134,149	162,802	179,826
Adjusted Net Profit	77,590	104,360	134,149	162,802	179,826
Net Margin	26.8%	30.6%	32.1%	34.1%	34.7%
Diluted Share Cap. (mn)	4,225.0	4,225.0	4,225.0	4,225.0	4,225.0
Diluted EPS (INR)	18.4	24.7	31.8	38.5	42.6
Diluted EPS Growth	-26.2%	34.5%	28.5%	21.4%	10.5%
Total Dividend + Tax	54,925	54,925	84,500	84,500	84,500
Dividend Per Share (INR)	13.0	13.0	20.0	20.0	20.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	103,070	136,360	178,865	217,070	239,768
Depn. & Amort.	34,680	36,400	36,973	44,673	48,837
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	14,070	5,380	1,211	14,178	-30,762
Others	0	-830	0	0	0
Taxes Paid	-25,480	-32,000	-44,716	-54,267	-59,942
Operating Cash Flow	126,340	145,310	172,333	221,654	197,901
Capex	-32,580	-47,410	-70,000	-110,000	-80,000
Free Cash Flow	93,760	97,900	102,333	111,654	117,901
Inc (-) / Dec in Investments	-3,450	4,800	0	0	0
Others	-16,165	-70,205	0	0	0
Investing Cash Flow	-52,195	-112,815	-70,000	-110,000	-80,000
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-54,925	-54,925	-84,500	-84,500	-84,500
Inc / Dec (-) in Loans	-31,590	22,450	-15,000	-15,000	-30,000
Others	0	0	0	0	0
Financing Cash Flow	-86,515	-32,475	-99,500	-99,500	-114,500
Inc / Dec (-) in Cash	-12,370	20	2,833	12,154	3,401
Opening Cash Balance	14,120	1,750	1,770	4,603	16,757
Closing Cash Balance	1,750	1,770	4,603	16,757	20,157

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	151,950	133,260	182,909	261,211	356,537
Share Capital	8,450	8,450	8,450	8,450	8,450
Reserves & Surplus	143,500	124,810	174,459	252,761	348,087
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	87,220	109,670	94,670	79,670	49,670
Def. Tax Liab. / Assets (-)	23,110	22,920	22,920	22,920	22,920
Total - Equity & Liab.	262,280	265,850	300,499	363,801	429,127
Net Fixed Assets	198,490	212,220	245,247	310,573	341,736
Gross Fixed Assets	419,880	458,190	528,190	638,190	718,190
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	238,350	272,030	309,003	353,677	402,514
Capital WIP	16,960	26,060	26,060	26,060	26,060
Investments	104,520	99,720	99,720	99,720	99,720
Current Assets	35,940	33,020	48,993	59,361	68,931
Inventories	19,260	18,890	21,056	19,746	23,994
Sundry Debtors	1,550	1,170	3,334	3,810	4,130
Cash & Bank Balances	1,750	1,770	4,603	16,757	20,157
Loans & Advances	13,380	11,190	20,001	19,049	20,650
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	76,670	79,110	93,461	105,853	81,261
Current Liabilities	74,470	73,440	87,791	100,183	75,591
Provisions & Others	2,200	5,670	5,670	5,670	5,670
Net Current Assets	-40,730	-46,090	-44,468	-46,492	-12,330
Total - Assets	262,280	265,850	300,499	363,801	429,127

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	26.8%	30.6%	32.1%	34.1%	34.7%
Asset Turnover (x)	1.1	1.3	1.5	1.4	1.3
Leverage Factor (x)	1.9	1.9	1.8	1.5	1.3
RoE	55.2%	73.2%	84.9%	73.3%	58.2%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	36.0	31.5	43.3	61.8	84.4
ROIC	57.7%	76.7%	85.8%	82.3%	70.6%
ROE	55.2%	73.2%	84.9%	73.3%	58.2%
Net Debt/Equity (x)	-0.1	0.1	-0.1	-0.1	-0.2
P/E (x)	35.0	26.7	20.8	17.1	15.5
P/B (x)	17.9	20.9	15.3	10.7	7.8
EV/EBITDA (x)	19.8	16.1	12.8	10.5	9.4
EV/Sales (x)	9.3	8.2	6.7	5.8	5.3
Debtor days	2	1	3	3	3
Inventory days	24	20	18	15	17
Creditor days	178	161	160	170	121

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
27-Apr-21	Buy	340	
22-Jul-21	Buy	340	0.0
22-Oct-21	Buy	340	0.0
21-Jan-22	Buy	327	-3.8
22-Apr-22	Buy	355	8.6
21-Jul-22	Buy	310	-12.6
21-Oct-22	Buy	315	1.5
19-Jan-23	Buy	350	11.2
23-Apr-23	Buy	335	-4.3
22-Jul-23	Buy	310	-7.5
20-Oct-23	Buy	325	4.8
19-Jan-24	Buy	315	-3.1
19-Apr-24	Buy	385	22.1
2-Aug-24	Buy	540	40.4
18-Oct-24	Buy	540	0.0
28-Jan-25	Buy	540	-0.1
25-Apr-25	Buy	530	-1.8
17-Jun-25	Buy	550	3.7
18-Jul-25	Buy	550	0.0
17-Oct-25	Buy	600	9.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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