Hindustan Zinc | BUY

Lower CoP drives earnings; outlook remains constructive

Hindustan Zinc reported Q1FY27 consolidated EBITDA of INR 80.5bn, ahead of JMFe of INR 76.3bn, driven by lower cost of production. Zinc CoP (ex-royalty) declined to a record low of USD 851/t (USD 903/t in Q4FY26) aided by better mined grades, higher renewable power usage and increased by-product realisations. Key takeaways from the earnings call: i) FY27 production guidance for mined metals/refined metals/silver was maintained at 1,150ktpa (+/-10)/1,100ktpa (+/-10)/680tpa (+/-10), with management expecting stronger production over the remainder of FY27 and no further major maintenance shutdowns. ii) Cost of production is expected to improve in Q2FY27 if metal production increases and sulphuric acid prices remain strong, assuming no significant rise in input commodity prices. iii) Management is not currently undertaking new hedging activities due to market volatility, but shall update when appropriate. iv) Growth projects remain on track with the phosphoric acid plant and hot acid leaching project targeted for commissioning in Q2FY27. We remain positive on HZL given its industry-leading cost position, strong balance sheet and long-term growth pipeline; maintain BUY.

- **Realisations offset lower volumes; CoP falls to record low**: Revenue increased 1.5% QoQ to INR 137.5bn despite refined metal volumes declining 7.8% QoQ to 260kt, supported by stronger zinc (+7.5% QoQ), lead (+6.5% QoQ) and silver (+8.7% QoQ) realisations along with monetisation of ~10kt legacy lead concentrate inventory. EBITDA increased 4.5% QoQ to a record INR 80.5bn with EBITDA margin expanding 170bps QoQ to 58.6%. Zinc CoP (ex-royalty) declined to a record low of USD 851/t (versus USD 903/t in Q4FY26) driven by better-mined grades, higher renewable power usage, improved by-product realisations and higher operating efficiencies, partially offset by higher imported coal costs due to lower domestic coal availability. Adjusted PAT rose 8.7% QoQ to INR 54.7bn, while the company maintained a net cash balance and declared an interim dividend of INR 11/share.

- **Cost leadership intact; silver remains a key earnings driver:** Silver production stood at 149t (-15% QoQ) with the precious metals' portfolio continuing to contribute ~46% of overall profitability. Management highlighted around 10–15t of silver remains locked in process inventory, while the lead concentrate sale effectively monetised an additional ~9t of silver equivalent. The company clarified that the lead concentrate sale was a one-off disposal of legacy lower-grade inventory accumulated during mine stabilisation and does not represent a change in its strategy of processing concentrates internally. Renewable energy contribution continued to increase, supporting lower CoP, although power costs were somewhat impacted by reduced domestic coal linkage and higher imported coal usage. Management also indicated stronger sulfuric acid and by-product realisations could provide further support to CoP going forward, subject to commodity price movements.

- **FY27 guidance maintained; outlook positive:** Management reiterated FY27 guidance of 1.15mnt (+/-10kt) mined metal, 1.10mnt (+/-10kt) refined metal and 680t (+/-10t) silver, while indicating that no further major maintenance shutdowns are planned for the remainder of FY27. The company expects production to improve through subsequent quarters, providing confidence in achieving its full-year guidance. Growth projects remain on schedule with the phosphoric acid plant and hot acid leaching project expected to be commissioned during Q2FY27. Construction has commenced for the tailings reprocessing plant, while the Debari integrated zinc smelter continues to progress.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	660
Upside/(Downside)	24.1%
Previous Price Target	660
Change	0.0%

Key Data – HZ IN EQUITY

Current Market Price	INR532
Market cap (bn)	INR2,247.7/US$23.3
Free Float (%)	11.3
Shares in issue (mn)	4,225.3
Diluted share (mn)	4,225.3
3-mon avg daily val (mn)	INR3,170.4/US$32.9
52-week range	INR733/413
Sensex/Nifty	76,060/23,767
INR/US$	96.6

Price Performance

%	1M	6M	12M
Absolute	-1.8	-23.9	19.2
Relative*	-0.5	-18.1	27.7

*To the NSE Nifty 50

Ashutosh Somani
ashutosh.somani@jmfl.com | Tel: (91 22) 66303083

Anirudh Nagpal
anirudh.nagpal@jmfl.com | Tel: (91 22) 66303263

Anuj Khandelwal
anuj.khandelwal@jmfl.com | Tel: (91 22) 66303018

Financial Summary (INR mn)

Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	340,830	408,440	491,890	502,989	511,200
Sales Growth (%)	17.8	19.8	20.4	2.3	1.6
EBITDA	173,880	220,640	264,639	271,835	277,802
EBITDA Margin (%)	51.0	54.0	53.8	54.0	54.3
Adjusted Net Profit	104,360	138,070	173,155	175,256	177,912
Diluted EPS (INR)	24.7	32.7	41.0	41.5	42.1
Diluted EPS Growth (%)	34.5	32.3	25.4	1.2	1.5
ROIC (%)	76.7	88.9	90.2	70.6	58.8
ROE (%)	73.2	76.8	64.0	48.6	39.3
P/E (x)	21.7	16.2	13.0	12.8	12.6
P/B (x)	16.8	9.9	7.1	5.5	4.5
EV/EBITDA (x)	13.5	10.6	8.6	8.3	7.9
Dividend Yield (x)	5.5	1.9	3.8	3.8	3.8

Source: Company data, JM Financial. Note: Valuations as of July 24, 2026

Q1FY27 conference call highlights

- FY27 guidance maintained at:
  - Refined metals – 1,100ktpa (+/-10)
  - Silver – 680(+/-10) metric tons
  - Capex guidance at USD 500–600mn with ~INR 8bn spent in Q1FY27.
- Hedging for FY27:
  - 48kt of zinc hedged at USD 3,162/t.
  - 34tn of silver hedged at USD 63/t.oz.
  - Management is not currently undertaking new hedging activities due to market volatility, but will update when appropriate.
  - Hedge loss for Q1FY27 stands at INR 2bn.
- The cost of production is expected to improve in Q2FY27 if metal production increases and sulphuric acid prices remain strong, assuming no significant rise in input commodity prices.
- The company does not expect further shutdowns for the rest of the year.
- The phosphoric acid portion of the fertilizer plant is expected to commission in Q2FY27, with the full fertilizer plant targeted for Q1 of next year, having already incurred approximately INR 5bn in capex.
- A new zinc and lead smelter, currently in the conceptualisation stage, is estimated to require a capex outlay of approximately INR 250bn (including mines) with a 36-month construction period anticipated post board approval, expected by Q3FY27.

Exhibit 1: Operational performance

Operational parameters	Q1FY27	Q1FY27E	% Var	Q1FY26	YoY %	Q4FY26	QoQ %
Volumes (tons)							
Zinc	213,000	213,000	0.0	202,000	5.4	227,000	-6.2
Lead	47,000	47,000	0.0	48,000	-2.1	55,000	-14.5
Silver (kgs)	149,000	149,000	0.0	149,000	0.0	176,000	-15.3
Actual realization (USD/ton)							
Zinc	3,625	3,680	-1.5	2,854	27.0	3,372	7.5
Lead	2,443	2,271	7.5	2,122	15.1	2,294	6.5
Silver (USD/kg)	2,724	2,429	12.1	1,119	143.4	2,506	8.7
LME Spot Prices							
Zinc	3,472	3,472		2,659	30.6	3,243	7.1
Lead	1,975	1,975		1,964	0.6	1,931	2.3
Implied premium (USD/ton)							
Zinc	153	208	(27)	195	-21.6	129	18.1
Lead	468	296	58	158	195.4	363	28.9
INR/USD	94.6	94.6		85.6	10.5	91.4	3.5

Source: Company, JM Financial

Exhibit 2: Quarterly performance

Y/E March (INR mn)	Q1FY27	Q1FY27E	% Var	Q1FY26	YoY %	Q4FY26	QoQ %
Net Sales	**137,470**	**132,243**	**4.0**	**77,710**	**76.9**	**135,440**	**1.5**
Refined metals volume (k tons)	260	260	0%	250	4.0	282	-7.8
Blended metals realization (US$/ton)	5,589	5,377	4%	3,631	53.9	5,255	6.4
Mining, manf. and power exp. (Incl. Change in Invent.)	39,570	38,030	4.1	28,110	40.8	39,430	0.4
Mining, manf. and power/t	1,609	1,546		1,314		1,530	
Change in inventory	-560	0		-120		-2,540	
Change in inventory per ton	-23	0		-6		-99	
Gross profit	**97,900**	**94,213**		**49,600**		**96,010**	
Gross margin (%)	71.2%	71.2%		63.8%		70.9%	
Gross margin/t	3,980	3,830		2,318		3,725	
Royalty expense	15,360	16,696	-8.0	9,090	69.0	17,100	-10.2
Royalty/t	624	679		425		663	
Royalty as a % of sales	11%	13%		12%		13%	
Staff Cost	2,040	1,250	63.2	1,920	6.3	1,850	10.3
Staff Cost/t	83	51		90		72	
Total expenditure	56,970	55,976	1.8	39,120	45.6	58,380	-2.4
Reported COP w/o royalty (USD/t)	851	920		1,010	-15.7	903	-5.8
EBITDA	**80,500**	**76,267**	**5.6**	**38,590**	**108.6**	**77,060**	**4.5**
EBITDA (%)	58.6	57.7		49.7		56.9	
EBITDA /ton (USD/t)	3,273	3,101		1,803	81.5	2,990	9.5
Other income	3,160	2,850	10.9	2,790	13.3	2,800	12.9
Depreciation	9,200	10,000	-8.0	9,130	0.8	10,480	-12.2
EBIT	74,460	69,117		32,250	130.9	69,380	7.3
Interest	1,320	1,900	-30.5	2,400		1,870	
PBT	73,140	67,217		29,850	145.0	67,510	8.3
XO items	0	0		0		0	
Tax	18,450	16,804		7,510		17,180	
Eff. Tax rate (%)	25.2	25.0		25.2		25.4	
Reported PAT	**54,690**	**50,413**	**8.5**	**22,340**	**144.8**	**50,330**	**8.7**
Adjusted PAT	**54,690**	**50,413**	**8.5**	**22,340**	**144.8**	**50,330**	**8.7**
Net debt/(cash)	**(56)**	**-**		**42**		**(56)**	

Source: Company, JM Financial

Exhibit 3: Fair value

	FY28E
EPS	41
P/E multiple (x)	16
Target Price (INR/sh)	**660**

Source: JM Financial

Exhibit 4: Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
Zinc (USD/ton)	2,910	2,951	3,050	3,050	3,050
Lead (USD/ton)	2,081	1,988	2,050	2,050	2,050
INR/USD	84.5	88.3	94.0	94.0	94.0
Sales volume	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Zinc (ktpa)	827	851	887	901	906
Lead (ktpa)	225	197	216	216	216
Silver (ktpa)	687	627	666	698	729
Financial assumptions	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	340,830	408,440	491,890	502,989	511,200
EBITDA	173,880	220,640	264,639	271,835	277,802
PAT	104,360	138,070	173,155	175,256	177,912
EPS	24.7	32.7	41.0	41.5	42.1

Source: Company, JM Financial

Exhibit 5: EBITDA sensitivity to commodity, currency and CoP

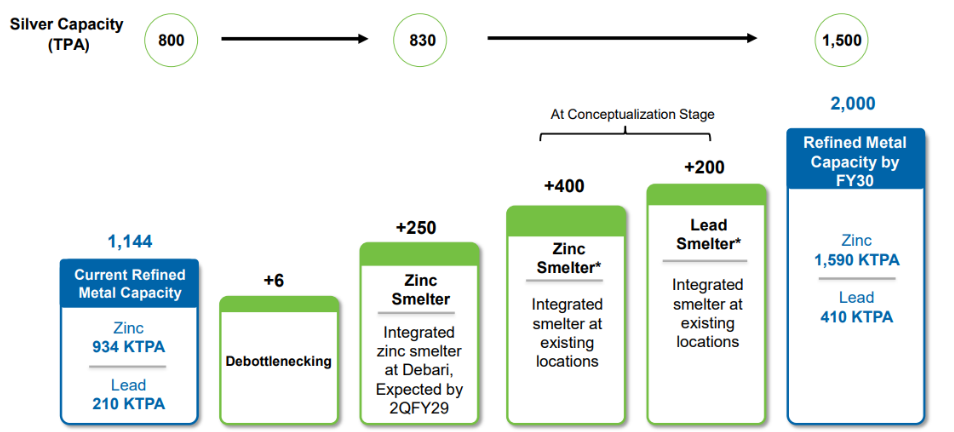
Impact of change in Commodity Prices on annual EBITDA		
Commodity	**Change**	**Impact on EBITDA (₹ crore)**
Zinc	$100/MT	725-750
Lead	$100/MT	150-175
Silver	$1/toz	200-225

Impact of exchange rate change on annual EBITDA		
Currency	**Change**	**Impact on EBITDA (₹ crore)**
INR/USD	₹ 1	325-350

Impact of change in zinc COP on annual EBITDA		
Particular	**Change**	**Impact on EBITDA (₹ crore)**
Zinc COP	$25/MT	225-250

Source: Company, JM Financial

Exhibit 6: Long-term value creation

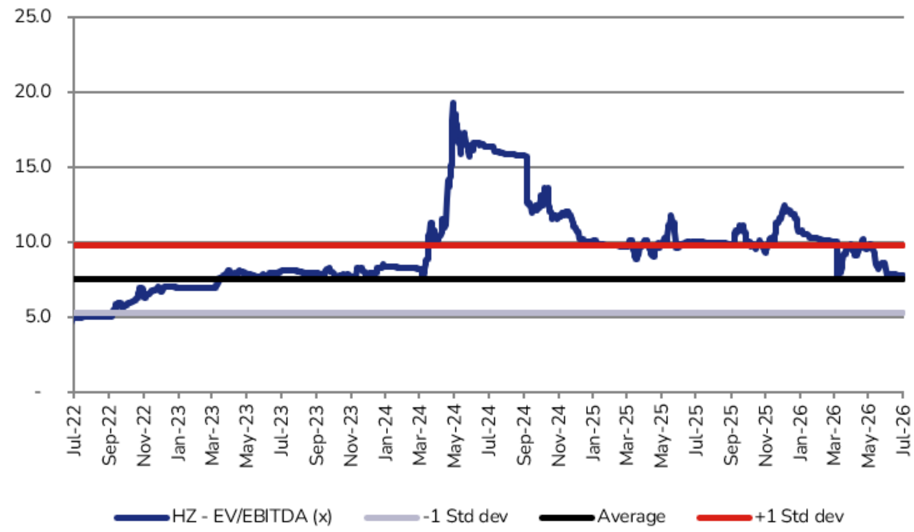


Source: Company, JM Financial

Exhibit 7: One-year forward PE valuation

Source: Bloomberg, JM Financial

Exhibit 8: One-year forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

Exhibit 9: Changes in estimates

		OLD			NEW			% Change		
	Unit	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Net Sales	INR mn	491,890	502,989	511,200	491,890	502,989	511,200	0.0%	0.0%	0.0%
EBITDA	INR mn	264,639	271,835	277,802	264,639	271,835	277,802	0.0%	0.0%	0.0%
PAT	INR mn	172,067	173,392	174,767	173,155	175,256	177,912	0.6%	1.1%	1.8%
EPS		40.7	41.0	41.4	41.0	41.5	42.1	0.6%	1.1%	1.8%
Target Price	INR		**660**			**660**			**0.0%**	
Rating			**BUY**			**BUY**				

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	340,830	408,440	491,890	502,989	511,200
Sales Growth (%)	17.8	19.8	20.4	2.3	1.6
Other Operating Income	-	-	-	-	-
Total Revenue	**340,830**	**408,440**	**491,890**	**502,989**	**511,200**
Cost of Goods Sold/Op. Exp	19,940	27,780	51,197	52,419	53,374
Personnel Cost	8,860	7,710	8,270	8,374	8,408
Other Expenses	138,150	152,310	167,784	170,362	171,616
EBITDA	**173,880**	**220,640**	**264,639**	**271,835**	**277,802**
EBITDA Margin (%)	51.0	54.0	53.8	54.0	54.3
EBITDA Growth (%)	27.3	26.9	19.9	2.7	2.2
Depn. & Amort.	36,400	37,900	39,551	44,451	49,351
EBIT	137,480	182,740	225,089	227,384	228,452
Other Income	9,830	10,900	15,565	16,850	19,324
Finance Cost	10,950	8,810	9,780	10,560	10,560
PBT before Excep. & Forex	136,360	184,830	230,874	233,674	237,216
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	136,360	184,830	230,874	233,674	237,216
Taxes	32,000	46,760	57,718	58,419	59,304
Extraordinary Inc./Loss(-)	-830	250	-	-	-
Assoc. Profit/Min. Int.(-)	-	-	-	-	-
Reported Net Profit	103,530	138,320	173,155	175,256	177,912
Adjusted Net Profit	**104,360**	**138,070**	**173,155**	**175,256**	**177,912**
Net Margin (%)	30.6	33.8	35.2	34.8	34.8
Diluted Share Cap. (mn)	4,225	4,225	4,225	4,225	4,225
Diluted EPS (INR)	**24.7**	**32.7**	**41.0**	**41.5**	**42.1**
Diluted EPS Growth (%)	34.5	32.3	25.4	1.2	1.5
Total Dividend + Tax	122,525	42,250	84,500	84,500	84,500
Dividend Per Share (INR)	29.0	10.0	20.0	20.0	20.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	133,260	226,290	314,945	405,701	499,113
Share Capital	8,450	8,450	8,450	8,450	8,450
Reserves & Surplus	124,810	217,840	306,495	397,251	490,663
Preference Share Capital	-	-	-	-	-
Minority Interest	-	-	-	-	-
Total Loans	109,670	87,280	57,280	42,280	22,280
Def. Tax Liab. / Assets (-)	22,920	22,650	22,650	22,650	22,650
Other non-current liabilities / Lease Liabilities	-	-	-	-	-
Total - Equity & Liab.	**242,930**	**313,570**	**372,225**	**447,981**	**521,393**
Net Fixed Assets	212,220	233,460	245,989	271,539	292,188
Gross Fixed Assets	458,190	509,300	565,010	635,010	705,010
Intangible Assets	-	-	-	-	-
Less: Depn. & Amort.	272,030	309,930	345,081	389,531	438,882
Capital WIP	26,060	34,090	26,060	26,060	26,060
Investments	99,720	144,680	144,680	144,680	144,680
Current Assets	33,020	45,560	78,918	108,243	161,528
Inventories	18,890	20,540	32,987	39,656	46,209
Sundry Debtors	1,170	3,990	3,883	6,617	6,725
Cash & Bank Balances	1,770	3,190	18,754	28,885	68,244
Loans & Advances	11,190	17,840	23,295	33,085	40,350
Other Current Assets	-	-	-	-	-
Current Liab. & Prov.	79,110	87,480	74,712	53,830	54,353
Current Liabilities	73,440	83,870	71,102	50,220	50,743
Provisions & Others	5,670	3,610	3,610	3,610	3,610
Net Current Assets	-46,090	-41,920	4,206	54,412	107,175
Other Non Current Assets/ROU Assets	-	-	-	-	-
Total - Assets	**242,930**	**313,570**	**372,225**	**447,981**	**521,393**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	103,530	138,320	173,155	175,256	177,912
Depn. & Amort.	36,400	37,900	39,551	44,451	49,351
Net Interest Exp. / Inc. (-)	-	-	-	-	-
Inc (-) / Dec in WCap.	5,380	-2,750	-30,562	-40,075	-13,404
Others	-	-	-	-	-
Taxes Paid	-	-	-	-	-
Operating Cash Flow	**145,310**	**173,470**	**182,144**	**179,631**	**213,859**
Capex	-47,410	-59,140	-47,680	-70,000	-70,000
Free Cash Flow	97,900	114,330	134,464	109,631	143,859
Inc (-) / Dec in Investments	4,800	-44,960	-	-	-
Others	-2,605	-3,310	-4,400	-	-
Investing Cash Flow	**-45,215**	**-107,410**	**-52,080**	**-70,000**	**-70,000**
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-122,525	-42,250	-84,500	-84,500	-84,500
Inc / Dec (-) in Loans	22,450	-22,390	-30,000	-15,000	-20,000
Others	-	-	-	-	-
Financing Cash Flow	**-100,075**	**-64,640**	**-114,500**	**-99,500**	**-104,500**
Inc / Dec (-) in Cash	**20**	**1,420**	**15,564**	**10,131**	**39,359**
Opening Cash Balance	1,750	1,770	3,190	18,754	28,885
Closing Cash Balance	1,770	3,190	18,754	28,885	68,244

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	30.6	33.8	35.2	34.8	34.8
Asset Turnover (x)	1.4	1.5	1.4	1.2	1.1
Leverage Factor (x)	1.7	1.5	1.3	1.1	1.1
RoE (%)	73.2	76.8	64.0	48.6	39.3

Source: Company, JM Financial

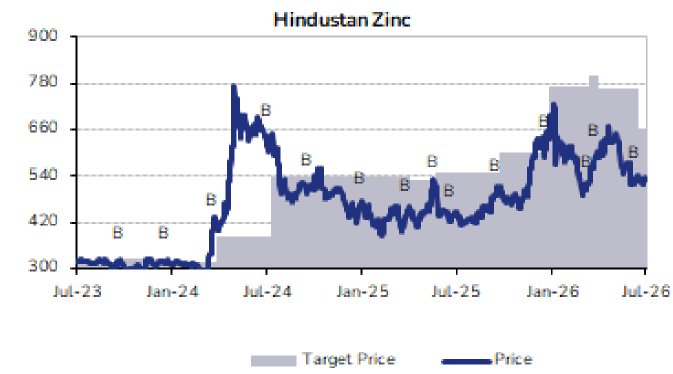
Key Ratios					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	31.5	53.6	74.5	96.0	118.1
ROIC (%)	76.7	88.9	90.2	70.6	58.8
ROE (%)	73.2	76.8	64.0	48.6	39.3
Net Debt/Equity (x)	0.8	0.4	0.1	0.0	-0.1
P/E (x)	21.7	16.2	13.0	12.8	12.6
P/B (x)	16.8	9.9	7.1	5.5	4.5
EV/EBITDA (x)	13.5	10.6	8.6	8.3	7.9
EV/Sales (x)	6.9	5.7	4.6	4.5	4.3
Debtor days	1	4	3	5	5
Inventory days	20	18	24	29	33
Creditor days	161	163	114	79	79

Source: Company, JM Financial

Recommendation history table

Date	Recommendation	Target Price	% Chg.
10-Jul-26	BUY	660	-13.7
24-Apr-26	BUY	765	-4.3
9-Apr-26	BUY	800	3.9
19-Jan-26	BUY	770	28.4
17-Oct-25	BUY	600	9.0
18-Jul-25	BUY	550	0.0
17-Jun-25	BUY	550	3.7
25-Apr-25	BUY	530	-1.8
28-Jan-25	BUY	540	-0.1
18-Oct-24	BUY	540	0.0
2-Aug-24	BUY	540	40.4
19-Apr-24	BUY	385	22.1
19-Jan-24	BUY	315	-3.1
20-Oct-23	BUY	325	4.8
22-Jul-23	BUY	310	-7.5
23-Apr-23	BUY	335	-4.3
19-Jan-23	BUY	350	11.2
21-Oct-22	BUY	315	1.5
21-Jul-22	BUY	310	-12.6
22-Apr-22	BUY	355	

Recommendation history chart



APPENDIX I

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Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -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)

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Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com
Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com