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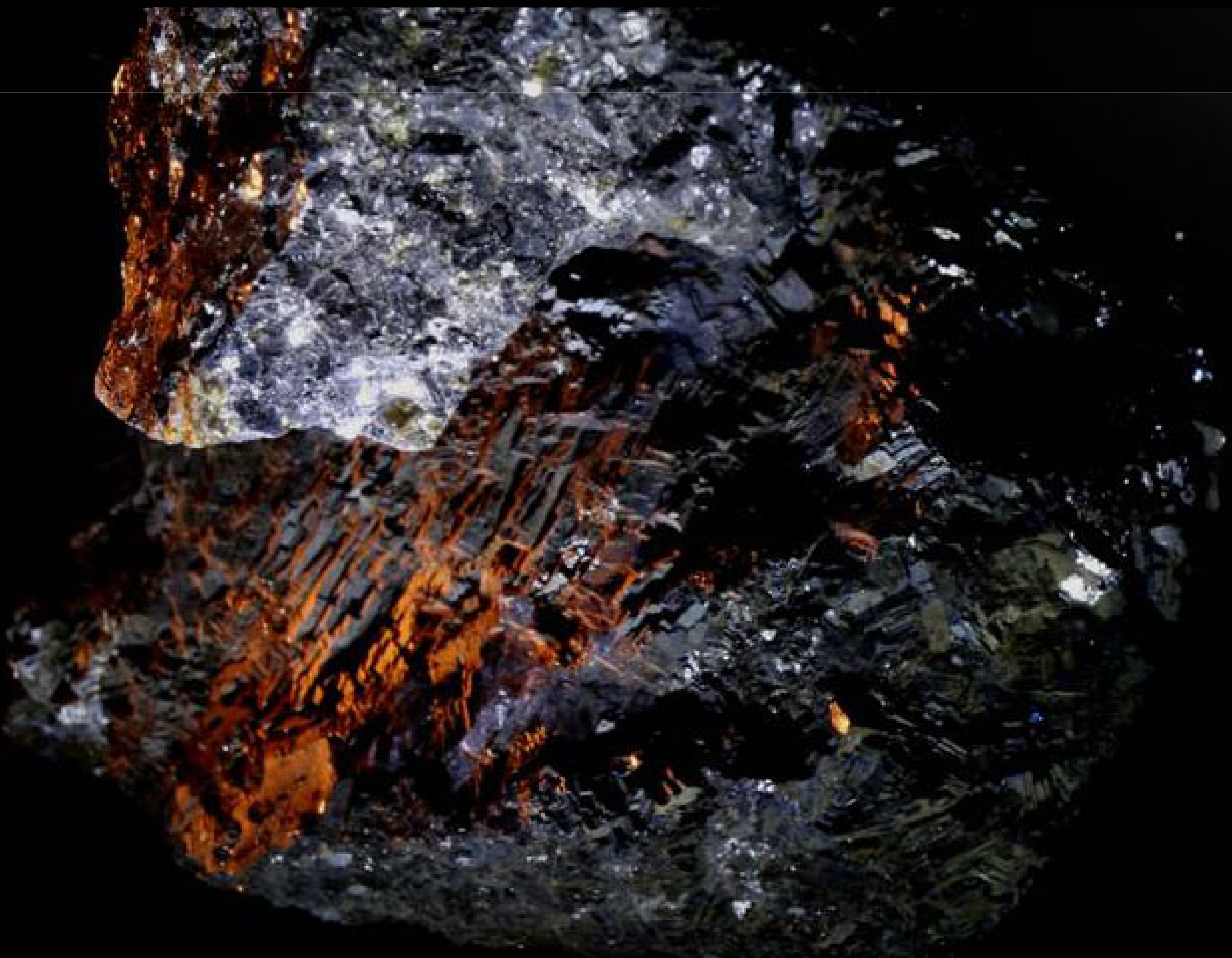
HINDUSTAN ZINC

GROWTH PROSPECTS BLESSED WITH A 'SILVER' LINING



INITIATING COVERAGE ● JANUARY 28, 2025

YES SECURITIES
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January 28, 2025

INITIATING COVERAGE | Sector: Metals & Mining

Hindustan Zinc Ltd

Growth prospects blessed with a 'silver' lining. Initiate with BUY

We initiate coverage on Hindustan Zinc Ltd. ("HZL" or "the company") with a BUY rating. Our rating on HZL is built on the following conviction- (1) Refined metal volumes to reach 1,200 kt by FY27E, (2) Silver business to be a focal point of attraction going forward, (3) Expansion plans to focus on new reserves and resources with a low-debt profile Being a net-debt free company allows, and (4) Cost-saving initiatives and increased VAPs are expected to accrue benefits over the long-term.

Refined metal volumes to reach 1,200 kt by FY27E

Refined metal volumes are expected to reach c.1,200 kt by FY27E courtesy of a new 160 ktpa roaster at Debari smelting complex, fumers ramping up for additional production clubbed with debottlenecking initiatives taking place. Refined metal volumes are expected to grow at 5.0% CAGR for FY24-27E period. Revenues from Zinc and Lead are expected to grow at a 11.6% CAGR during the same period with a stable pricing environment expected which is expected to improve by a CAGR of 5.8%.

Silver business to be a focal point of attraction going forward

HZL's silver business has become a key earnings contributor and is expected to remain crucial. With global silver supply facing challenges and demand rising from industries especially PV cell manufacturing, prices are likely to stay firm. HZL aims to achieve 800 tons per annum, with output expected to reach 776 tons by FY27E, reflecting a 1.3% CAGR for FY24-27E. Silver revenues are projected to grow at 8% CAGR, with EBIT contribution rising at 7.7% CAGR during the same period. The business, benefiting from high margins, is poised to sustain its profitability growth and would be an attractive component of HZL's earnings.

Expansion plans to focus on new reserves and resources with a low-debt profile

HZL's target of becoming a 2,000+ ktpa refined metal producer depends on its mining capacity expansion. The company operates 5 mines in Rajasthan, with a new one (Bamnia Kalan) set to contribute from FY28E onwards. As of March 2024, ore reserves stand at 175.1 million tonnes, making HZL the second-largest zinc R&R holder globally. Over the past decade, R&R grew from 365 mt to 456.3 mt, with strong resource-to-reserve conversion rates of 90%+. With 281 mt of measured resources, HZL has over 25 years of mining potential at current production levels. We see HZL to focus strongly on adding reserves to its vast mining portfolio and grow steadily with retaining current mining leases and enhancing exploration activities.

Cost-saving initiatives and increased VAPs are expected to accrue benefits over the long-term

HZL is focused on cost optimization, targeting a sustainable cost structure of $1,000–1,100/t, with FY25E Zinc CoP guidance of $1,050–1,100/t supported by lower e-auction prices, improved ore grades, and increased renewable energy use. Renewable power, currently 15% of total consumption, is set to rise to ~70% by FY27E, driving cost savings. HZL is enhancing its value-added product mix with a 30 ktpa zinc alloy facility and plans a 510 ktpa fertilizer plant by FY26E to better utilize sulphuric acid. The fertilizer project is expected to generate Rs4,500–5,000 million EBITDA at full utilization levels. These cost saving measures and an added focus on VAP's will have a positive impact on the company's topline and the margin profile.

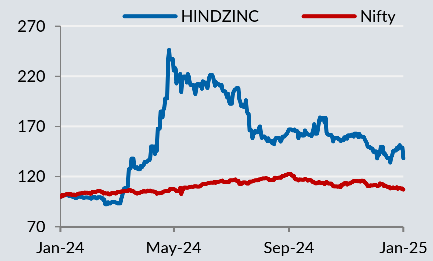
We value HZL at 11x FY27E EV/EBITDA to arrive at our target price of Rs565 /sh.

Recommendation	:	**BUY**
CMP	:	Rs 433
Target Price	:	Rs 565
Potential Return	:	+30%

Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	808 / 285
Market cap (Rs/USD mn)	1904985 / 22023
Outstanding Shares (mn)	4,225
6m Avg t/o (Rs mn):	1,582
Div yield (%):	3.1
Bloomberg code:	HZ IN
NSE code:	HINDZINC

Stock performance



	1M	3M	1Y
Absolute return	-4.7%	-17.7%	38.3%

Shareholding pattern (As of Dec'24 end)

Promoter	63.4%
FII+DII	33.7%
Others	2.9%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	334,530	378,279	401,692
YoY (%)	15.6	13.1	6.2
EBIDTA	175,161	215,021	226,905
EBITDA (%)	52.4	56.8	56.5
PAT	106,477	137,314	146,735
EPS	25.2	32.5	34.7
P/E	17.2	13.3	12.5
BVPS	43	56	68
P/B	10.0	7.8	6.3
ROE (%)	58.3	58.3	50.7
ROCE (%)	54.5	59.4	54.5

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COMPANY OVERVIEW

About Hindustan Zinc Ltd

Headquartered in Udaipur, Rajasthan, Hindustan Zinc (**HZL** or **the company**) was incorporated as a Public Sector Undertaking in 1966 with the goal to be a pioneer in lead-zinc and silver production in India. As part of the government's initiative of disinvestment in 2001, Vedanta Ltd acquired a majority stake in the company. Currently, Vedanta group holds a 63.42% stake with the government of India holding ~27.92%. HZL's operations comprise lead-zinc mines, hydro-metallurgical zinc smelters, lead smelters, pyro-metallurgical lead-zinc smelter as well as sulphuric acid and captive power plants in north-west India. The company is a leading integrated mining and metals company under the Vedanta Group. HZL focuses on the exploration, extraction, processing, and refining of zinc, lead, and silver. Its operations are spread across Rajasthan, with major mining and smelting facilities strategically located for optimal efficiency. The company's sustainability initiatives and ESG goals are central to its operations, emphasizing resource efficiency, community welfare, and governance. It holds the distinction of being the world's second-largest integrated zinc producer and the third-largest silver producer as of 2024.

Exhibit 1: Management Team

Management Team	Position of Responsibility	Description
Mr. Arun Misra	*Chief Executive Officer & Whole-time Director*	Mr. Arun has 36 years of experience in the metal and mining industry and in the strategic areas of quality management and breakthrough leadership. He is also the Chairman of International Zinc Association (IZA) and Chairman of Confederation of Indian industry, Rajasthan
Mr. Sandeep Modi	*Chief Financial Officer*	Mr. Sandeep has two decades of work experience in metals & mining and power industry in areas of core finance including cost control, digitalisation, treasury, investor relations, mergers & acquisition, taxation, risk management and internal audit among others. He has been instrumental in various strategic transactions in his key leadership roles for over a decade. He has been recognised among top CXOs in India at various platforms
Mr. Durairaj M	*Chief Commercial Officer*	Mr. Durairaj has over 19 years of cross-functional experience in procurement, supply chain, logistics, plant operations and growth projects. He served in various leadership roles across the Group's zinc & power sector and Group commercial
Mr. Pradeep Singh	*Chief HSE & Sustainability Officer*	Mr. Pradeep has over 23 years of experience across non-ferrous metals, cement and consultancy
Mr. Vijay Murthy	*Chief Marketing Officer - Metals & Acid*	Mr. Vijay has 20 years of cross-functional experience in finance, procurement, sales & marketing and corporate strategy. He has served in leadership roles across the Group's zinc and copper business in South Africa and India. He has also held leadership positions in cement and chemicals industry.
Mr. Munish Vasudeva	*Chief Human Resources Officer*	Mr. Munish has over 30 years of experience in the human resources function across various verticals of talent acquisition, business partnering, rewards & remuneration, organisational design, leadership development, succession planning and mergers & acquisitions. He has been in leadership roles in a large multinational for over two decades
Ms. Anupam Nidhi	*Head - CSR*	Ms. Anupam has 23 years of experience in the CSR and sustainability spheres. She has served large Indian conglomerates and multinational corporations in leadership roles.

Source: Company; YES Sec

Exhibit 2: The journey so far…

1966
- Foundation of Debari Smelter laid

1978
- Vizag Smelter commissioned
- Balaria Mine at Zawar commissioned

1979
- Discovery of Rampura Agucha, currently the largest UG zinc mine in the world

1984
- Rajpura Dariba Mine commissioned

1989
- Chanderiya Smelter inaugurated
- Rampura Agucha production commenced

2002
- Sterlite Group (now known as Vedanta Ltd.) acquired 26% equity stake in HZL

2005
- Hydro-I commissioned
- HZL became the 3rd largest integrated zinc producer in the world

2007
- Sindesar Khurd Mine commissioned with production capacity of 0.3 million MTPA
- Hydro II commissioned

2009
- HZL became the 2nd largest integrated zinc producer in the world

2010
- Rajpura Dariba Hydro - III zinc smelter commissioned with production capacity of 0.2 million MTPA

2012
- New silver refinery at Pantnagar with capacity of 500 MT commissioned

2013
- Commercial production commenced at Rampura Agucha Underground Mine and Kayad Mine

2016
- HZL shared a Special dividend of 1200% with its shareholders -the largest single dividend in India’s private sector

2018
- RAM - complete transition from OC to UG
- HZL, only private sector Indian Co. to feature in London Bullion Market Association list

2020
- Ranked #1 in the Metals and Mining category in Asia Pacific in the Dow Jones Sustainability Index 2019
- HZL becomes 6th largest producer of primary silver globally and the fastest growing silver company in the world

2024
- Record metal & silver production
- 3rd largest producer of silver globally
- Ranked #1 in S&P Global Corporate Sustainability Assessment (CSA) 2023
- Commissioned India’s first Fumer facility, alloy plant and RD Mill
- Incorporated ‘Hindmetal Exploration Services Private Limited’

Source: Company, YES Sec

Hindustan Zinc Ltd

Business Overview

HZL's business model is fully integrated, encompassing mining, smelting, and captive power generation.

Mining operations

HZL currently operates 5 mining blocks rich in zinc and lead reserves in the state of Rajasthan. The company has a total mineral resources and ore reserves of c.456 million tonnes with over 25+ years of mine life at the current production run-rate. HZL mines are strategically located focus on operational efficiencies and cost optimization processes. The state of Rajasthan comprises c.90% of the total zinc and lead reserves and resources in the country, and HZL's dominant position in the state makes it difficult for competitors to enter the zinc and lead mining industry in India.

Exhibit 3: Total reserves

Hindustan Zinc Assets	Mt	Zn%	Pb%	Ag g/t	Metal
Rampura Agucha	44.4	11.0	1.2	40.0	5.4
Sindesar Khurd	40.1	3.1	2.0	101.0	2.0
Rajpura Dariba	47.1	5.4	1.7	63.0	3.3
Zawar	42.2	2.6	1.5	22.0	1.7
Kayad	1.3	5.2	0.7	12.0	0.1
Bamnia Kalan	-	-	-	-	-
Total	**175.1**	**5.6**	**1.6**	**55.0**	**12.6**

Source: Company, YES Sec

Exhibit 4: Total measured and indicated resources

Hindustan Zinc Assets	Mt	Zn%	Pb%	Ag g/t	Metal
Rampura Agucha	17.1	12.9	2.7	67.0	2.7
Sindesar Khurd	60.0	3.7	1.8	87.0	3.3
Rajpura Dariba	2.5	6.6	2.1	64.0	0.2
Zawar	33.0	3.4	1.9	28.0	1.7
Kayad	3.7	8.3	1.1	20.0	0.4
Bamnia Kalan	20.7	3.3	1.1	40.0	0.9
Total	**137.0**	**4.9**	**1.8**	**61.0**	**9.1**

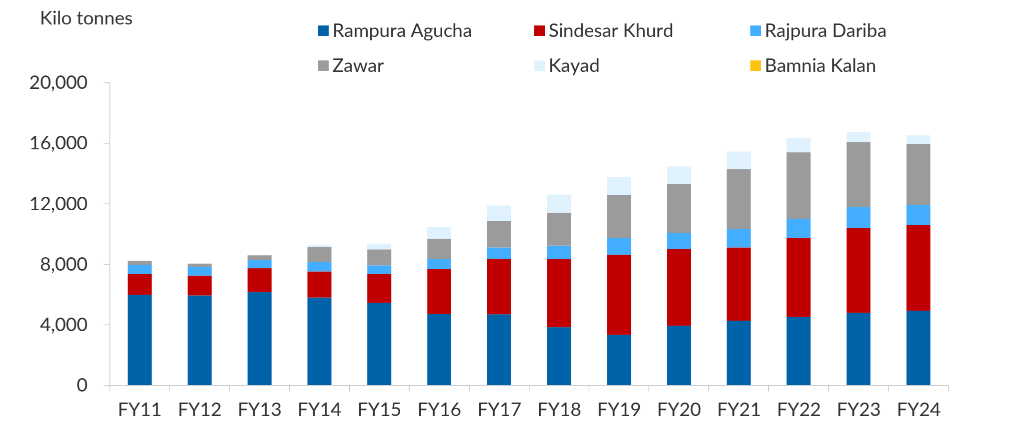
Source: Company, YES Sec

Exhibit 5: Total inferred resources

Hindustan Zinc Assets	Mt	Zn%	Pb%	Ag g/t	Metal
Rampura Agucha	7.7	0.2	5.2	156.0	0.4
Sindesar Khurd	8.9	3.2	1.5	58.0	0.4
Rajpura Dariba	38.1	6.0	1.9	87.0	3.0
Zawar	67.6	3.8	2.2	38.0	4.1
Kayad	1.7	5.7	0.3	9.0	0.1
Bamnia Kalan	20.2	3.5	1.4	46.0	1.0
Total	**144.2**	**4.2**	**2.1**	**59.0**	**9.1**

Source: Company, YES Sec

Exhibit 6: Mine-wise production

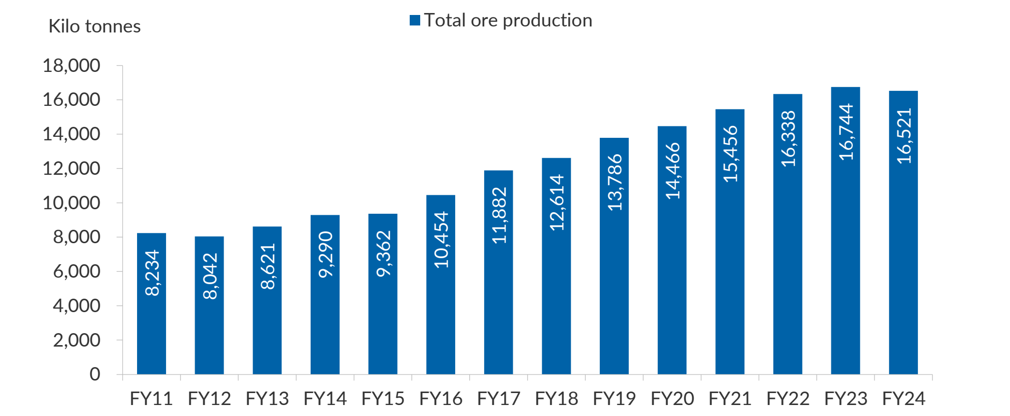


Source: Company; YES Sec

Rampura Agucha remains one of the country's highest-grade mineral deposits. However, per the mining expansion potential we believe that the future production growth will be increasingly driven by the Zawar and Sindesar Khurd mines. Notably, Zawar holds substantial reserves and resources (R&R), positioning it as a critical component in HZL's strategic expansion plans, with a focus on maximizing output from this asset.

HZL's strategy going ahead is to renew current mining leases for the existing mines. Rampura Agucha, Zawar and Rajpura Dariba mines are set to have lease expiries in 2030, however HZl holds the right to refusal for all the three mines. Additionally, Bamnia Kalan will start contributing on the ore front from FY28E onwards at full capacity, thereby starting the company's expansion plan towards the 2,000 ktpa production target.

Exhibit 7: Ore production over the years



Source: Company; YES Sec

Smelting and refining operations

Being a fully integrated zinc-lead producer, HZL operates smelters across the state of Rajasthan and close to its mining operations. The company currently has a total refined metal production capacity of 1,123 ktpa. Out of the total, Zinc smelting capacities account for 913 ktpa and lead account for 210 ktpa. In addition to this, the company also has a refining capacity of 800 tpa for Silver which is essentially a by-product of the lead smelting process.

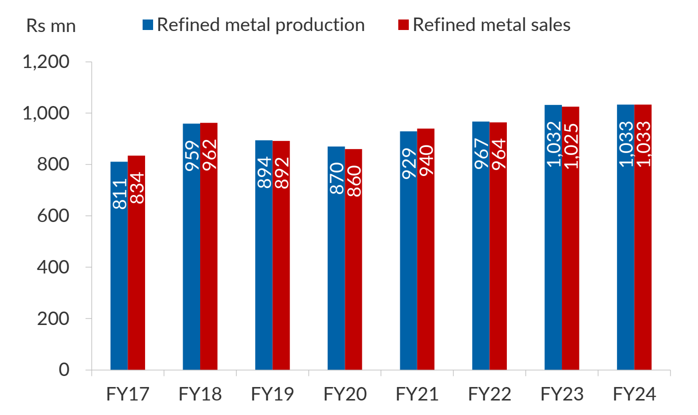
Exhibit 8: Smelting capacities

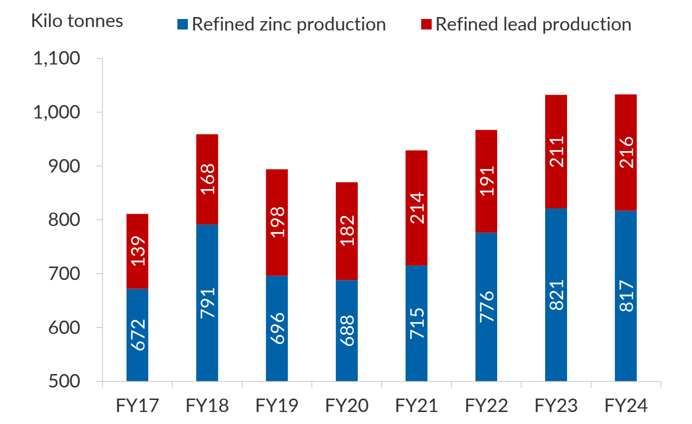
Tonnes per annum	Pyro-metallurgical Zinc Smelter	Pyro-metallurgical Lead Smelter	Hydro-metallurgical Zinc Smelter	Lead Smelter
Chanderiya Lead-Zinc Smelter	105,000	90,000	480,000	
Dariba Smelting Complex			240,000	120,000
Debari Zinc Smelter			88,000	

Source: Company; YES Sec

The Chanderiya Lead-Zinc Smelter stands as one of the world's largest zinc-lead smelting complexes, with a current annual metal production capacity of 675 ktpa. Additionally, the 800-tons silver refining plant at Pantnagar, Uttarakhand, plays a strategic role in the company's operations. A significant development at the facility has been its full transition to 100% renewable power, sourced from Uttarakhand Power Corporation Limited (UPCL). This shift has allowed HZL to classify its finished products as environmentally sustainable, aligning with its long-term objective of achieving net-zero carbon emissions by 2050.

Exhibit 9: Refined metal operational highlights





Source: Company; YES Sec

Over the past decade (FY14-24), zinc and lead production has shown limited growth, maintaining a modest CAGR of 1.6%, in line with global production trends for both metals. However, production volumes are projected to accelerate at a CAGR of 5% over the FY24-27E period. This anticipated growth will be primarily driven by capacity expansion initiatives, enhancing the company's refining capabilities and production output. The new 160 ktpa roaster, fumer ramp-up and various debottlenecking projects currently being undertaken will lead the way in HZL's goal of producing 1,200+ ktpa of refined metal.

The zinc-lead smelting process generates valuable by-products, including silver and sulphuric acid, which are expected to play a strategic role in the company's expansion plans. To further capitalize on sulphuric acid production, the company is developing a 510 ktpa DAP/NPK fertilizer plant at Chanderiya. This initiative aims to reduce dependency on imported DAP fertilizers by catering to domestic agricultural demand while optimizing sulphuric acid utilization for fertilizer production. Beyond operational efficiency, this project supports sustainable agriculture and is positioned to enhance profitability by improving by-product margins.

In addition to the above-mentioned capacities, HZL also has capacities to treat sulphuric acid which is a by-product of the base metal smelting process. The total sulphuric acid capacity stands at 1,500 ktpa – 600 ktpa at Dariba, 600 ktpa at Chanderiya and 300 ktpa at Debari.

Power capacities and costs

HZL's manufacturing capabilities are backed by captive power plants and renewable power capacities to support the rising need of green power. HZL has 603.16 MW of captive power capacities for its smelting and refining operations. Additionally, the company has wind power plants of 273.50 MW which generate commercial power. The Pantnagar refinery operations run at a 100% green energy route. The captive power helps in providing low-cost and reliable power for the company's sustained operations. HZL is keen on expanding its solar power capacities in a bid to push for its climate change goals. HZL also signed a renewable Power Delivery Agreement (PDA) for sourcing 450 MW of renewable energy, providing power cost insulation from commodity price variations and strengthening its cost leadership further. In addition to this, HZL's board approved another PDA taking renewable power capacity to 530 MW taking to the overall renewable energy to c.70% of total power requirement.

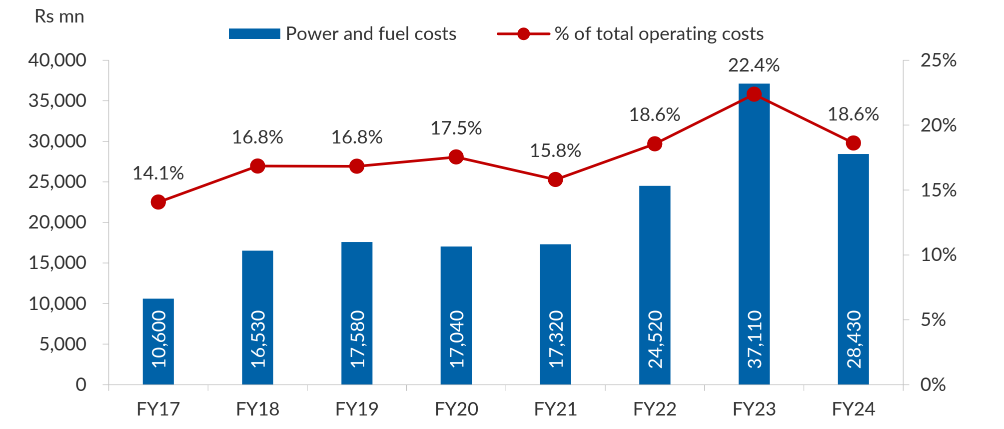
Exhibit 10: Total power generation capacity

Particulars	Capacity (MW)
Thermal Power (CPP)	514.00
Solar	40.70
Waste Heat Recovery Boiler (WHRB)	48.46
Total Captive Power Capacity	**603.16**
Wind Power (Commercial)	273.50
Total Power Capacity	**876.66**

Source: Company; YES Sec

Power and fuel constitute ~20% of the company's total operational costs, highlighting its significance in cost management. Currently, around 15% of HZL's captive power requirements are fulfilled through renewable sources, including solar and WHRB, while the remainder is sourced from thermal power plants. The company has set a strategic target to achieve a balanced 1:1 power mix between renewable and thermal energy by the end of FY26E. Based on the ongoing renewable energy initiatives and the 450 MW renewable energy agreements, HZL is projected to meet 50% of its energy needs through sustainable sources. This transition is expected to deliver cost efficiencies, with every 2% increase in renewable energy share contributing to an estimated $1/t reduction in power costs.

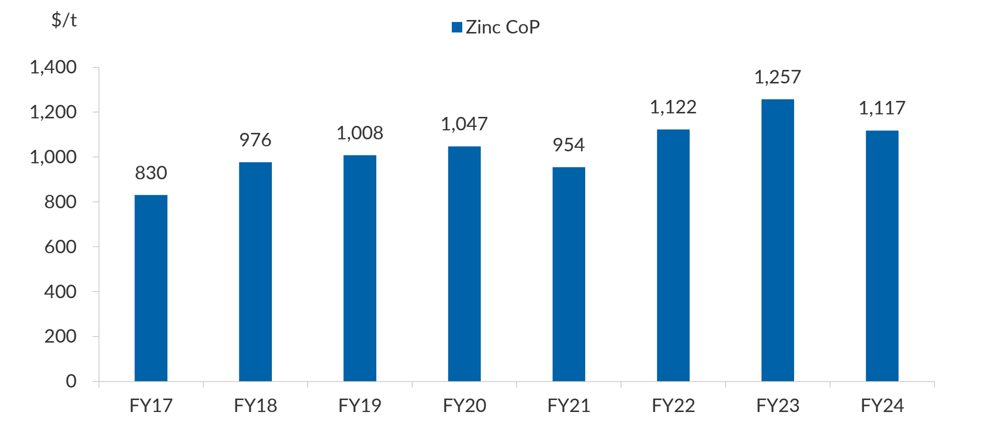
Exhibit 11: Power cost as a % of total costs (including royalties)



Source: Company; YES Sec

HZL is one of the lowest cost producers of zinc and lead in the world and ranks in the 1st decile of the global zinc mining cost curve.

Exhibit 12: Zinc cost of production (excluding royalties)



Source: Company; YES Sec

During 9MFY25, HZL reported an average Zinc CoP of $1,073/t (excluding royalties), reflecting an improvement of c.$45/t compared to FY24. This marks a continuation of the company's cost optimization efforts, with CoP declining steadily since its peak of $1,257/t in FY23. The reduction has been driven by multiple factors, including higher ore grades, lower input commodity prices, improved coal linkages, and enhanced operational efficiencies. HZL has set a near-term sustainable CoP target of $1,050-1,100/t (excluding royalties), which appears attainable given the company's strategic shift toward increasing its renewable energy mix, expected to further support cost control initiatives.

Exhibit 13: Cost-wise breakup

Particulars	FY19	FY20	FY21	FY22	FY23	FY24
RM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Power and fuel	16.8%	17.5%	15.8%	18.6%	22.4%	18.6%
Purchases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in Inventories	(0.6%)	(3.0%)	2.2%	(2.1%)	(0.9%)	(1.0%)
Royalties	25.2%	24.2%	25.2%	27.8%	24.5%	23.0%
Employee costs	8.7%	7.1%	6.9%	5.4%	5.1%	5.4%
Other expenses	50.0%	54.1%	49.9%	50.4%	48.9%	54.0%

Source: Company; YES Sec

Capital expenditure plans

HZL's long-term plan is to be a 2,000 ktpa+ base metal producer and be amongst the largest players globally. With the current mining capacities at c.1,200 ktpa, HZL's focus now lies at exploration of resources at its various sites. The Bamnia Kalan mine is expected to start its ore production activities during FY28E. The key targets for HZL would be focus on exploration activities and determining better grade ore. Additionally, with three of the mines entering the end of its lease period, HZL will now be looking to retain those existing leases and additionally bid to acquire new potential mining areas. In addition, to the exploration process, the company is also boosting its metal production capabilities to reach the 2,000 ktpa goal. The long-term plan also inculcates taking silver producing capacities to 1,000 tpa from the current 800 tpa.

In the near term, HZL is looking to add a roaster of 160 ktpa at its Debari smelting complex which is expected to be operational by the end of FY25E. Additionally, the company also set up Hindustan Zinc Fertilisers Private limited for its DAP/NPK fertilizer plant at Chanderiya. The fertilizer plant capacity will be 510 ktpa and is aimed at supporting the agrochemical industry in terms of import substitution. Additionally, this plant will also lead the company into forward integrating and better utilizing the sulphuric acid which is a by-product of zinc and lead smelting operations. The management guides an annual run-rate of about Rs 4,000-5,000 million of incremental EBITDA to be expected from FY27E onwards.

INVESTMENT RATIONALE

We initiate with a BUY rating and a target price of Rs 565/share

The key reasons behind our investment rationale and a positive stance on the company's projected earnings are as follows -

Refined metal (Zinc + Lead) volumes to grow to c.1,200 kt by FY27E amidst a favourable pricing environment

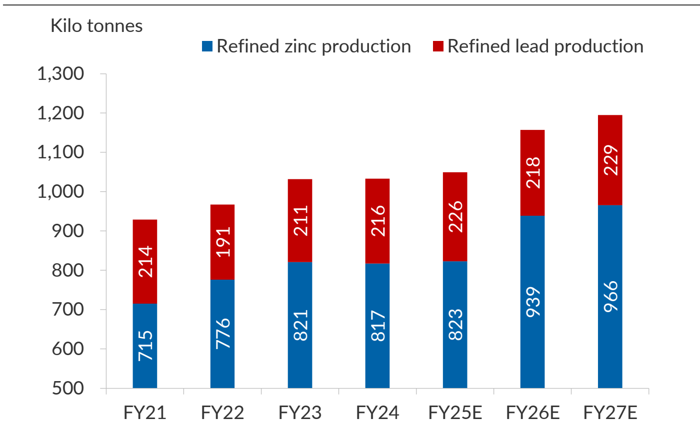
With a total smelting capacity of 1,100 ktpa+, HZL currently produces c.1,030 kt of refined metal. With the Debari plant adding a new roaster of 160 ktpa for its zinc production operations by the end of FY25E along with Fumer ramp up to ~8kt of metal production and various debottlenecking projects being undertaken will help in achieving the total smelting operations capacity of c.1,200 ktpa. We see the company's production and sales volumes to grow in tandem with this capacity infusion. Over the course of FY24-27E, we expect the company's mined metal volumes to grow at a CAGR of 5% to reach the management guided 1,200 kt refined metal volume target.

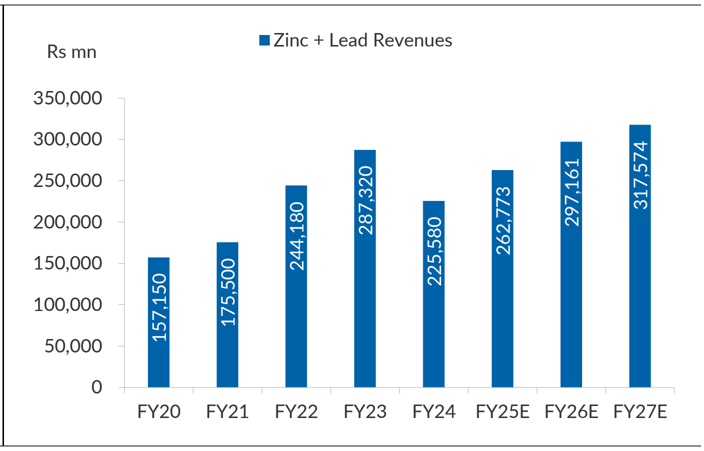
We project the zinc revenues to grow at a CAGR of 14.5% during FY24-27E on account of improving realizations and volumes from the 160 ktpa roaster addition at Debari smelting complex. We expect zinc prices to become less volatile as the demand and supply sides are expected to show moderate growth in line with the last 10 years. For lead, we expect moderate volume addition of 2% during the period. We expect revenues from the Lead business to grow at a CAGR of 4.6% during the FY24-27E period, on account of improving pricing and moderate volume growth.

Refined metal combined revenues are projected to grow at a c.12% CAGR during the FY24-27E period with the blended zinc and lead pricing expected to improve by c.6% CAGR during the period and the rest of the growth kicking in from the higher lead and zinc volumes.

HZL's long-term target to deliver 2,000+ ktpa volumes remains intact and the company is focusing on increasing its mining output through mining expansion and reserves exploration initiatives at its various mining sites. This goal shall be attained through adding new reserves, renewing existing mining leases and bidding for new ones. *(We haven't taken the increase in the mining capacities in our assumptions and await a detailed plan to be announced by the company in the upcoming quarters, hence, this may have an upside risk to our valuation estimates.)*

Exhibit 14: Refined metals to see uptick in volumes and pricing



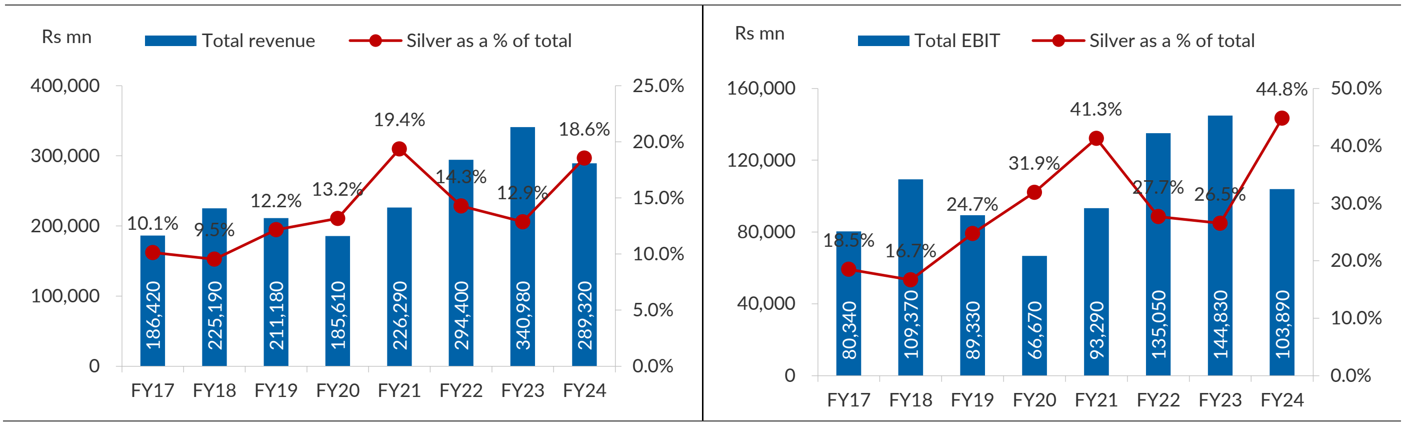


Source: Company; YES Sec

Silver business: HZL's Trump card going forward

Over the last decade, the silver business has steadily become an integral part in the company's earnings. We see the silver business to continue playing an important role in HZL's future earnings potential. The global silver industry is expected to be in a supply side deficit as compared to the new demand avenues from both the industrial sector as well as PV cell manufacturing whereas the mining supply has remained stagnant facing challenges like falling ore grades, reserves depletion and no new mining capacity additions. Such a scenario will potentially keep the silver prices firm in the near-term. HZL's point of focus remains to achieve 800 tons per annum production target from its silver refining facilities. In FY24, HZL also commissioned a first of its kind Fumer facility in India with the focus of extracting silver from the smelting waste. The present Fumer capacity is ~32 tons of Silver and ~8kt of refined metal on annual basis. FY24 recorded one of the highest ever volume output at 746 tons. We expect the same to reach 776 tons by FY27E in line with increased refined metal production and Fumer to ramp up to its capacity. This accounts for a CAGR growth of 1.3% during the FY24-27E period showing moderate growth in-line with how the company's smelting operations are expected to grow.

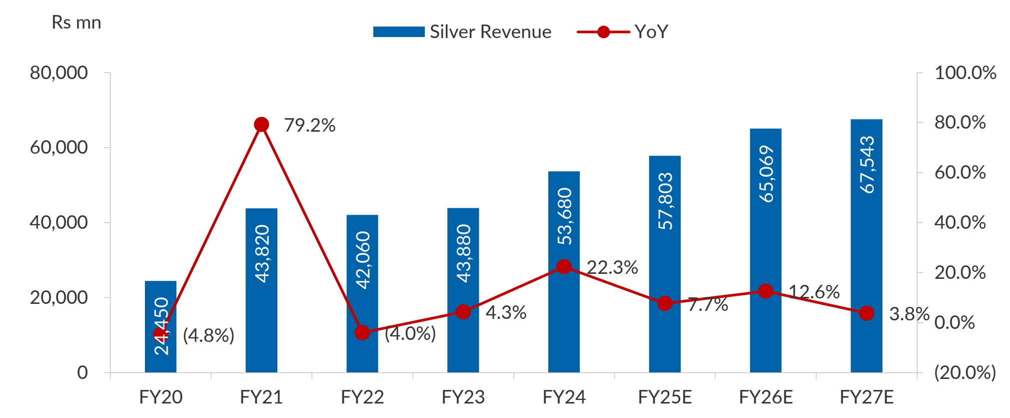
Exhibit 15: Silver's value in the business



Source: Company; YES Sec

Silver's earnings share in the HZL's profitability has followed an increasing trend over the years, owing to the rise in the prices of the precious metal. We expect this trajectory to sustain in our forecasts for FY25-27E. Such a scenario benefits HZL since silver is a high-margin business for the company as the metal comes as a by-product of its smelting operations. We project revenues from the silver business to grow at a CAGR of 8% during the FY24-27E. From FY15-24, the EBIT margins have averaged at c.86%. If we extrapolate these going ahead, silver's business EBIT contribution will continue to remain high and grow at a CAGR of 7.7% during the FY24-27E period. We see that the 'Silver' business will inevitably be appealing for HZL's earnings potential.

Exhibit 16: Silver revenue estimates

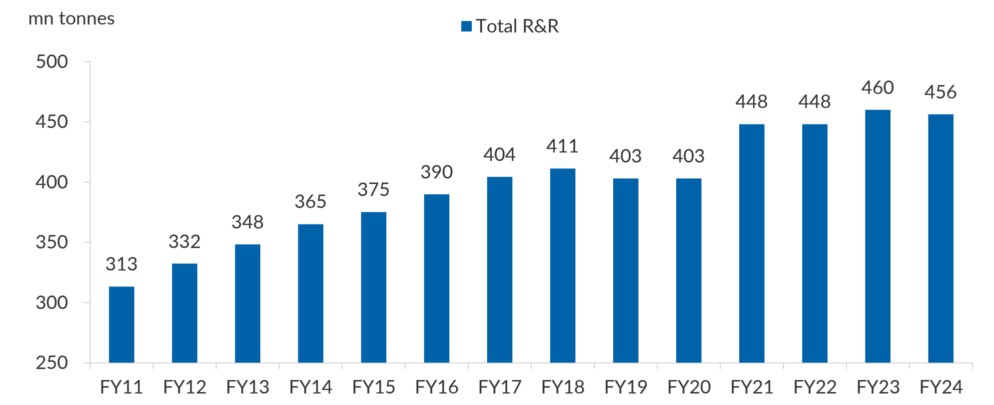


Source: Company, YES Sec

Expansion plans to focus on new reserves and resources with a low-debt profile

HZL's goal of being a 2,000+ ktpa refined metal producer will be highly dependent on its future capacity expansion plans on the mining front. Currently, the company operates 5 mines in the state of Rajasthan with another one being added and is expected to contribute to the ore production from FY27E onwards. At the current level of resources and reserves (R&R), the company has the second highest zinc R&R globally. Total ore reserves, as of March 31, 2024, stand at 175.1 million tonnes. HZL has a proven track record of delivering organic R&R growth in the last decade. The R&R has increased from 365 Mt ore (containing 35.2 Mt metal) in 2014 to 456.3 Mt ore (containing 30.8 Mt metal) by 2024.

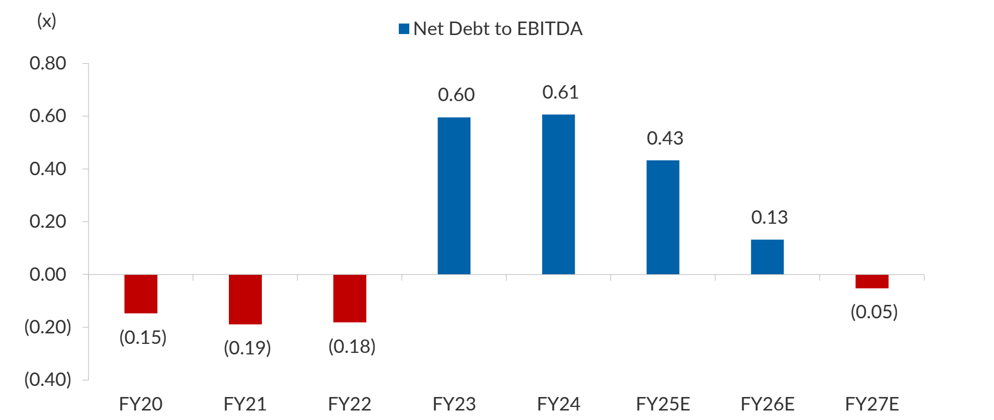
Exhibit 17: R&R growth over the years



Source: Company, YES Sec

The current level of measured ore resources that the company has stands at 281 million tonnes of ore (with 18.1 million tonnes of metal). Historically, the resource to reserves conversion ratios has remained high at 90%+ and is projected to grow at similar rate moving ahead, thereby providing about 25+ years of mining material left at the current levels of production.

Exhibit 18: Debt profile



Source: Company, YES Sec

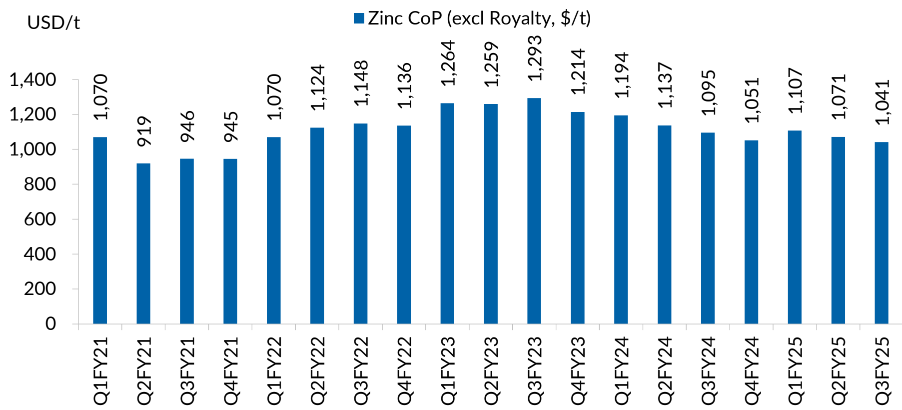
We see HZL to comfortably reduce debt with its high-cash generation business. HZL is expected to become a net cash company over the course of our forecast period till FY27E. This shall be backed majorly through the rise in the volumes of Zinc and Lead plus additional Silver volumes expected to come through the fumers ramping up along with a stabilized pricing environment across the three metals..

Cost-saving initiatives and increased VAPs are expected to accrue benefits over the long-term

HZL continues to prioritize cost optimization, targeting a long-term sustainable cost structure of $1,000–1,100/t. For FY25E, the company's Zinc CoP guidance of $1,050–1,100/t appears well within reach, supported by several factors: lower e-auction prices, improved ore grades, enhanced coal linkage availability, and increased reliance on renewable energy through its partnership with Serentica Renewable India Private Ltd. Currently, renewable energy accounts for c.15% of HZL's total power consumption, a figure projected to rise to c.50% by FY26E. Additionally, HZL's Board has approved another PDA taking the renewable power capacity to 530 MW taking to the overall renewable energy to c.70% of total power requirement.

The Power Delivery Agreement (PDA) with Serentica is a critical component of HZL's strategy to reduce costs while advancing sustainability goals, positioning itself as one of the world's cleanest zinc and lead producers. Serentica will supply 200 MW of renewable energy to HZL's Dariba smelting operations and 250 MW to its Chanderiya plant. This transition to green energy offers significant cost advantages, with every 2% increase in renewable energy share reducing power costs by approximately $1 per tonne. Over the next 18 months, this shift is expected to yield cost savings of roughly $20 per tonne, reinforcing HZL's commitment to cost efficiency and environmental responsibility.

Exhibit 19: Zinc CoP/t (excluding royalties) – Quarterly trends



Source: Company, YES Sec

In addition to its cost optimization initiatives, HZL is focusing on enhancing the value-added product (VAP) mix to strengthen its earnings profile. The company has commissioned a 30 ktpa facility for manufacturing zinc alloys through melting and casting operations, operational since FY24. This facility is expected to contribute positively to future revenue streams by expanding the existing product portfolio.

Furthermore, HZL is working to optimize the utilization of sulphuric acid, a by-product of its metal smelting operations, by establishing a 510 ktpa DAP/NPK fertilizer plant at Chanderiya. This strategic move aims to meet domestic fertilizer demand, currently reliant on imports, while effectively repurposing sulphuric acid for fertilizer production. The plant, slated for commissioning in FY26E, is projected to generate an EBITDA of ₹4,500–5,000 million at full capacity.

These developments present a potential upside risk to HZL's valuation, as the benefits of the fertilizer project have not yet been factored into our current valuation estimates, highlighting room for upward revisions as the project starts operations.

VALUATION ASSUMPTIONS AND SUMMARY

Exhibit 20: Valuation Assumptions

Valuation assumptions	FY24	FY25E	FY26E	FY27E
Pricing assumptions				
LME Zinc (USD/t)	2,475.00	2,878.00	2,950.00	3,050.00
LME Lead (USD/t)	2,122.00	2,079.50	2,100.00	2,150.00
Silver prices (USD/oz)	23.60	29.78	31.00	31.00
USD/INR	82.78	83.99	84.50	85.00
Volumes highlights (ktpa)				
Refined zinc production	817	820	939	966
Refined lead production	216	226	218	229
Total refined metal production	1,033	1,046	1,157	1,195
Silver volumes (Tons)	746	691	752	776

Source: YES Sec

Exhibit 21: Valuation Summary

Rs million	FY27E	Per-share
EBITDA	226,905	*53.71*
EBITDA multiple (x)	11.0	
EV	2,495,953	*590.76*
Net Debt (H1FY25)	134,520	*31.84*
CWIP (H1FY25)	25,670	*6.08*
Market capitalization	2,387,103	
No. of shares outstanding	4,225	
Rs/share	565	
CMP	433	
Upside (%)	30%	

Source: Company, YES Sec

Over the last decade, HZL stock has averaged at 10x 1-year forward EV/EBITDA. We have given a 10% premium to our multiple on the back of the strong potential that the Silver business holds both in terms of volumes an pricing uptick clubbed with increasing refined metal volumes with strong cash generation over the next 3 years. Additionally, we believe the captive mines of HZL add enormous value to HZL's business case in the global base metals space and has been vital in keeping a steady EBITDA profile of c.50%+. In addition to the backward integration benefits, the company is poised to gain on the profitability front through its VAP initiatives and ESG goals on the renewable energy front.

We value HZL at 11x FY27E EV/EBITDA to arrive at our target price of Rs 565/share.

Exhibit 22: Case Analysis

In Rs million	BEAR CASE			BASE CASE			BULL CASE		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Valuations									
EBITDA	146,353	185,599	201,303	175,161	215,021	226,905	177,024	224,456	238,800
EV Multiple (x)			10 x			11 x			11 x
Enterprise value			2,013,034			2,495,953			2,626,803
Net debt (H1FY25)			134,520			134,520			134,520
CWIP (H1FY25)			25,670			25,670			25,670
Equity value			1,904,184			2,387,103			2,517,953
No of shares			4,225			4,225			4,225
Price/sh			451			565			596
CMP			433			433.20			433
Upside (%)			4%			30%			38%
Assumptions									
Pricing assumptions									
LME Zinc (USD/t)	2,800	2,850	2,950	2,828	2,950	3,050	2,900	3,050	3,200
Zinc Premium	244	250	250	244	250	250	244	250	250
LME Lead (USD/t)	2,050	2,000	2,050	2,103	2,100	2,150	2,150	2,150	2,200
Lead Premium	224	250	250	224	250	250	224	250	250
Silver prices (USD/oz)	28.00	28.50	29.00	29.55	31.00	31.00	30.50	31.50	32.00
Silver Premium	2.06	1.00	1.00	2.06	1.00	1.00	2.06	1.00	1.00
USD/INR	84	85	85	84	85	85	84	85	85
Operational highlights									
Refined zinc production	800	900	950	823	939	966	840	950	966
Refined lead production	175	200	200	226	218	229	226	220	229
Total refined metal production	**975**	**1,100**	**1,150**	**1,049**	**1,157**	**1,195**	**1,066**	**1,170**	**1,195**
Silver volumes (Tons)	680	740	760	691	752	776	700	760	790
Financials	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**
Revenue from zinc	204,379	235,755	258,400	212,186	253,872	270,879	221,648	264,908	283,280
Revenue from lead	33,691	38,025	39,100	44,146	43,289	46,696	40,784	39,969	42,823
Revenue from silver	54,900	59,028	62,016	58,653	65,069	67,543	61,215	66,789	70,910
Revenue from by-products	12,012	15,583	15,996	12,012	15,583	15,996	12,012	15,583	15,996
Total Revenue	**304,982**	**348,391**	**375,512**	**326,997**	**377,813**	**401,113**	**335,659**	**387,248**	**413,009**
Cost of goods sold	68,119	72,281	74,928	68,119	72,281	74,928	68,119	72,281	74,928
Employee benefit expense	8,301	8,343	8,385	8,301	8,343	8,385	8,301	8,343	8,385
Other expenses	83,073	84,377	93,035	83,073	84,377	93,035	83,073	84,377	93,035
EBITDA	**145,489**	**183,390**	**199,164**	**167,504**	**212,811**	**224,766**	**176,166**	**222,246**	**236,661**
EBITDA %	**47.7%**	**52.6%**	**53.0%**	**51.2%**	**56.3%**	**56.0%**	**52.5%**	**57.4%**	**57.3%**

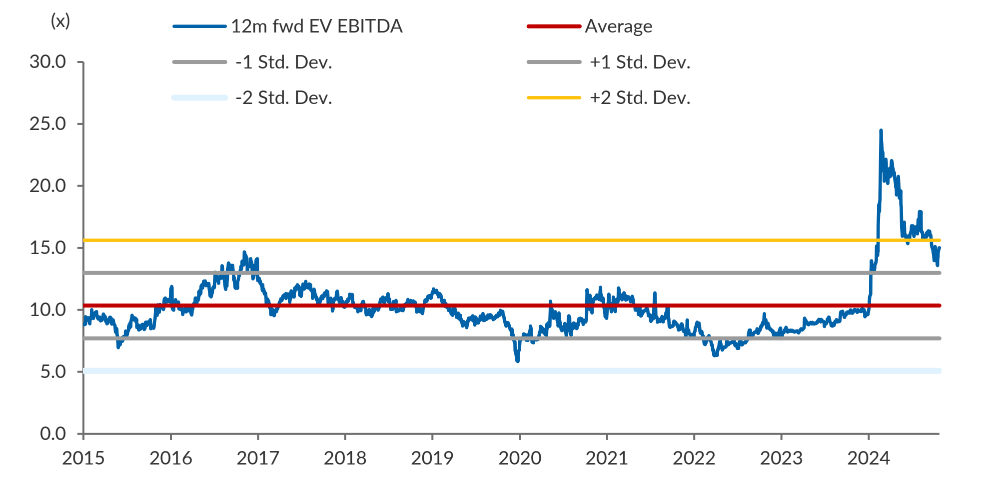
Source: YES Sec

Exhibit 23: Dupont analysis

Y/e 31 Mar	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net profit margin (%)	42.01	37.67	36.66	35.26	32.71	30.85	26.91	31.83	36.30	36.53
Asset turnover (x)	0.51	0.50	0.40	0.49	0.66	0.96	0.85	0.93	0.96	0.94
Financial leverage (x)	1.19	1.26	1.17	1.42	1.30	2.74	2.23	1.98	1.68	1.48
Return on equity (%)	25.82	23.68	16.88	24.70	28.09	81.29	51.12	58.26	58.29	50.71

Source: YES Sec

Exhibit 24: HZL - 12m forward EV/EBITDA band chart



Source: Bloomberg, YES Sec

Key risks to our investment thesis

- **Commodity pricing risk:** The metals industry remains prone to the commodity pricing risk. We see that the commodity pricing can cause ample shifts in the profitability of the company. HZL operates across levels of the zinc, lead and silver value chain, thereby leaving it prone to market pricing risks which are heavily linked to the global metal demand and supply scenarios.
- **Global demand and cyclical nature of the industry:** The metals industry relies heavily on global supply-demand dynamics and future demand expectations, making it highly cyclical. China's significant influence as a major player in both supply and demand has a crucial impact on metal prices. Any global economic slowdown, particularly in China, can exert downward pressure on commodity prices, posing a risk to our investment thesis. Furthermore, geopolitical events like wars, trade disruptions, and natural disasters affecting mining operations can also contribute to price volatility in the industry.
- **DAP/NPK plant to kick in during FY26E:** HZL is currently setting up a 510 ktpa DAP/NPK fertilizer plant to better utilize sulphuric acid volumes (by-product of the smelting processes). We haven't factored in the potential EBITDA which is expected to flow in through the company's future earnings once the plant is fully ramped-up and thereby can have an upside risk to our valuation assumptions.

Exhibit 25: Global Peers vs Hindustan Zinc

Company (in USD mn)	Share Price (USD)	Mcap (USD)	Revenue				EBITDA				EBITDA %			
			2024Y	2025Y	2026Y	2027Y	2024Y	2025Y	2026Y	2027Y	2024Y	2025Y	2026Y	2027Y
Hindustan Zinc	5	21,154	3,343	3,865	4,370	4,641	1,578	2,024	2,484	2,621	47.2	52.4	56.8	56.5
Base Metals														
Korea Zinc	584	12,104	8,270	8,884	9,375	NA	901	972	1,048	NA	10.9	10.9	11.2	NA
Teck Resources	42	21,531	9,279	7,493	8,093	7,960	3,549	3,047	3,588	3,558	38.3	40.7	44.3	44.7
Glencore	449	54,521	236,408	231,028	231,720	236,745	14,821	16,918	17,341	17,979	6.3	7.3	7.5	7.6
Boliden	31	8,368	7,850	8,497	8,981	9,071	1,675	1,721	2,017	2,087	21.3	20.3	22.5	23.0
Silver														
KGHM Polska	31	6,107	8,778	9,107	9,019	9,204	1,864	2,131	2,129	2,285	21.2	23.4	23.6	24.8
Buenaventura	13	3,456	1,203	1,228	1,296	1,372	717	721	671	537	59.6	58.7	51.8	39.2
Pan American Silver	22	8,012	2,822	2,980	3,032	2,926	1,009	1,226	1,326	1,441	35.8	41.1	43.7	49.3
Fresnillo	836	6,132	3,301	3,611	3,479	3,442	1,318	1,684	1,552	1,519	39.9	46.6	44.6	44.1
Indutrias Penoles	13	5,329	6,068	6,358	6,206	6,753	1,453	2,132	1,968	2,312	23.9	33.5	31.7	34.2

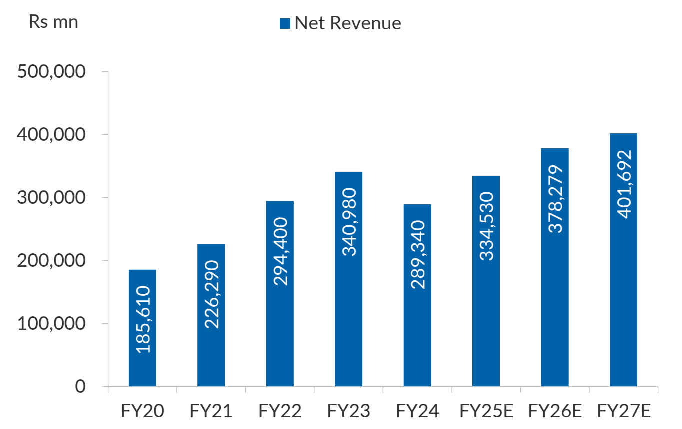
Source: Bloomberg; YES Sec

Company (in USD mn)	EBIT				P/E				EV/EBITDA				EV/EBIT			
	2024Y	2025Y	2026Y	2027Y	2024Y	2025Y	2026Y	2027Y	2024Y	2025Y	2026Y	2027Y	2024Y	2025Y	2026Y	2027Y
Hindustan Zinc	1,178	1,598	2,047	2,157	15.86	17.20	13.34	12.48	9.65	10.78	8.51	7.84	12.93	13.65	10.33	9.53
Base Metals																
Korea Zinc	663	717	777	NA	26.85	23.16	21.84	NA	13.97	12.95	12.01	NA	18.07	16.72	15.59	NA
Teck Resources	1,976	2,057	2,483	2,236	26.60	26.94	21.91	20.32	5.94	6.92	5.88	5.93	10.15	10.21	8.21	8.52
Glencore	7,390	9,270	9,724	9,644	15.73	11.64	10.56	9.39	5.22	4.57	4.46	4.30	11.36	8.13	7.54	7.56
Boliden	1,133	1,065	1,315	1,436	10.14	10.97	8.80	8.14	5.71	5.56	4.75	4.53	8.52	9.37	7.29	6.28
Silver																
KGHM Polska	959	1,195	1,230	1,079	12.23	6.82	7.18	8.07	3.95	3.45	3.46	3.17	7.87	6.20	5.91	7.14
Buenaventura	303	273	345	347	8.69	9.57	8.15	6.89	4.84	4.82	5.17	6.46	12.27	13.82	10.06	8.49
Pan American Silver	501	733	734	774	27.25	16.29	12.32	13.27	8.30	6.83	6.31	5.81	15.83	10.29	9.58	8.26
Fresnillo	716	1,094	1,010	1,017	19.09	9.73	10.63	11.14	5.07	3.97	4.30	4.40	8.51	5.19	5.35	4.53
Indutrias Penoles	722	1,445	1,281	1,676	66.04	8.52	9.76	9.51	5.73	3.90	4.23	3.60	29.35	11.12	11.86	0.58

Source: Bloomberg; YES Sec

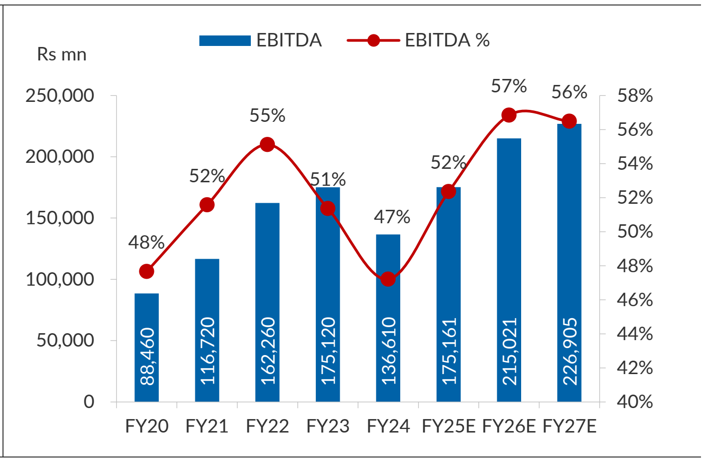
STORY IN CHARTS

Exhibit 26: Revenue



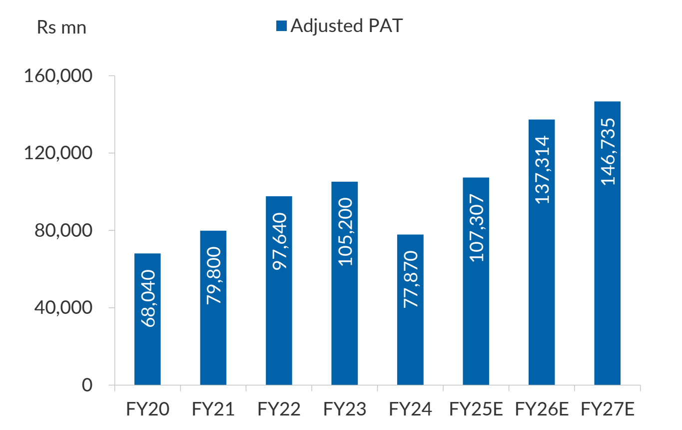
Source: Company, YES Sec

Exhibit 27: EBITDA



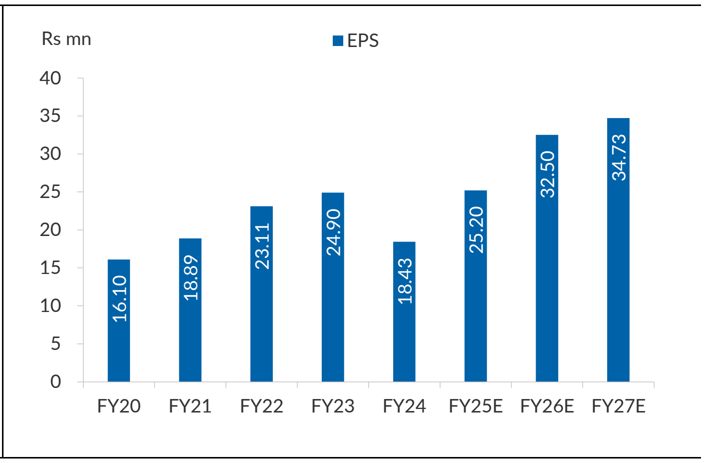
Source: Company, YES Sec

Exhibit 28: Adjusted PAT



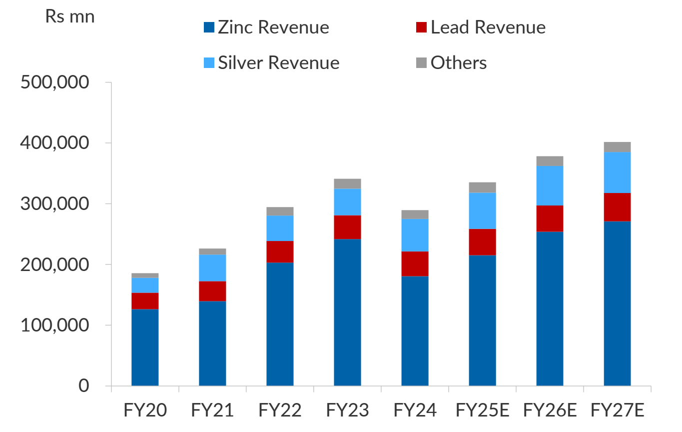
Source: Company, YES Sec

Exhibit 29: Adjusted EPS



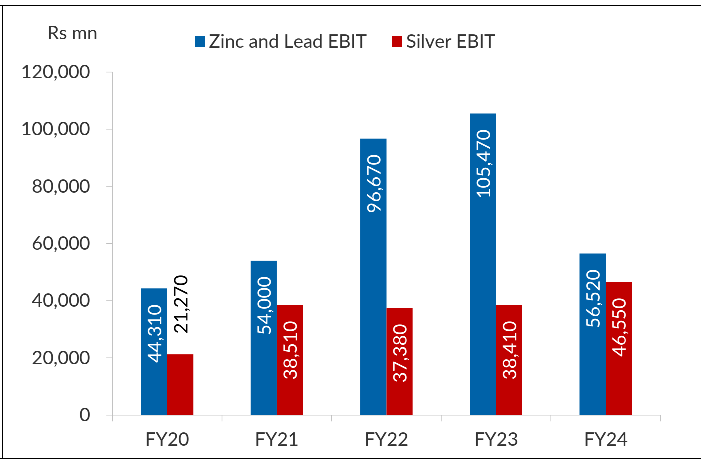
Source: Company, YES Sec

Exhibit 30: Segment Revenue



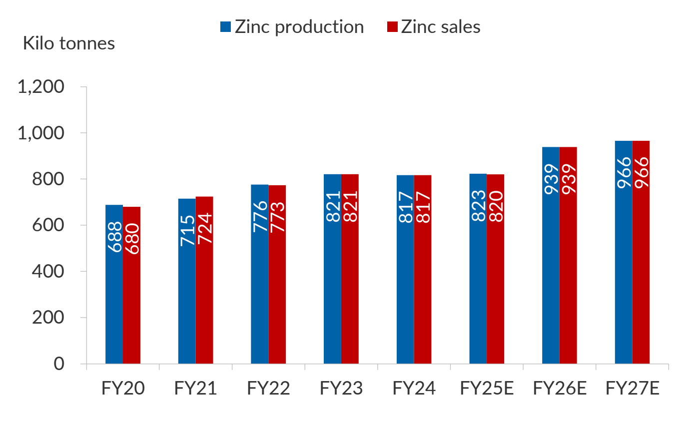
Source: Company, YES Sec

Exhibit 31: Segment EBIT



Source: Company, YES Sec

Exhibit 32: Zinc operational highlights

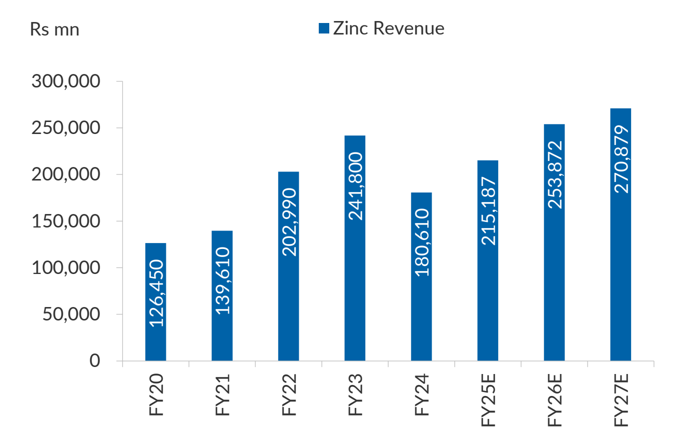


Source: Company, YES Sec

Exhibit 33: Zinc pricing

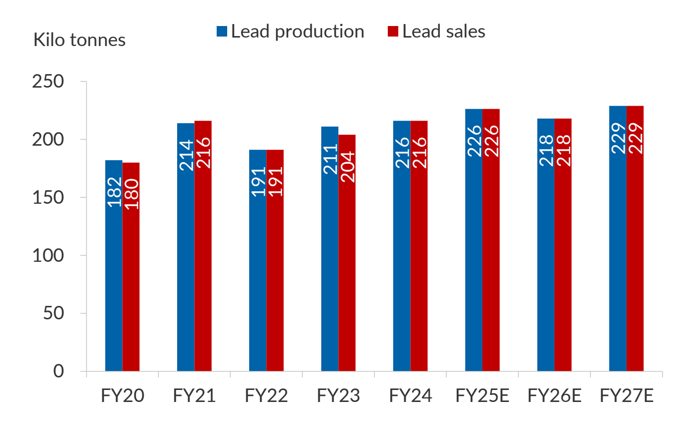
Source: Company, YES Sec

Exhibit 34: Zinc revenues



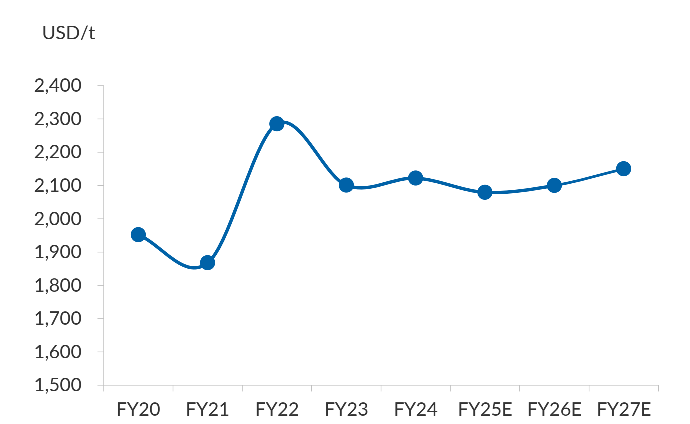
Source: Company, YES Sec

Exhibit 35: Lead operational highlights



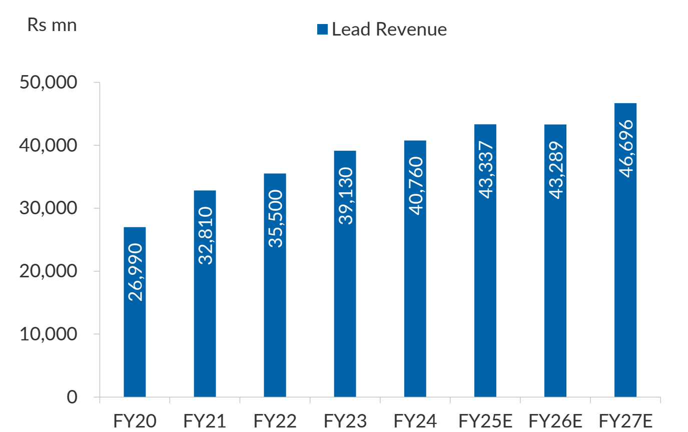
Source: Company, YES Sec

Exhibit 36: Lead pricing



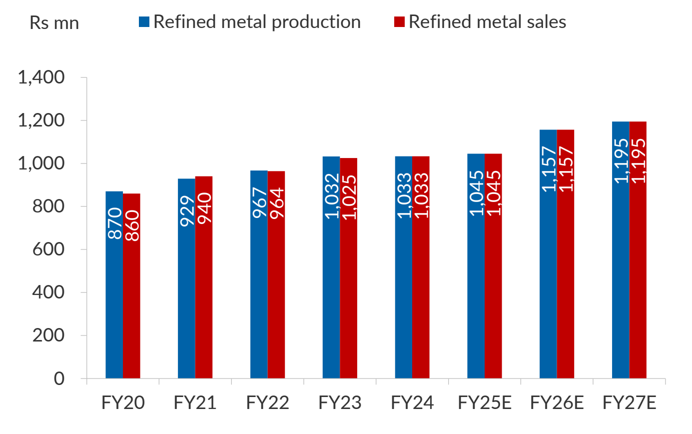
Source: Company, YES Sec

Exhibit 37: Lead revenues



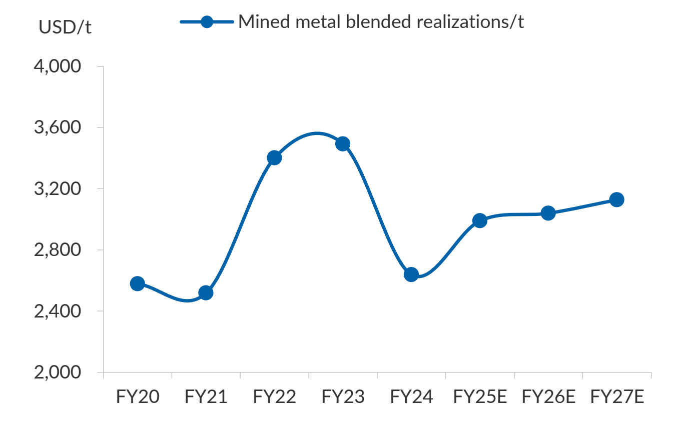
Source: Company, YES Sec

Exhibit 38: Mined metal operational highlights



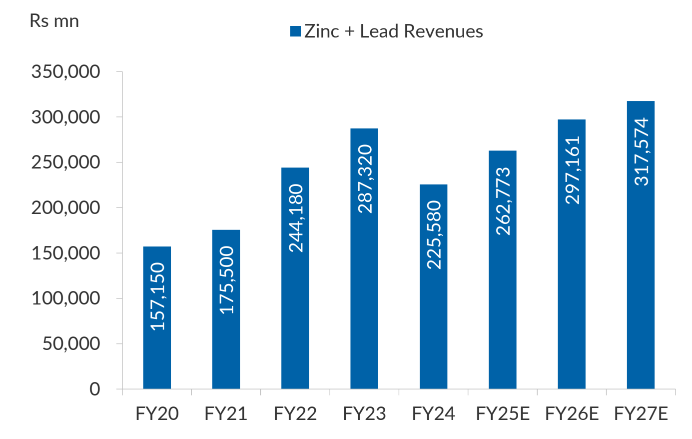
Source: Company, YES Sec

Exhibit 39: Mined metal blended pricing/t



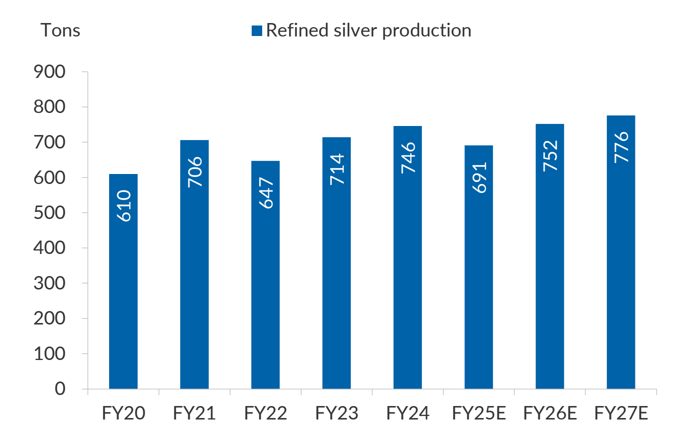
Source: Company, YES Sec

Exhibit 40: Mined metal revenues



Source: Company, YES Sec

Exhibit 41: Silver operational highlights

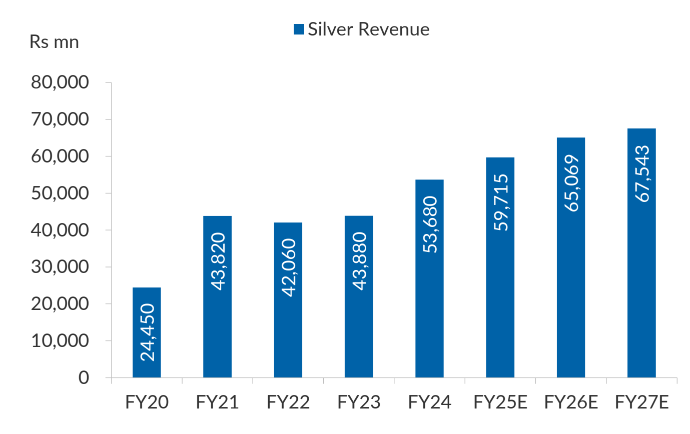


Source: Company, YES Sec

Exhibit 42: Silver pricing

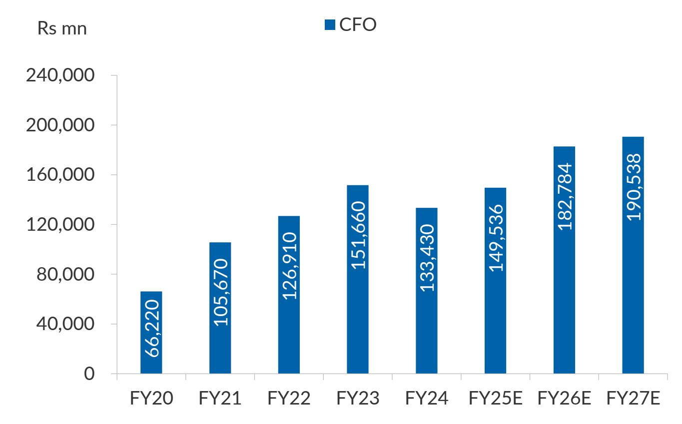
Source: Company, YES Sec

Exhibit 43: Silver revenues



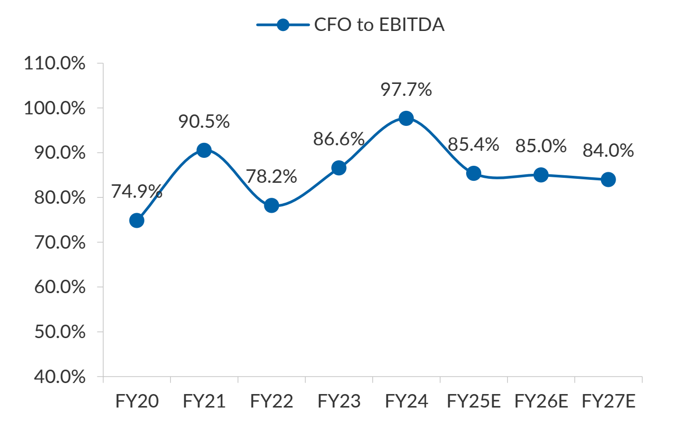
Source: Company, YES Sec

Exhibit 44: CFO to grow on the back of stable pricing and volume uptick



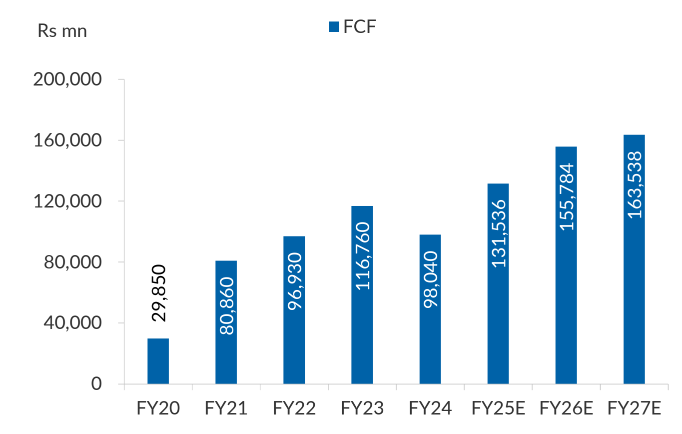
Source: Company, YES Sec

Exhibit 45: CFO as a % of EBITDA expected to remain healthy



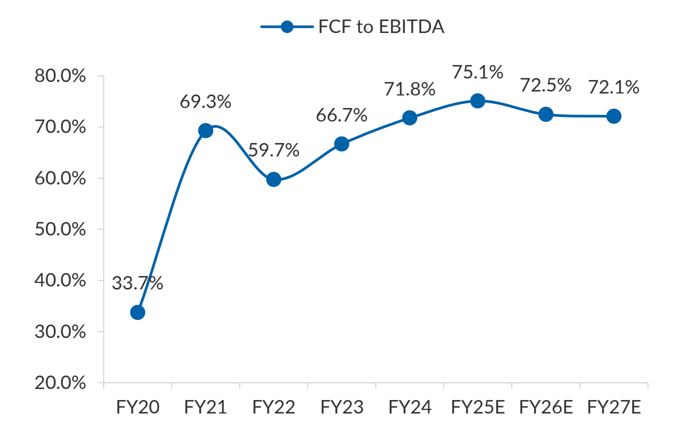
Source: Company, YES Sec

Exhibit 46: FCF generation to grow in tandem with CFOs



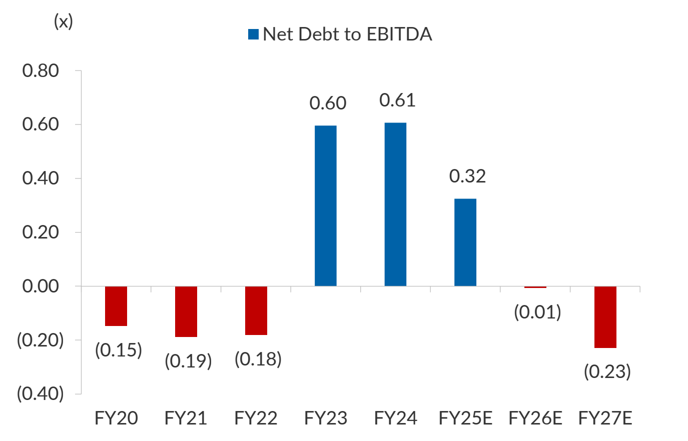
Source: Company, YES Sec

Exhibit 47: FCF as a % of EBITDA



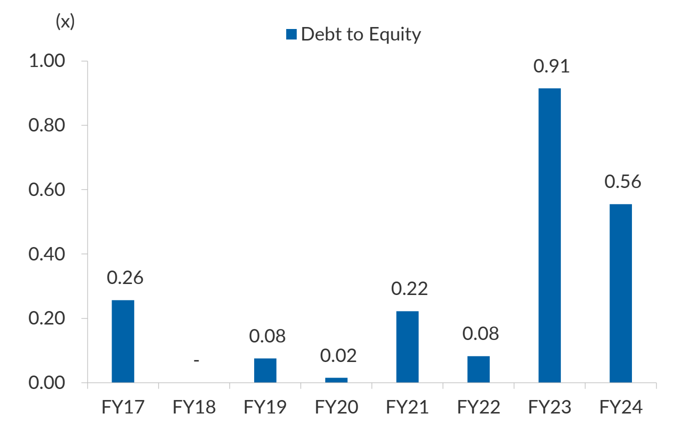
Source: Company, YES Sec

Exhibit 48: Net Debt to EBITDA expected to come down from FY25E onwards



Source: Company, YES Sec

Exhibit 49: Debt to Equity Picture



Source: Company, YES Sec

INDUSTRY DYNAMICS

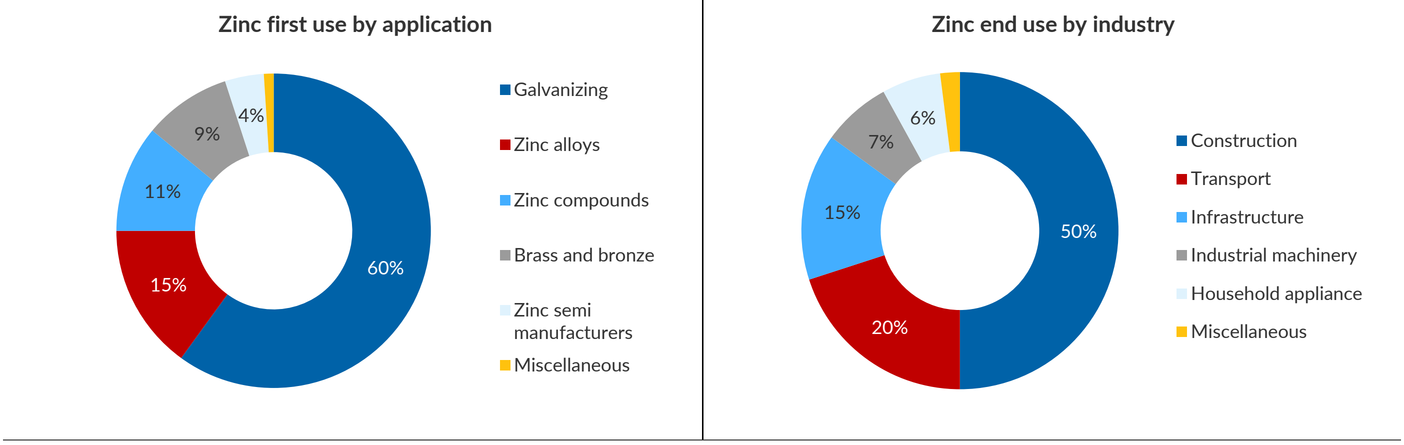
Introduction on the base metals

Both Zinc (Zn) and Lead (Pb) are found to occur together in ore along with other metals like silver and cadmium. Zinc is a silvery blue-grey metal with a relatively low melting and boiling point, whereas Lead is a soft, heavy, toxic and highly malleable metal.

Zinc is the fourth most commonly used metal worldwide, following steel, aluminium, and copper, and it ranks as the third most-utilized non-ferrous metal. Although zinc is typically brittle, it becomes malleable when heated. The primary zinc mineral is sphalerite, also called zinc blende, which forms as pure zinc sulphide from hydrothermal solutions and is present in nearly all active zinc deposits. Zinc is frequently extracted alongside other metals such as lead, copper, and silver.

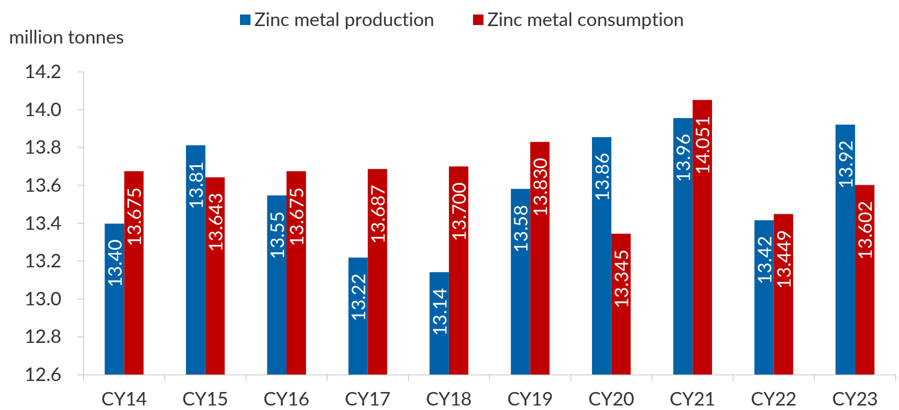
Zinc is well-known for its effectiveness in preventing steel corrosion through galvanization and its suitability for die-casting intricate components, making it vital for numerous industrial and household applications. It also plays a significant role in the brass and construction industries, as well as in chemical production, and serves as an essential nutrient.

Exhibit 50: Zinc uses by application and industry



Source: International Lead and Zinc Study Group; YES Sec

Exhibit 51: Total refined zinc output and usage over the years

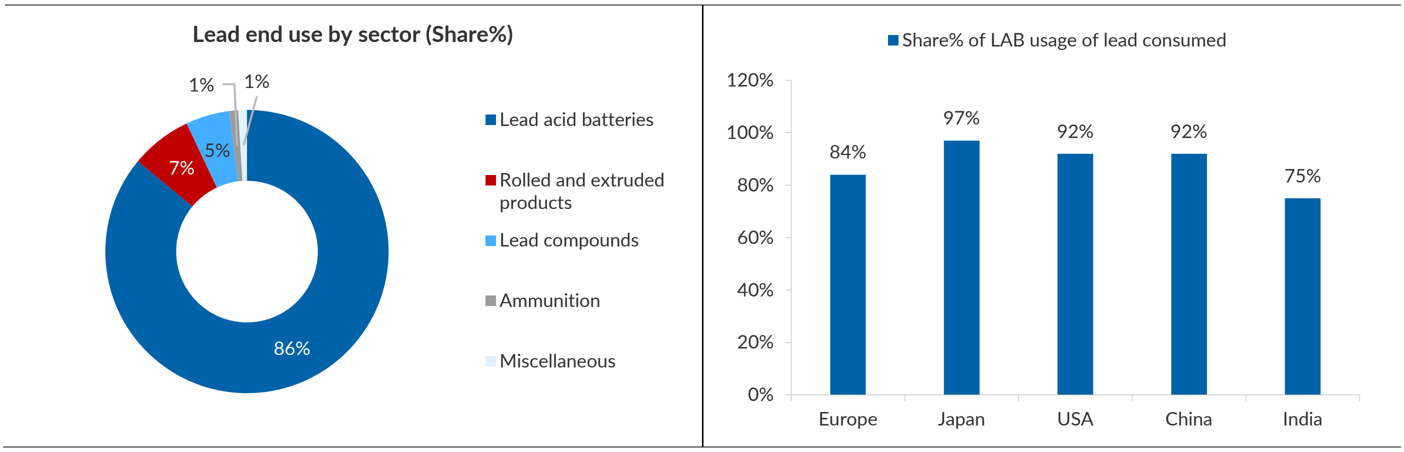


Source: International Lead and Zinc Study Group; YES Sec

Zinc demand is expected to grow moderately in the upcoming years. This anticipated growth will primarily be driven by more use of galvanized metal (steel) usage in the manufacturing, construction and automotive industries.

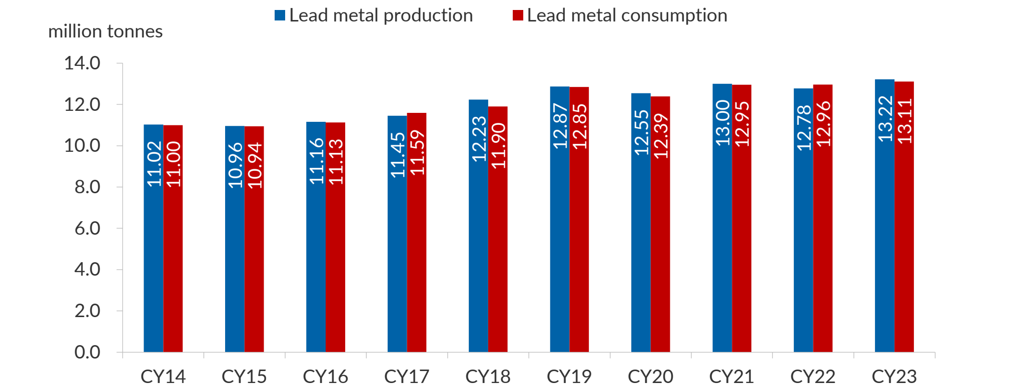
Lead on the other hand, is a dense, heavy, ductile, and highly malleable metal that is relatively soft and a poor conductor of electricity. It is commonly found alongside metals like silver and zinc. After extraction, the ore undergoes concentration, smelting, and refining in a blast furnace with limestone and coke to separate and recover other metals.

Exhibit 52: Lead end use



Source: International Lead and Zinc Study Group; YES Sec

Exhibit 53: Total refined lead output and usage over the years

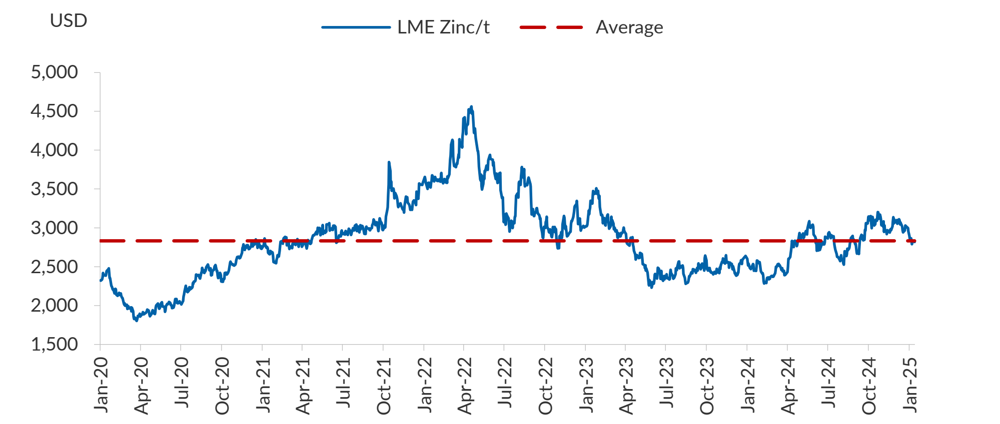


Source: International Lead and Zinc Study Group; YES Sec

According to the International Lead and Zinc Study Group (ILZSG), zinc production during Jan-Oct 24 stood at 11.36 mt vs 11.56 mt during CPLY (a fall c.1.7%) whereas the demand has shown recovery at 11.34 mt vs 11.20 mt, up 1.3% during the CPLY. Lead has seen falling production and usage trends during the Jan-Oct 24 period, with the refined metal production/consumption falling 1.7%/1.6%. Refined production/consumption stood at 10.78/10.76 mt for the Jan-Oct 24 period.

Zinc and lead refined metal output and consumption has remained flat over CY13-23 reporting a CAGR growth of 0.4%/2.0% for zinc/lead production. Consumption on the other hand, grew at a CAGR of (0.1%)/2.0% for zinc/lead during the same period. We see these trends to follow with the demand and supply showing moderate growth for both the base metals.

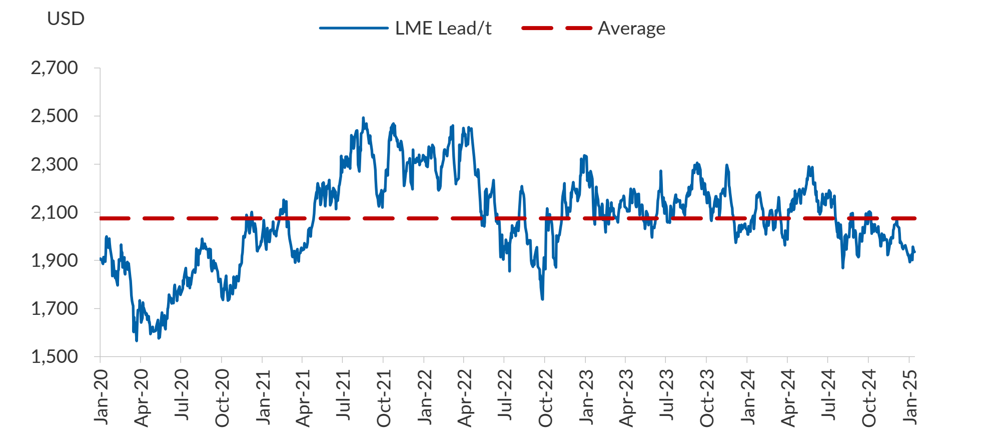
Exhibit 54: Zinc pricing



Source: Bloomberg; LME; YES Sec

Zinc and lead pricing have shown quite some volatility in the recent year and a half on account of poor market conditions, a subdued China reopening along with Zinc mines seeing shutdowns and production cuts due to unfavorable pricing conditions. With the supply-demand now expected to grow moderately at 1.5% to 2.0% CAGR for the next two years for both the metals, we see the prices to sustain around the $3,000/t and $2,100/t mark for zinc and lead respectively which is near to the average pricing since the start of 2020.

Exhibit 55: Lead Pricing

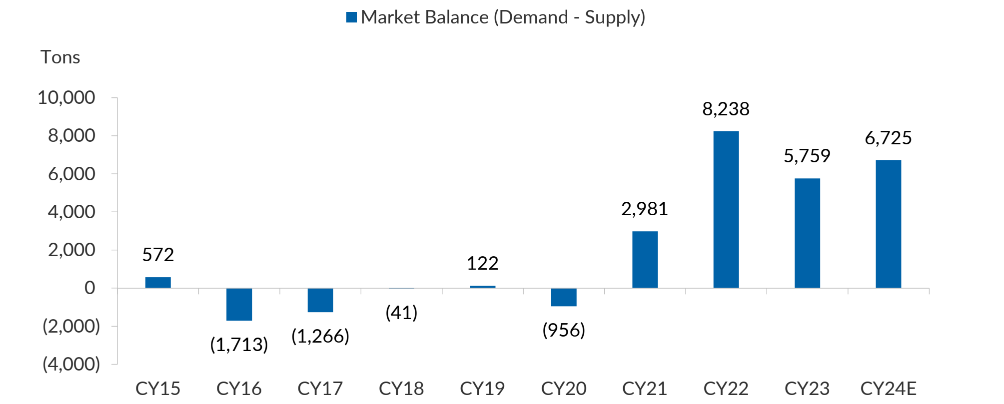


Source: Bloomberg; LME; YES Sec

Silver, on the other hand, falls under the 'precious metals' category. For the third consecutive year, silver demand significantly outstripped supply in 2023. Although the global market deficit narrowed by 30% year-on-year, it remained high at c.5,760 tons, ranking among the largest historical shortfalls. Notably, this deficit persisted despite substantial declines in bar and coin investment, as well as reduced demand for jewellery and silverware, which led to an overall year-on-year drop in global silver consumption.

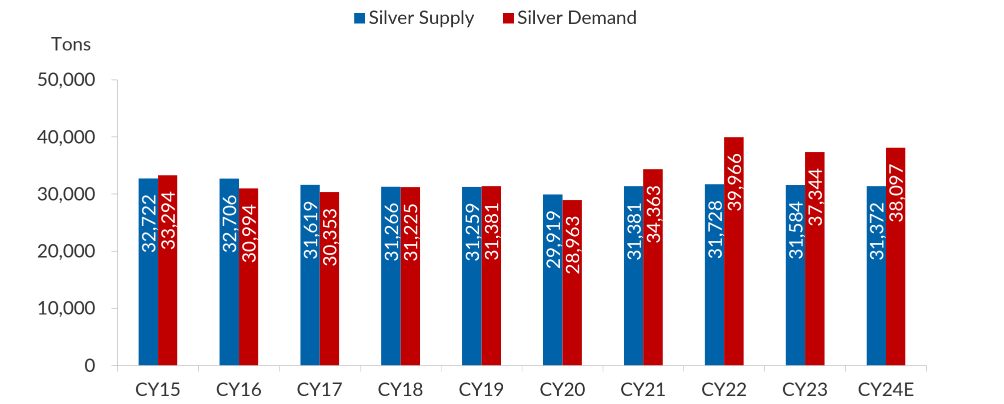
The global silver demand is expected to increase by 2% in CY24. Falling demand trends in the jewellery industry along with substantial drops in physical investments (bars and coins) is expected to be offset with strong pickup in the demand from the industrials space as well as electrical components of which photovoltaic cells (PV cells) are expected to be a massive demand driver for the metal.

Exhibit 56: Silver market balance



Source: Silver Institute; YES Sec

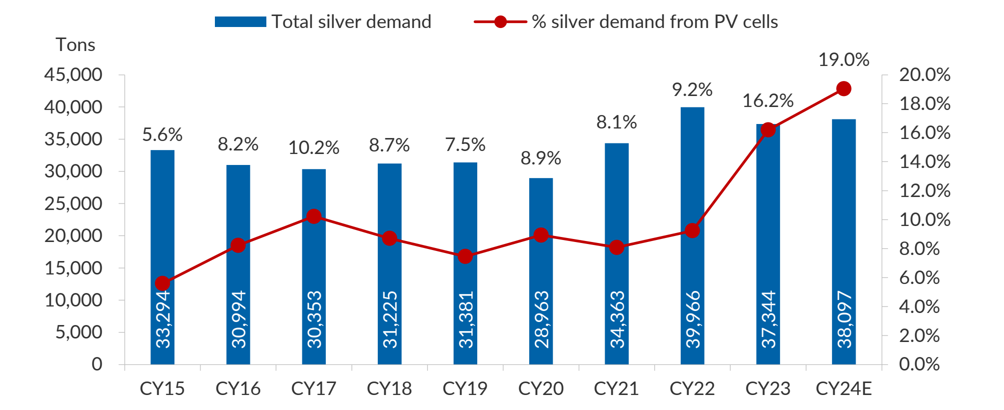
Exhibit 57: Silver supply vs demand



Source: Silver Institute; YES Sec

Silver plays a vital role in the production of solar cells that produce electricity. Silver's use in photovoltaics Photovoltaic (PV) power is the leading current source of green electricity. As PV cells production picks up with the world shifting towards a greener source of power. The average solar panel contains 0.643 ounces (20 grams) of silver. In 2023, this added up to c.194 Moz (5,486 tons).

Exhibit 58: Demand of silver in PV cells



Source: Silver Institute; YES Sec

Silver will be an important raw material to support the production spree. This accelerating rise in demand will be key to lookout for as its leading to a widening supply deficit for the metal with little additional mine production on the horizon. Solar is still a small part of overall silver demand, but it's growing. It's forecast to make up 19% of consumption this year, up from c.6% in 2015.

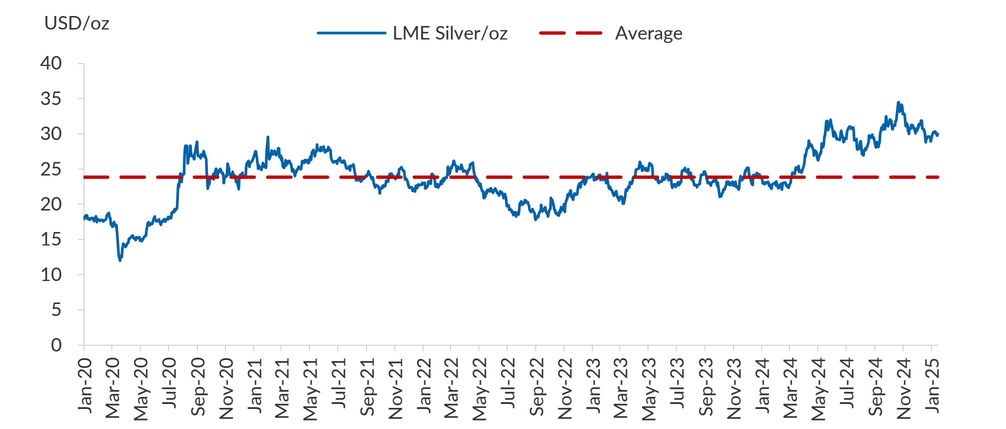
Exhibit 59: Silver Supply Breakdown

Supply (in Tons)	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24E	CAGR (CY15-23)
Mine Production	28,025	28,119	26,988	26,581	26,163	24,481	25,906	26,147	25,953	25,734	(1.0%)
YoY growth		0.3%	(4.0%)	(1.5%)	(1.6%)	(6.4%)	5.8%	0.9%	(0.7%)	(0.8%)	
Recycling	4,594	4,553	4,600	4,647	4,631	5,134	5,428	5,528	5,581	5,591	2.5%
YoY growth		(0.9%)	1.0%	1.0%	(0.3%)	10.9%	5.7%	1.8%	1.0%	0.2%	
Net Hedging Supply	69	-	-	-	434	266	-	-	-	-	NA
YoY growth		(100.0%)	NA	NA	NA	(38.8%)	(100.0%)	NA	NA	NA	
Net Official Sector Sales	34	34	31	38	31	38	47	53	50	47	4.8%
YoY growth		0.0%	(9.1%)	20.0%	(16.7%)	20.0%	25.0%	13.3%	(5.9%)	(6.3%)	
Total Metal Supply	32,722	32,706	31,619	31,266	31,259	29,919	31,381	31,728	31,584	31,372	(0.4%)
YoY growth		(0.0%)	(3.3%)	(1.1%)	(0.0%)	(4.3%)	4.9%	1.1%	(0.5%)	(0.7%)	

Source: Silver Institute, YES Sec

Silver supply has remained largely stagnant over the past decade and is projected to stay flat as mining output faces structural challenges, particularly in key regions such as Mexico, Peru, and Argentina. These Latin American countries are dealing with declining ore grades, mine closures due to reserve depletion, and recurring labor strikes, further constraining production capacity. Against this backdrop of supply-side limitations, demand for silver is anticipated to rise, creating a supply-demand imbalance. This dynamic is likely to drive heightened price volatility with an upward bias as constrained supply struggles to meet expanding consumption.

Exhibit 60: Silver prices



Source: Bloomberg; YES Sec

Q3FY25 EARNINGS HIGHLIGHTS

Brief results synopsis

- Revenue from operations for the quarter stood at Rs 85,560 mn up 3.8% QoQ and 17% YoY, driven by higher zinc and silver prices and strong dollar, marginally offset by lower metal and silver volumes and lead prices. It is up 4% QoQ in line with increased zinc volume, zinc and silver prices and a stronger dollar, partly offset by lower lead and silver volumes and lead prices.
- Absolute EBITDA for the quarter stood at Rs 44,580 mn. EBITDA margins stood at 52.1% for the quarter vs 49.8% in Q2FY25 and 48.2% in Q3FY24.
- Net profit for the quarter stood at Rs 26,470 mn, up 15% QoQ and 30% YoY.
- Mined metal production stood at 259 kt
- Refined Metal sales came in at 256 kt (201kt for Zinc and 55kt for Lead)
- Silver volumes saw a 13% QoQ and 19% YoY fall to 160 tons.
- Zinc COP for the quarter stood at USD 1,041 (₹ 87,960) per tonne, lower by 5% (lower by 4% in ₹ terms) YoY on account of improved metal grades, better domestic coal availability, further supported by increased renewable energy, higher acid realisations, softened coal and input commodity prices and operational efficiencies year on year.

Exhibit 61: Quarterly Snapshot

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Revenue	72,820	67,920	73,100	75,500	81,300	82,420	85,560	3.8%	17.0%
Cost of goods sold	17,590	14,390	15,690	14,370	16,910	18,320	16,380	(10.6%)	4.4%
Employee costs	1,910	2,110	1,970	2,270	2,280	1,840	2,420	31.5%	22.8%
Other expenses	19,840	20,030	20,240	22,320	22,600	21,220	22,180	4.5%	9.6%
EBITDA	33,480	31,390	35,200	36,540	39,510	41,040	44,580	8.6%	26.6%
EBITDA %	46.0%	46.2%	48.2%	48.4%	48.6%	49.8%	52.1%	4.6%	8.2%
Other income	2,870	2,310	3,050	2,800	2,770	2,680	2,210	(17.5%)	(27.5%)
Depreciation	8,010	8,250	9,040	9,360	8,430	8,750	9,030	3.2%	(0.1%)
Finance costs	2,180	2,320	2,430	2,620	2,560	3,190	2,850	(10.7%)	17.3%
Exceptional items	-	-	-	-	-	830	-	(100.0%)	NA
Profit before tax	26,160	23,130	26,780	27,360	31,290	30,950	34,910	12.8%	30.4%
Taxes	6,460	5,760	6,400	6,940	7,710	7,970	8,440	5.9%	31.9%
Profit after tax	19,700	17,370	20,380	20,420	23,580	22,980	26,470	15.2%	29.9%

Source: Company; YES Sec

Exhibit 62: Quarterly Operational Highlights

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Mined metal (kt)	257	252	259	299	263	262	259	(1.1%)	0.0%
Zinc (kt)	208	185	203	221	211	198	201	1.5%	(1.0%)
Lead (kt)	50	57	56	53	51	63	55	(12.7%)	(1.8%)
Refined metal sales (kt)	**258**	**242**	**259**	**274**	**262**	**261**	**256**	**(1.9%)**	**(1.2%)**
Silver (Tons)	179	181	197	189	167	184	160	(13.0%)	(18.8%)

Source: Company; YES Sec

KEY CONFERENCE CALL TAKEAWAYS

General business updates

- Q3FY25 operational highlights – Mined metal: 265 kt; Refined metal: 259 kt. Saleable Silver: 160 tons. Confident of achieving the volume guidance.
- Hedging gain during the 9MFY25 period – Rs 580 million. Remaining Rs 640 million should reflect in Q4FY25.
- Confident on meeting the lower end of the cost guidance. 18-20% of energy share will be RE by end of next quarter (Dropped from 25% estimated earlier). Currently stands at 15%.
- Zinc COP stood at $1,041/t vs $ 1,071/t in Q2FY25.Targeting FY26E exit cost to be $1,000/t and below $1,000/t in FY27E.
- Government has diluted about 1.5% of its stake. Demerger talks to follow subsequently.
- Mine development plan to reach 2.0 mtpa run rate – The company shall be increasing its capacities from 1,200 ktpa to 1,450 ktpa in the first phase (by FY28E) and then add another 500 - 550 ktpa single plant to achieve the targeted volumes. The total expected capex from this expansion is set to be between $2-2.5 billion.
- Rs 6,500 million of royalties have been paid in advance for FY25E.
- Hindustan Zinc Alloy Plant has generated an EBITDA of Rs 430 million for Q3FY25 with PAT of Rs 310 million. At peak capacity it should give c.Rs 2,000 million of EBITDA on a full year basis. Being a new company, the effective tax rate will be 17.44%
- Additional EBITDA of Rs 4,500 – 5,000 million is expected from the 510 ktpa DAP Fertilizer plant. It's a 12-13% margin business, thereby expect revenues to be somewhere in line of Rs 20,000 million.
- Supreme Court ruling on retrospective taxes on royalties – Net impact of Rs 830 million had been provided for in exceptional items in the Q2FY25 results. The company expects to see this as a reversal in the next quarter as no tax notices have been received.
- Demerger talks of the company into Silver and Zinc – discussions with Government ongoing. This is occurring simultaneously with government disinvestment discussion.
- Company currently in discussions to put up a 10 mtpa recycling project. This will use the tailings from Rampura Agucha mine and provide a 2 to 2.5% recycled metal from the same.
- Fumers have been ramping up despite technical difficulties with Fumer 1. Design inefficiencies and possible problems with parts have been identified in the last 5 to 6 months. Visa issue for Chinese counterparts persists. Currently shut down however, they should start giving good results by Q4FY25. The fumer gave around 5 tons of silver so far and is running at c.30% of its designed capacity (expected to reach c.60% by the end of FY25E).

Project updates

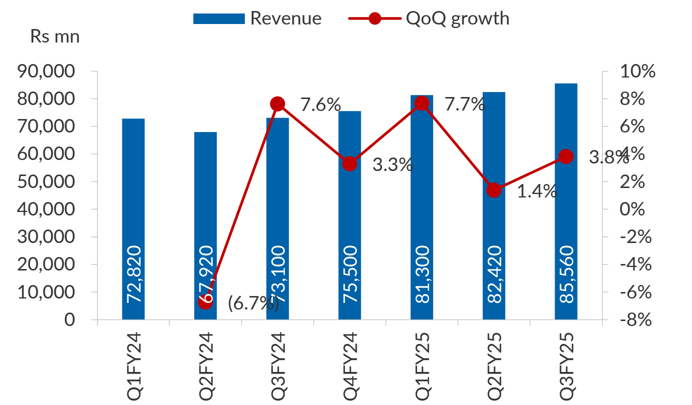
- Debari Roaster: Project progress is on track with commissioning being targeted in February 2025.
- DAP Plant: Project is targeted to be completed by Q4FY26.

Volumes guidance for FY25E

- Mined Metal: the guidance is in the range of 1,100-1,125 kt.
- Refined Metal: the guidance is in the range 1,075-1,100 kt.
- Silver: the guidance is in the range of 700-710 mt. (Silver guidance cut from 750-775 tons due to falling grades faced during Q3FY25)

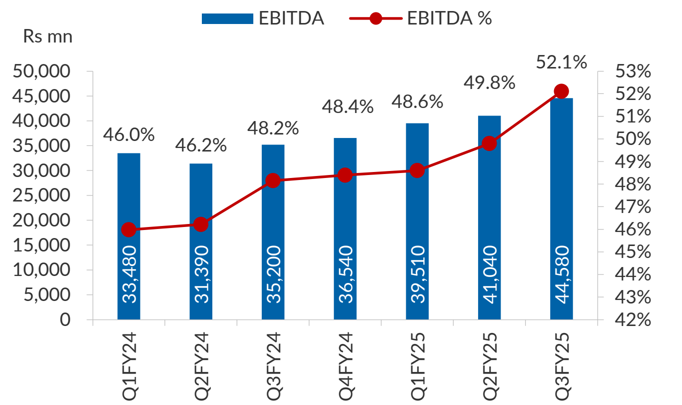
QUARTERLY TRENDS IN CHARTS

Exhibit 63: Revenue remains strong on increasing pricing



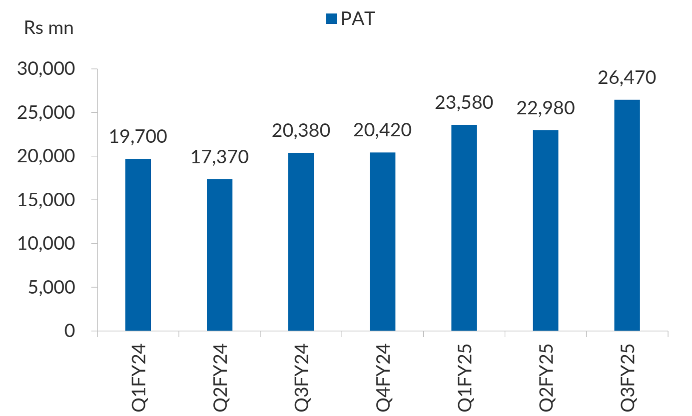
Source: Company, YES Sec

Exhibit 64: EBITDA margins strong at c.52%



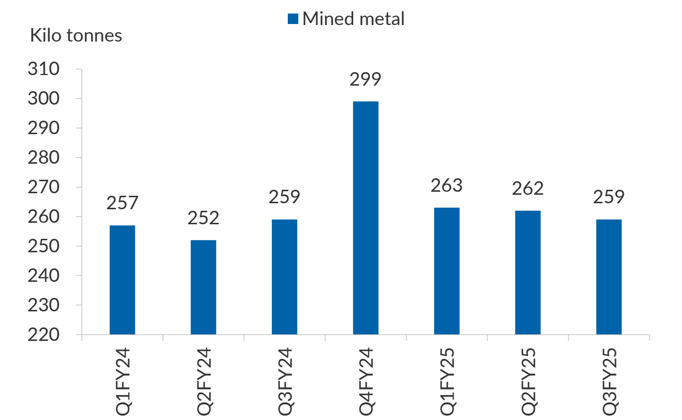
Source: Company, YES Sec

Exhibit 65: PAT



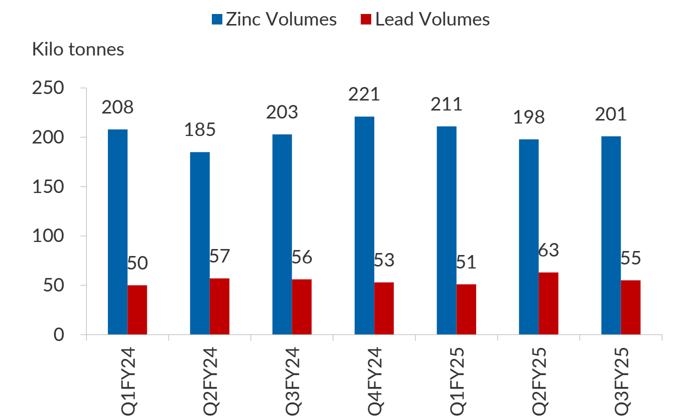
Source: Company, YES Sec

Exhibit 66: Mined metal output



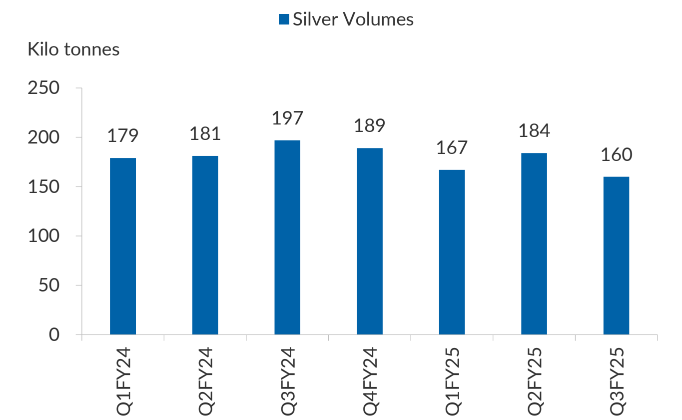
Source: Company, YES Sec

Exhibit 67: Refined metal volumes



Source: Company, YES Sec

Exhibit 68: Silver volumes



Source: Company, YES Sec

FINANCIALS OVERVIEW

Exhibit 69: Income Statement

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net revenue	220,820	211,180	185,610	226,290	294,400	340,980	289,340	334,530	378,279	401,692
Cost of goods sold	47,980	43,220	37,660	47,300	58,410	76,360	62,040	67,994	70,779	73,367
Employee cost	7,760	9,050	6,890	7,600	7,170	8,430	8,260	8,301	8,343	8,385
Other expenses	42,380	52,210	52,600	54,670	66,560	81,070	82,430	83,073	84,136	93,035
EBITDA	122,700	106,700	88,460	116,720	162,260	175,120	136,610	175,161	215,021	226,905
% Margin	55.6%	50.5%	47.7%	51.6%	55.1%	51.4%	47.2%	52.4%	56.8%	56.5%
Dep. & Amort.	14,830	18,830	22,790	25,310	29,170	32,640	34,660	36,798	37,828	40,169
Other income	17,160	17,820	19,340	18,190	12,160	13,820	11,030	10,530	10,793	11,063
Finance costs	2,460	1,130	1,120	3,860	2,900	3,330	9,550	7,652	4,902	2,152
Exceptional items	(2,400)	-	-	-	1,340	-	-	830	-	-
Profit before tax	124,970	104,560	83,890	105,740	141,010	152,970	103,430	140,412	183,085	195,647
Taxes	32,210	25,000	15,850	25,940	44,710	47,770	25,560	33,935	45,771	48,912
Profit after tax	92,760	79,560	68,040	79,800	96,300	105,200	77,870	106,477	137,314	146,735
EPS - Basic and Diluted	21.39	18.83	16.10	18.89	23.11	24.90	18.43	25.20	32.50	34.73

Exhibit 70: Balance Sheet

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Assets										
PPE	111,810	146,680	162,170	164,470	171,650	175,280	178,750	159,952	149,124	135,955
CWIP	32,200	22,540	24,890	19,220	20,750	21,070	15,290	27,290	45,290	63,290
Non-current assets	187,890	208,860	221,620	211,590	206,880	205,920	212,110	208,592	216,639	221,938
Inventories	13,790	15,440	18,350	14,250	19,530	18,620	19,240	20,491	21,331	22,111
Trade receivables	1,840	1,960	3,790	4,060	7,160	3,800	1,610	2,750	3,109	3,302
Cash and equivalents	1,730	210	18,780	3,130	15,920	590	510	3,441	11,009	10,934
Bank	17,910	20	400	90,630	41,710	13,530	1,220	9,249	34,937	60,449
Current assets	241,430	215,720	248,130	245,680	239,830	148,620	126,930	152,716	178,172	205,049
Total assets	**429,320**	**424,580**	**469,750**	**457,270**	**446,710**	**354,540**	**339,040**	**361,308**	**394,811**	**426,988**
Equity and liabilities										
Equity share capital	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450	8,450
Other equity	350,870	327,600	394,650	314,680	334,370	120,970	143,880	174,307	227,121	280,906
Non-current liabilities	9,950	11,090	12,520	55,380	42,950	50,700	78,530	71,119	62,650	53,469
Current liabilities	60,050	77,440	54,130	78,760	60,940	174,420	108,180	107,433	96,591	84,163
Total equity and liabilities	**429,320**	**424,580**	**469,750**	**457,270**	**446,710**	**354,540**	**339,040**	**361,308**	**394,811**	**426,988**

Exhibit 71: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before taxes	124,970	104,560	83,890	105,740	141,010	152,970	103,430	140,412	183,085	195,647
Depreciation & amortization	14,830	18,830	22,790	25,310	29,170	32,640	34,660	36,798	37,828	40,169
Finance costs	2,460	1,130	1,120	3,860	2,900	3,330	9,550	7,652	4,902	2,152
CFO before working cap changes	123,110	106,700	88,730	116,840	162,810	177,500	137,010	184,861	225,814	237,968
Working capital changes	5,170	6,710	(11,160)	6,380	(11,990)	5,560	13,990	(1,391)	2,741	1,482
Cash generated from operations	128,280	113,410	77,570	123,220	150,820	183,060	151,000	183,470	228,555	239,450
Taxes paid	(30,280)	(25,600)	(11,350)	(17,550)	(23,910)	(31,400)	(17,570)	(33,935)	(45,771)	(48,912)
Net CFO	98,000	87,810	66,220	105,670	126,910	151,660	133,430	149,536	182,784	190,538
Net CFI	23,960	(10,920)	(26,480)	(24,350)	8,460	65,250	(34,050)	(39,874)	(35,126)	(45,000)
Net CFF	(186,120)	(96,300)	(20,980)	(96,970)	(122,580)	(232,240)	(99,460)	(98,702)	(114,402)	(120,102)
Net change in cash	(64,160)	(19,410)	18,760	(15,650)	12,790	(15,330)	(80)	10,960	33,257	25,436
Cash at beginning	83,800	19,640	30	18,780	3,130	15,920	590	510	3,441	11,009
Cash at end	19,640	230	18,790	3,130	15,920	590	510	3,441	11,009	10,934

Exhibit 72: Key Ratios

Y/e 31 Mar (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)										
Revenues	27.8	(4.4)	(12.1)	21.9	30.1	15.8	(15.1)	15.6	13.1	6.2
GP	21.2	(2.8)	(11.9)	21.0	31.8	12.1	(14.1)	17.3	15.4	6.8
EBITDA	26.0	(13.0)	(17.1)	31.9	39.0	7.9	(22.0)	28.2	22.8	5.5
EBIT	36.1	(18.5)	(25.3)	39.2	45.6	7.1	(28.4)	35.7	28.1	5.4
PAT	11.5	(14.2)	(14.5)	17.3	20.7	9.2	(26.0)	36.7	29.0	6.9
Margins (%)										
GP	78.3	79.5	79.7	79.1	80.2	77.6	78.6	79.7	81.3	81.7
EBITDA	55.6	50.5	47.7	51.6	55.1	51.4	47.2	52.4	56.8	56.5
EBIT	48.8	41.6	35.4	40.4	45.2	41.8	35.2	41.4	46.8	46.5
PAT	42.0	37.7	36.7	35.3	32.7	30.9	26.9	31.8	36.3	36.5
Return profile (%)										
ROE	25.8	23.7	16.9	24.7	28.1	81.3	51.1	58.3	58.3	50.7
ROCE	29.2	25.3	15.8	24.1	34.5	79.1	44.2	54.5	59.4	54.5
Per share (Rs)										
EPS	21.4	18.8	16.1	18.9	23.1	24.9	18.4	25.2	32.5	34.7
BVPS	85.0	79.5	95.4	76.5	81.1	30.6	36.1	43.3	55.8	68.5
P/E (x)	14.1	14.6	9.6	14.4	13.4	12.0	15.9	17.2	13.3	12.5
P/BV (x)	3.5	3.5	1.6	3.6	3.8	9.8	8.1	10.0	7.8	6.3

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