

# Hindustan Zinc | BUY

## Strategic expansion to propel long-term growth

We attended the investor call of Hindustan Zinc, hosted by Mr. Arun Misra (CEO) and Mr. Sandeep Modi (CFO). As a first step towards doubling its capacity, company announced setting up of a 250ktpa integrated Zinc metal complex at Debari – to be fully focused on Zinc. This will take company's existing smelting capacity from 1,129ktpa to 1,379ktpa. Mined metal capacity is also expected to increase from existing 1,180ktpa to 1,510ktpa post expansion while Silver refining capacity to increase from 800ktpa to 830ktpa. The key takeaways from the call are 1) capex for the project is expected to be ~INR120bn to be spent over FY26 / FY27 / FY28: INR30-35bn / INR50bn / INR35-40bn 2) FY26 overall capex guidance revised upwards to USD550mn 3) Company expects per ton cost of setting up this smelter to be ~USD2.5k/t (amounts to ~INR62bn out of INR120bn planned) – significantly lower than global average of ~USD3.5k/t 4) price assumptions for the project at Zinc / Lead: USD2,650/t / USD1,950/t and 5) project is expected to be completed within 36 months. 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. Maintain BUY.

- **Moving towards 2x growth; new capacity announced:** Company announced setting up of a 250kt integrated Zinc metal complex at Debari and associated mining and milling capacities as a part of its Phase I expansion. This is expected to take company's existing smelting capacity from 1,129ktpa to 1,379ktpa. Mined metal capacity is expected to increase from existing 1,180ktpa to 1,510ktpa post expansion while Silver refining capacity to increase from 800ktpa to 830ktpa (remaining to come with lead expansion). The project is expected to be completed within 36 months.
- **Zinc demand robust; low set-up cost to drive return:** HZ expects zinc demand to remain buoyant on the back on consistently growing domestic steel production. This allows the company to strategically expand its existing capacities to 2mn tons by 2030. Total capex for the 250ktpa project is expected to be INR120bn - to be funded through internal accruals and debt. Capex to be spread over FY26 / FY27 / FY28: INR30-35bn / INR50bn / INR35-40bn. Company expects per ton cost of setting up this smelter to be ~USD2.5k/t (amounts to ~INR62bn out of INR120bn planned) – significantly lower than global average of ~USD3.5k/t. Remaining capex of ~INR58bn to be spent for mining project.
- **FY26 volume / CoP guidance intact; future EBITDA growth outlined:** Volume guidance for FY26 maintained at 1,090-1,110kt refined metal / 700-710 tons for silver. The CoP guidance for Zinc maintained at USD1,025 to USD1,050 for FY26. Post the 250ktpa expansion, company expects revenue to reach INR400-430bn with EBITDA to be in the range of INR210-220bn. CoP is expected to decline to USD1,000 levels post expansion.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	289,320	340,830	364,119	398,310	405,531
Sales Growth (%)	-15.2	17.8	6.8	9.4	1.8
EBITDA	136,560	173,880	184,739	208,504	214,182
EBITDA Margin (%)	47.2	51.0	50.7	52.3	52.8
Adjusted Net Profit	77,590	104,360	109,206	125,400	128,366
Diluted EPS (INR)	18.4	24.7	25.8	29.7	30.4
Diluted EPS Growth (%)	-26.2	34.5	4.6	14.8	2.4
ROIC (%)	57.7	75.3	68.4	65.3	53.8
ROE (%)	55.2	73.2	76.3	72.3	59.5
P/E (x)	26.5	19.7	18.8	16.4	16.0
P/B (x)	13.5	15.4	13.4	10.6	8.6
EV/EBITDA (x)	14.9	11.9	11.2	9.9	9.6
Dividend Yield (%)	2.7	6.0	4.1	4.1	4.1

Source: Company data, JM Financial. Note: Valuations as of 17/Jun/2025



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	550
Upside/(Downside)	13.1%
Previous Price Target	530
Change	3.8%

### Key Data – HZ IN

Current Market Price	INR486
Market cap (bn)	INR2,055.0/US\$23.8
Free Float	9%
Shares in issue (mn)	4,225.0
Diluted share (mn)	4,225.0
3-mon avg daily val (mn)	INR1,619.4/US\$18.8
52-week range	717/378
Sensex/Nifty	81,583/24,853
INR/US\$	86.2

### Price Performance

%	1M	6M	12M
Absolute	10.0	-0.9	-26.5
Relative*	11.0	-2.6	-30.4

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

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

**Key Concall Takeaways:**

- Company announced setting up of 250ktpa integrated Zinc metal complex including smelter, leaching & purification plant, cell house and roaster at Debari – to be fully focused on zinc; any projects related to lead to be announced later.
- Capex for the project is expected to be ~INR120bn to be spent over:
  - FY26 – ~INR30-35bn (Overall capex for FY26 to be ~USD550mn)
  - FY27 – ~INR50bn
  - FY28 - Remaining capex (~INR35-40bn)
- Company expects per ton cost of setting up this smelter to be ~USD2.5k/t (amounts to ~INR62bn out of INR120bn planned) – significantly lower than global average of ~USD3.5k/t. Remaining capex of ~INR58bn to be spent for mining project.
- CoP guidance post expansion at USD1k/t – lower power cost to be offset by higher mining costs.
- Price assumptions for the project at
  - LME Zinc: USD2,650/t
  - Lead: USD1,950/t

<b>Exhibit 1. Fair Value</b>		(INR bn)
		<b>FY28</b>
EPS		30
P/E Target multiple (x)		18.0
<b>Target price (INR/share)</b>		<b>550</b>

Source: JM Financial

<b>Exhibit 2. Key Assumptions Table</b>					
	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Zinc (USD/ton)	2,489	2,910	2,900	2,950	2,950
Lead (USD/ton)	2,117	2,081	2,000	2,150	2,150
INR/USD	83.4	84.0	86.0	87.0	87.0

**Sales volume assumptions**

	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Zinc (ktpa)	817	826	864	912	912
Lead (ktpa)	216	223	228	228	228
Silver (ktpa)	746	674	674	682	682

**Financial assumptions**

	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Revenue	2,89,320	3,40,830	3,64,119	3,98,310	4,05,531
EBITDA	1,36,560	1,73,880	1,84,739	2,08,504	2,14,182
PAT	77,590	1,04,360	1,09,206	1,25,400	1,28,366
EPS	18.4	24.7	25.8	29.7	30.4

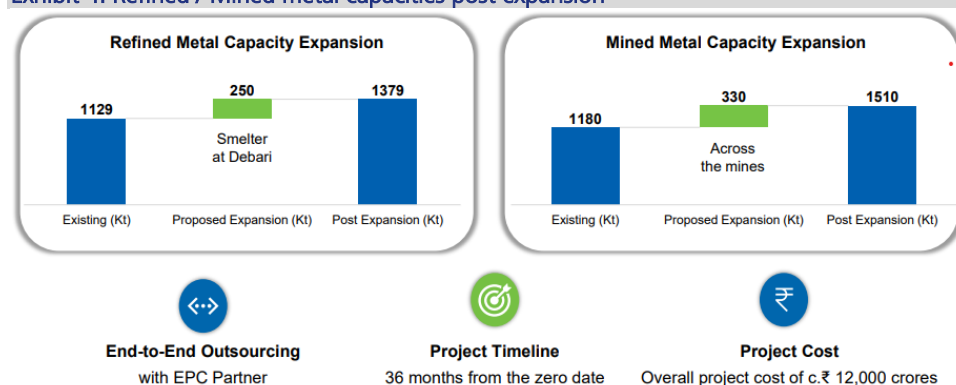
Source: Company, JM Financial

## Exhibit 3. Capacities post Phase I expansion

Expansion Area	UOM	Existing Capacity	Board Approval (Phase I)	Capacity Post Phase I Expansion	Proposed Plan for 2x Growth
<b>Mining &amp; Milling Capacity</b>					
Rampura Agucha & Kayad	Mtpa	6.5	1.3	7.8	8.0
Sindesar Khurd		6.5		6.5	8.0
Rajpura Dariba		1.1	2.5	3.6	6.0
Bamnia Kalan		-	-	-	5.0
Zawar		5.2	0.8	6.0	8.0
<b>Total Ore Production Capacity</b>	<b>Mtpa</b>	<b>19.3</b>	<b>4.6</b>	<b>23.9</b>	<b>35.0</b>
<b>Smelting Capacity</b>					
Zinc	Ktpa	919*	250 (at Debari)	1,169	1590
Lead		210		210	410
<b>Total Smelting Capacity</b>	<b>Ktpa</b>	<b>1129</b>	<b>250</b>	<b>1,379</b>	<b>2000</b>
<b>Silver Refining Capacity</b>	<b>TPA</b>	<b>800</b>	<b>30</b>	<b>830</b>	<b>1500</b>

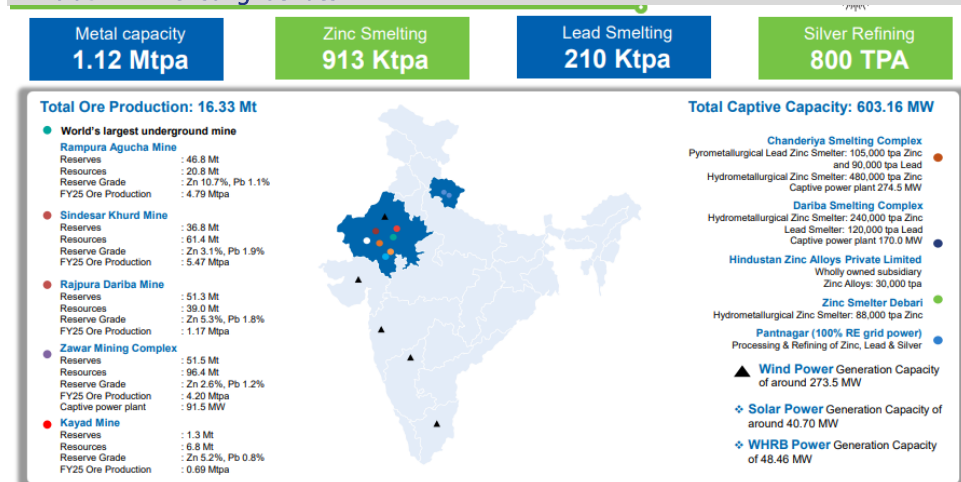
Source: Company, JM Financial

## Exhibit 4. Refined / Mined metal capacities post expansion



Source: Company, JM Financial

## Exhibit 5. HZ – existing facilities

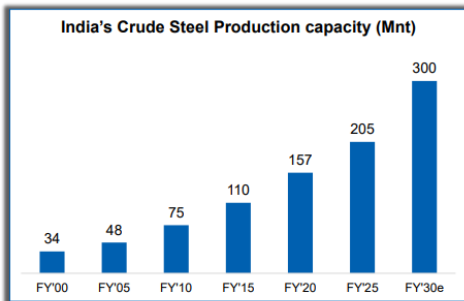


Source: Company, JM Financial

## Exhibit 6. Steel demand growth to drive Zinc consumption

## Growing with the Steel Industry

**Strengthening domestic zinc demand** on back of consistently growing domestic steel production and further growth of steel capacity to 300 Mtpa by 2030

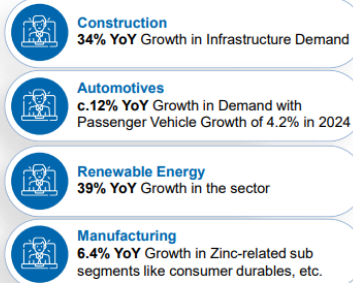


Source: Joint Plant Committee for Steel, Woodmac for Zinc

Source: Company, JM Financial

The International Zinc Association (IZA) has projected **Indian zinc demand to double over the next 5-10 years**, driven by significant investments in infrastructure, including steel production

## Buoyant Indian Zinc End-User Sectors

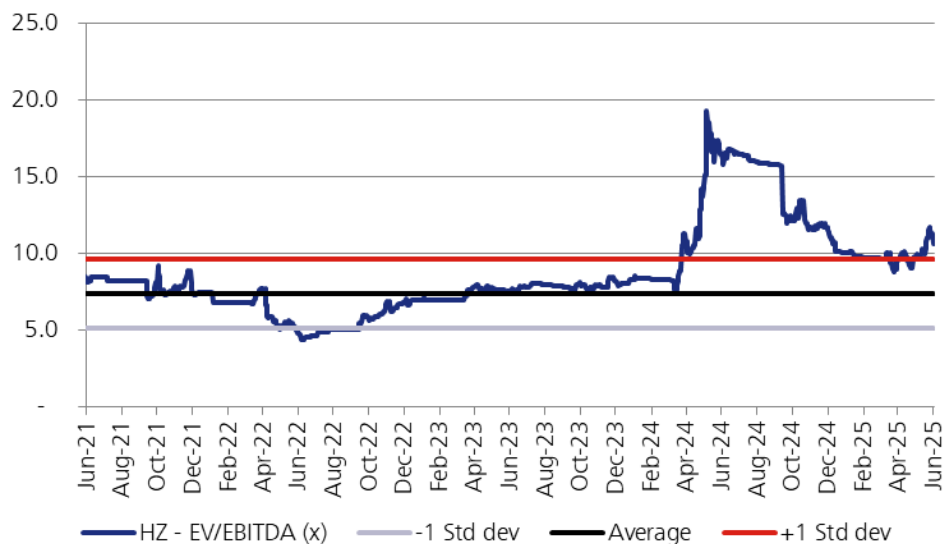


## Exhibit 7. Guidance post expansion

	FY2026 Guidance#	+250 Ktpa Expansion	2x Expansion
Refined Metal (Kt)	1,100 ± 10	1,379	2,000
Saleable Silver* (MT)	700 - 710	750	1,500
Cost of Production (\$/MT)	1,025 - 1,050	1,000	1,000
Revenue (₹ Cr)	32k - 33k	40k - 42k	62k - 65k
EBITDA (₹ Cr)	17k - 17.5k	21k - 22k	34k - 36k

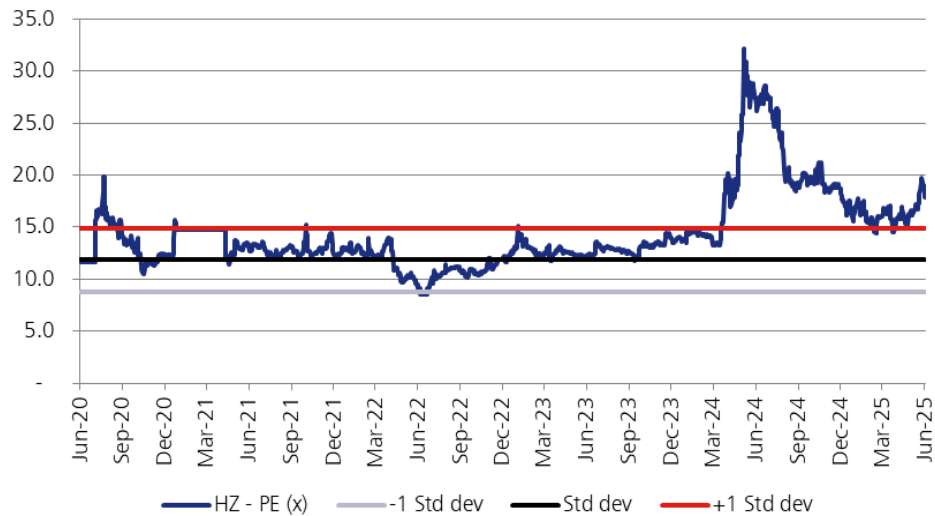
Source: Company, JM Financial

## Exhibit 8. Hindustan Zinc: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

## Exhibit 9. Hindustan Zinc: 1yr forward PE valuation



Source: Bloomberg, JM Financial

## Exhibit 10. Change in estimates

	Unit	OLD		NEW			% Change	
		FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Net Sales	INR mn	3,69,233	3,91,298	3,64,119	3,98,310	4,05,531	-1.4%	1.8%
EBITDA	INR mn	1,90,623	2,02,611	1,84,739	2,08,504	2,14,182	-3.1%	2.9%
PAT	INR mn	1,13,184	1,22,531	1,09,206	1,25,400	1,28,366	-3.5%	2.3%
EPS		26.8	29	25.8	29.7	30.4	-3.5%	2.3%
Target Price	INR		530			550		3.7%
Rating			BUY			BUY		

Source: JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	289,320	340,830	364,119	398,310	405,531
Sales Growth	-15.2%	17.8%	6.8%	9.4%	1.8%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>289,320</b>	<b>340,830</b>	<b>364,119</b>	<b>398,310</b>	<b>405,531</b>
Cost of Goods Sold/Op. Exp	18,230	30,265	32,581	35,129	36,027
Personnel Cost	8,280	8,390	8,736	9,120	9,120
Other Expenses	126,250	128,295	138,063	145,558	146,202
<b>EBITDA</b>	<b>136,560</b>	<b>173,880</b>	<b>184,739</b>	<b>208,504</b>	<b>214,182</b>
EBITDA Margin	47.2%	51.0%	50.7%	52.3%	52.8%
EBITDA Growth	-22.0%	27.3%	6.2%	12.9%	2.7%
Depn. & Amort.	34,680	36,400	41,940	46,790	52,390
EBIT	101,880	137,480	142,799	161,714	161,791
Other Income	10,740	9,830	11,808	14,786	18,664
Finance Cost	9,550	10,950	9,000	9,300	9,300
PBT before Excep. & Forex	103,070	136,360	145,608	167,199	171,155
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	103,070	136,360	145,608	167,199	171,155
Taxes	25,480	32,000	36,402	41,800	42,789
Extraordinary Inc./Loss(-)	0	-830	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	77,590	103,530	109,206	125,400	128,366
<b>Adjusted Net Profit</b>	<b>77,590</b>	<b>104,360</b>	<b>109,206</b>	<b>125,400</b>	<b>128,366</b>
Net Margin	26.8%	30.6%	30.0%	31.5%	31.7%
Diluted Share Cap. (mn)	4,225.0	4,225.0	4,225.0	4,225.0	4,225.0
<b>Diluted EPS (INR)</b>	<b>18.4</b>	<b>24.7</b>	<b>25.8</b>	<b>29.7</b>	<b>30.4</b>
Diluted EPS Growth	-26.2%	34.5%	4.6%	14.8%	2.4%
Total Dividend + Tax	54,925	122,525	84,500	84,500	84,500
Dividend Per Share (INR)	13.0	29.0	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	145,608	167,199	171,155
Depn. & Amort.	34,680	36,400	41,940	46,790	52,390
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	14,070	230	-18,895	-14,962	-23,874
Others	0	-830	0	0	0
Taxes Paid	-25,480	-32,000	-36,402	-41,800	-42,789
<b>Operating Cash Flow</b>	<b>126,340</b>	<b>140,160</b>	<b>132,251</b>	<b>157,228</b>	<b>156,883</b>
Capex	-32,580	-50,050	-44,950	-70,000	-70,000
Free Cash Flow	93,760	90,110	87,301	87,228	86,883
Inc (-) / Dec in Investments	-3,450	13,030	-13,030	0	0
Others	-16,165	115	-3,311	0	0
<b>Investing Cash Flow</b>	<b>-52,195</b>	<b>-36,905</b>	<b>-61,291</b>	<b>-70,000</b>	<b>-70,000</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-54,925	-122,525	-84,500	-84,500	-84,500
Inc / Dec (-) in Loans	-31,590	19,290	80,710	20,000	20,000
Others	0	0	0	0	0
<b>Financing Cash Flow</b>	<b>-86,515</b>	<b>-103,235</b>	<b>-3,790</b>	<b>-64,500</b>	<b>-64,500</b>
<b>Inc / Dec (-) in Cash</b>	<b>-12,370</b>	<b>20</b>	<b>67,170</b>	<b>22,728</b>	<b>22,383</b>
Opening Cash Balance	14,120	1,750	1,770	68,940	91,668
Closing Cash Balance	1,750	1,770	68,940	91,668	114,051

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	151,950	133,260	152,998	193,897	237,764
Share Capital	8,450	8,450	8,450	8,450	8,450
Reserves & Surplus	143,500	124,810	144,548	185,447	229,314
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	87,220	106,510	187,220	207,220	227,220
Def. Tax Liab. / Assets (-)	23,110	22,920	23,110	23,110	23,110
<b>Total - Equity &amp; Liab.</b>	<b>262,280</b>	<b>262,690</b>	<b>363,328</b>	<b>424,227</b>	<b>488,094</b>
Net Fixed Assets	198,490	212,140	213,683	236,893	254,502
Gross Fixed Assets	419,880	460,830	514,880	584,880	654,880
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	238,350	274,750	318,157	364,947	417,338
Capital WIP	16,960	26,060	16,960	16,960	16,960
Investments	104,520	91,490	104,520	104,520	104,520
Current Assets	35,940	41,270	133,586	171,217	197,223
Inventories	19,260	18,890	30,685	34,970	37,785
Sundry Debtors	1,550	1,170	9,703	12,737	12,968
Cash & Bank Balances	1,750	1,770	68,940	91,668	114,051
Loans & Advances	13,380	19,440	24,258	31,843	32,420
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	76,670	82,210	88,461	88,403	68,152
Current Liabilities	74,470	66,970	86,261	86,203	65,952
Provisions & Others	2,200	15,240	2,200	2,200	2,200
Net Current Assets	-40,730	-40,940	45,124	82,814	129,071
<b>Total - Assets</b>	<b>262,280</b>	<b>262,690</b>	<b>363,328</b>	<b>424,227</b>	<b>488,094</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	26.8%	30.6%	30.0%	31.5%	31.7%
Asset Turnover (x)	1.1	1.3	1.2	1.0	0.9
Leverage Factor (x)	1.9	1.8	2.2	2.3	2.1
RoE	55.2%	73.2%	76.3%	72.3%	59.5%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	36.0	31.5	36.2	45.9	56.3
ROIC	57.7%	75.3%	68.4%	65.3%	53.8%
ROE	55.2%	73.2%	76.3%	72.3%	59.5%
Net Debt/Equity (x)	-0.1	0.1	0.1	0.1	0.0
P/E (x)	26.5	19.7	18.8	16.4	16.0
P/B (x)	13.5	15.4	13.4	10.6	8.6
EV/EBITDA (x)	14.9	11.9	11.2	9.9	9.6
EV/Sales (x)	7.0	6.1	5.7	5.2	5.1
Debtor days	2	1	10	12	12
Inventory days	24	20	31	32	34
Creditor days	178	146	176	166	126

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Jul-20	Buy	200	
20-Oct-20	Buy	233	16.5
20-Jan-21	Buy	308	32.2
27-Apr-21	Buy	340	10.4
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

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

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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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