

Hindustan Zinc | BUY

CoP reduction drives beat; capacity expansion on track

Hindustan Zinc reported 4Q consol. EBITDA of INR48bn, higher than JMfe of INR45bn driven by lower costs partially offset by lower realizations. Zinc CoP declined significantly to USD994/t vs USD1,041/t in 3Q led by better metal grades and subdued coal prices. Key takeaways from the call are a) volume guidance for FY26 at 1,090 – 1,110 kt refined metal / 700-710 tons for silver b) Zinc CoP guidance for FY26 at USD1,025 – 1,050 with CoP for FY25 at USD1,052 c) growth capex guidance for FY26 at USD225-250mn d) capacity expansion to 2 mn tons to happen in phases with first phase being 1.2mn to 1.5mn tons – to be announced over the next few months e) capacity expansion remains on track with 160ktpa Debari roaster to be commissioned in 1QFY26 f) 510ktpa fertiliser plant remains on track and is expected to be completed by 4QFY26. The company's net debt position as on 31st Mar'25 stood at INR12bn vs INR41bn as of 31st Dec'24 driven by lower borrowings and better cash position. 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.

- **Lower CoP partially offset by lower realisations:** The Company registered net sales of INR91bn, up ~5% QoQ, driven by higher volumes partially offset by lower realizations. Company recorded 16 qtrs lowest Zinc CoP of USD994 – 2/3rd of it was driven by better metal grades and recovery and 1/3rd was driven by subdued coal prices. Company achieved annual CoP at USD1,052 for FY25; lowest in the last 4 years. Consequently, EBITDA for the quarter came at INR48bn (up 7% QoQ) given better grades and improved coal availability. Mined metal production for 4Q stood at 274kt, up ~7% QoQ and flat YoY. EBITDA for Hindustan Zinc Alloy Private Limited was at ~INR1bn (at 10kt production) – expected to go up to INR2.5bn at full capacity of 28kt in FY26.
- **Capacity expansion on track; focus on renewable energy:** The expansion to 2mn tons of capacity is expected to be done in phases with 1st phase being 1.2mn to 1.5mn tons – to be announced over the next few months. Company expects the project completion to take 24 months post announcement. Company has also guided for the 160ktpa roaster at Debari to be commissioned by 1QFY26. The 510ktpa fertiliser plant remains on track and is expected to be completed by 4QFY26. With share of renewable power going from 13% to 30%, company expects a cost reduction of USD10/t.
- **FY26 guidance:** Volume guidance for FY26 stood at 1,115-1,135kt refined metal / 700-710 tons for silver. The CoP guidance for Zinc at USD1,025 to USD1,050 for FY26. During FY25, company incurred a capex of INR43bn with growth capex at INR15bn and sustenance capex at INR28bn. Company has guided for sustenance capex to be ~INR30bn while growth capex is expected to be in the range of USD225-250mn. The company's net debt position as on 31st Mar'25 stood at INR12bn vs INR41bn as of 31st Dec'24 given lower borrowing and better cash position.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	3,40,980	2,89,320	3,40,830	3,69,233	3,91,298
Sales Growth (%)	15.8	-15.2	17.8	8.3	6.0
EBITDA	1,75,060	1,36,560	1,73,880	1,90,623	2,02,611
EBITDA Margin (%)	51.3	47.2	51.0	51.6	51.8
Adjusted Net Profit	1,05,110	77,590	1,04,360	1,13,184	1,22,531
Diluted EPS (INR)	24.9	18.4	24.7	26.8	29.0
Diluted EPS Growth (%)	7.7	-26.2	34.5	8.5	8.3
ROIC (%)	66.2	57.7	77.6	78.8	81.6
ROE (%)	44.5	55.2	73.2	78.0	69.6
P/E (x)	18.4	25.0	18.6	17.1	15.8
P/B (x)	15.0	12.8	14.6	12.4	9.9
EV/EBITDA (x)	11.1	14.1	11.2	10.1	9.3
Dividend Yield (%)	16.4	2.8	6.3	4.4	4.4

Source: Company data, JM Financial. Note: Valuations as of 25/Apr/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	530
Upside/(Downside)	19.1%
Previous Price Target	540
Change	-1.8%

Key Data – HZ IN

Current Market Price	INR445
Market cap (bn)	INR1,880.3/US\$22.0
Free Float	9%
Shares in issue (mn)	4,225.0
Diluted share (mn)	4,225.0
3-mon avg daily val (mn)	INR851.7/US\$10.0
52-week range	808/378
Sensex/Nifty	79,213/24,039
INR/US\$	85.4

Price Performance

%	1M	6M	12M
Absolute	0.1	-12.8	8.1
Relative*	-2.1	-11.9	0.7

* 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 Conference Call takeaways:

- **FY26 guidance:**
 - Mined metal: 1,125 (+/-10) ktpa
 - Refined Metals: 1,100 (+/-10) ktpa
 - Silver: 700-710 metric tonnes
 - Zinc CoP: USD1,025- 1,050
 - Growth Capex: USD225-250 mn
- Company recorded 16 qtrs lowest CoP of USD994 – 2/3rd of it was driven by better metal grades and recovery and 1/3rd was driven by subdued coal prices.
- 160ktpa Debari roaster project on track and expected to be commissioned in 1QFY26.
- The expansion to 2mn tons of capacity will be in phases with 1st phase being 1.2mn – 1.5mn tons – to be announced over the next few months. Company expects the project completion to take 24 months post announcement.
- Total capex for FY25 stood at INR43bn out of which INR28bn was sustenance capex and INR15bn was growth capex – sustenance capex for FY26 is expected to be ~INR30bn.
- With increasing mix of renewable power, company expects cost reduction of USD10-15/t going ahead.
- EBITDA for Hindustan Zinc alloy was at ~INR1bn – expected to go up to INR2.5bn at full capacity.
- 100% of Zinc and 70% of alloy has been sold through company's e-auction platform – helps in getting higher premiums.

Exhibit 1. Operational Performance

Operational parameters	4QFY25	4QFY25E	% Var	4QFY24	YoY %	3QFY25	QoQ %
Volumes (tons)							
Zinc	2,18,000	2,14,000	1.9	2,20,000	-0.9	2,01,000	8.5
Lead	56,000	56,000	0.0	53,000	5.7	55,000	1.8
Silver (kgs)	1,77,000	1,77,000	0.0	1,89,000	-6.3	1,60,000	10.6
Actual realization (USD/ton)							
Zinc	3,098	3,037	2.0	2,652	16.8	3,321	-6.7
Lead	2,115	2,109	0.3	2,178	-2.9	2,174	-2.7
Silver (USD/kg)	1,100	1,077	2.1	864	27.3	1,086	1.3
LME Spot Prices							
Zinc	2,865	2,865		2,476	15.7	3,068	-6.6
Lead	1,990	1,990		2,087	-4.6	2,050	-2.9

Source: Company, JM Financial

Exhibit 2. Quarterly Performance**(INR mn)**

Y/E March (INR mn)	4QFY25	4QFY25E	% Var	4QFY24	YoY %	3QFY25	QoQ %
Net Sales	90,870	87,353	4.0	75,490	20.4	86,140	5.5
Refined metals volume (k tons)	274	270	1%	273	0.4	256	7.0
Refined metals realization (US\$/ton)	2,897	2,845	2%	2,560		3,075	-5.8
Mining, manf. and power exp. (Incl. Change in Invent.)	28,790	30,139	-4.5	27,100	6.2	28,350	1.6
Mining, manf. and power/t	1,05,073	1,11,626		99,267		1,10,742	
Change in inventory	-2,570	0		-2,070		-460	
Change in inventory per ton	-9,380	0		-7,582		-1,797	
Gross profit	62,080	57,214		48,390		57,790	
Gross margin (%)	68.3%	65.5%		64.1%		67.1%	
Gross margin/t	2,26,569	2,11,904		1,77,253		2,25,742	
Royalty expense	11,610	10,308	12.6	9,630	20.6	10,370	12.0
Royalty/t	42,372	38,177		35,275		40,508	
Royalty as a % of sales	13%	12%		13%		12%	
Staff Cost	2,270	2,430	-6.6	2,270	0.0	2,430	-6.6
Staff Cost/t	8,285	9,000		8,315		9,492	
Total expenditure	42,670	42,877	-0.5	39,000	9.4	41,150	3.7
Reported COP w/o royalty (USD/t)	994	1,030		1,051	-5.4	1,041	-4.5
EBITDA	48,200	44,477	8.4	36,490	32.1	44,990	7.1
EBITDA (%)	53.0	50.9		48.3		52.2	
EBITDA /ton	1,75,912	1,64,728		1,33,663		1,75,742	
Other income	2,270	2,200	3.2	2,730	-16.8	2,180	4.1
Depreciation	10,140	9,200	10.2	9,370	8.2	9,050	12.0
EBIT	40,330	37,477		29,850	35.1	38,120	5.8
Interest	2,510	2,900	-13.4	2,620		2,850	
PBT	37,820	34,577		27,230	38.9	35,270	7.2
XO items	0	0		0		0	
Tax	7,790	8,644		6,850		8,490	
Eff. Tax rate (%)	20.6	25.0		25.2		24.1	
Reported PAT	30,030	25,932	15.8	20,380	47.4	26,780	12.1
Adjusted PAT	30,030	25,932	15.8	20,380	47.4	26,780	12.1
Net debt/ cash	12	-		(17)		41	

Source: Company, JM Financial

Exhibit 3. Fair Value

(INR bn)

FY27

EPS	29
P/E Target multiple (x)	18.0
Target price (INR/share)	530

Source: JM Financial

Exhibit 4. Key Assumptions Table

	FY23	FY24	FY25	FY26E	FY27E
Zinc (USD/ton)	3,284	2,489	2,910	2,900	2,950
Lead (USD/ton)	2,097	2,117	2,081	2,150	2,150
INR/USD	80.4	83.4	84.0	86.0	87.0

Sales volume assumptions

	FY23	FY24	FY25	FY26E	FY27E
Zinc (ktpa)	821	817	826	864	912
Lead (ktpa)	211	216	223	228	228
Silver (ktpa)	714	746	674	674	682

Financial assumptions

	FY23	FY24	FY25	FY26E	FY27E
Revenue	3,40,980	2,89,320	3,40,830	3,69,233	3,91,298
EBITDA	175,060	1,36,560	1,73,880	1,90,623	2,02,611
PAT	105,110	77,590	1,04,360	1,13,184	1,22,531
EPS	24.9	18.4	24.7	26.8	29.0

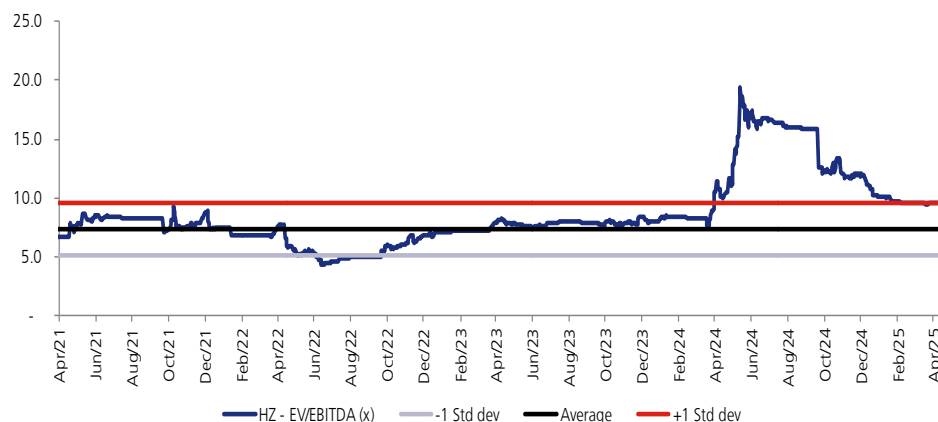
Source: Company, JM Financial

Exhibit 5. Change in estimates

	Unit	NEW		OLD		Change (%)	
		FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	INR mn	3,59,911	3,76,115	3,69,233	3,91,298	2.6%	4.0%
EBITDA	INR mn	1,84,295	1,94,423	1,90,623	2,02,611	3.4%	4.2%
PAT	INR mn	1,15,894	1,26,948	1,13,184	1,22,531	-2.3%	-3.5%
EPS		27.4	30	26.8	29.0	-2.3%	-3.5%
Target Price	INR	540		530		-1.8%	
Rating		BUY		BUY			

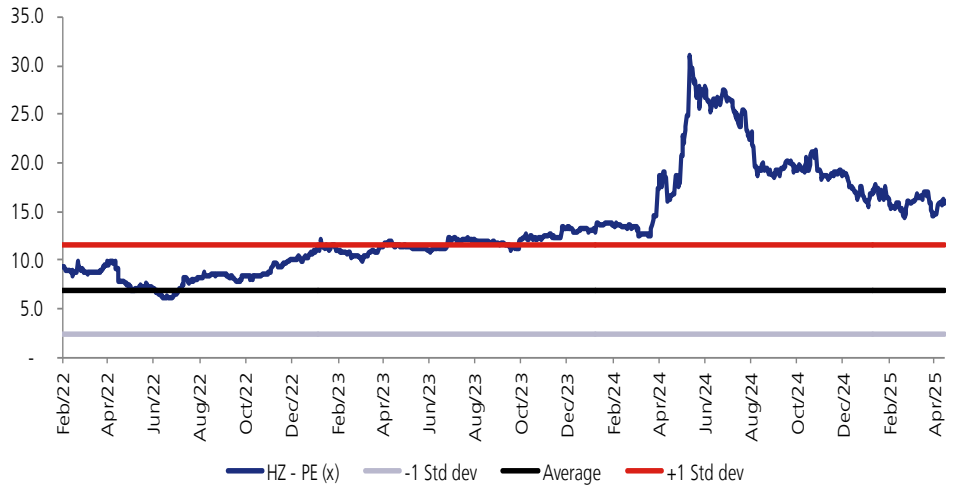
Source: JM Financial

Exhibit 6. Hindustan Zinc: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

Exhibit 7. Hindustan Zinc: 1yr forward PE valuation



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	3,40,980	2,89,320	3,40,830	3,69,233	3,91,298
Sales Growth	15.8%	-15.2%	17.8%	8.3%	6.0%
Other Operating Income	0	0	0	0	0
Total Revenue	3,40,980	2,89,320	3,40,830	3,69,233	3,91,298
Cost of Goods Sold/Op. Exp	20,670	18,230	30,265	32,909	33,863
Personnel Cost	8,450	8,280	8,390	8,736	9,120
Other Expenses	1,36,800	1,26,250	1,28,295	1,36,965	1,45,704
EBITDA	1,75,060	1,36,560	1,73,880	1,90,623	2,02,611
EBITDA Margin	51.3%	47.2%	51.0%	51.6%	51.8%
EBITDA Growth	7.9%	-22.0%	27.3%	9.6%	6.3%
Depn. & Amort.	32,640	34,680	36,400	41,532	43,281
EBIT	1,42,420	1,01,880	1,37,480	1,49,090	1,59,330
Other Income	13,790	10,740	9,830	10,822	13,344
Finance Cost	3,330	9,550	10,950	9,000	9,300
PBT before Excep. & Forex	1,52,880	1,03,070	1,36,360	1,50,913	1,63,375
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,52,880	1,03,070	1,36,360	1,50,913	1,63,375
Taxes	47,770	25,480	32,000	37,728	40,844
Extraordinary Inc./Loss(-)	0	0	-830	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,05,110	77,590	1,03,530	1,13,184	1,22,531
Adjusted Net Profit	1,05,110	77,590	1,04,360	1,13,184	1,22,531
Net Margin	30.8%	26.8%	30.6%	30.7%	31.3%
Diluted Share Cap. (mn)	4,225.0	4,225.0	4,225.0	4,225.0	4,225.0
Diluted EPS (INR)	24.9	18.4	24.7	26.8	29.0
Diluted EPS Growth	7.7%	-26.2%	34.5%	8.5%	8.3%
Total Dividend + Tax	3,18,988	54,925	1,22,525	84,500	84,500
Dividend Per Share (INR)	75.5	13.0	29.0	20.0	20.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profit before Tax	1,52,880	1,03,070	1,36,360	1,50,913	1,63,375
Depn. & Amort.	32,640	34,680	36,400	41,532	43,281
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	20,320	14,070	8,460	-10,353	-310
Others	0	0	-830	0	0
Taxes Paid	-47,770	-25,480	-32,000	-37,728	-40,844
Operating Cash Flow	1,58,070	1,26,340	1,48,390	1,44,364	1,65,502
Capex	-29,730	-32,580	-50,050	-39,950	-45,000
Free Cash Flow	1,28,340	93,760	98,340	1,04,414	1,20,502
Inc (-) / Dec in Investments	49,450	-3,450	4,800	-4,800	0
Others	7,318	-16,165	115	-3,311	0
Investing Cash Flow	27,038	-52,195	-45,135	-48,061	-45,000
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-3,18,988	-54,925	-1,22,525	-84,500	-84,500
Inc / Dec (-) in Loans	90,370	-31,590	19,290	30,710	0
Others	0	0	0	0	0
Financing Cash Flow	-2,28,618	-86,515	-1,03,235	-53,790	-84,500
Inc / Dec (-) in Cash	-43,510	-12,370	20	42,513	36,002
Opening Cash Balance	57,630	14,120	1,750	1,770	44,283
Closing Cash Balance	14,120	1,750	1,770	44,283	80,284

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Shareholders' Fund	1,29,320	1,51,950	1,33,260	1,56,976	1,95,007
Share Capital	8,450	8,450	8,450	8,450	8,450
Reserves & Surplus	1,20,870	1,43,500	1,24,810	1,48,526	1,86,557
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	1,18,810	87,220	1,06,510	1,37,220	1,37,220
Def. Tax Liab. / Assets (-)	23,140	23,110	22,920	23,110	23,110
Total - Equity & Liab.	2,71,270	2,62,280	2,62,690	3,17,306	3,55,337
Net Fixed Assets	1,98,590	1,98,490	2,12,140	2,09,091	2,10,810
Gross Fixed Assets	3,81,890	4,19,880	4,60,830	5,09,880	5,54,880
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,05,670	2,38,350	2,74,750	3,17,749	3,61,030
Capital WIP	22,370	16,960	26,060	16,960	16,960
Investments	1,01,070	1,04,520	99,720	1,04,520	1,04,520
Current Assets	55,010	35,940	33,040	91,777	1,38,228
Inventories	18,620	19,260	18,890	25,848	29,790
Sundry Debtors	3,800	1,550	1,170	4,920	7,299
Cash & Bank Balances	14,120	1,750	1,770	44,283	80,284
Loans & Advances	18,470	13,380	11,210	16,727	20,855
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	83,400	76,670	82,210	88,082	98,221
Current Liabilities	81,250	74,470	66,970	85,882	96,021
Provisions & Others	2,150	2,200	15,240	2,200	2,200
Net Current Assets	-28,390	-40,730	-49,170	3,696	40,007
Total - Assets	2,71,270	2,62,280	2,62,690	3,17,306	3,55,337

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Margin	30.8%	26.8%	30.6%	30.7%	31.3%
Asset Turnover (x)	1.0	1.1	1.3	1.3	1.2
Leverage Factor (x)	1.4	1.9	1.8	2.0	1.9
RoE	44.5%	55.2%	73.2%	78.0%	69.6%

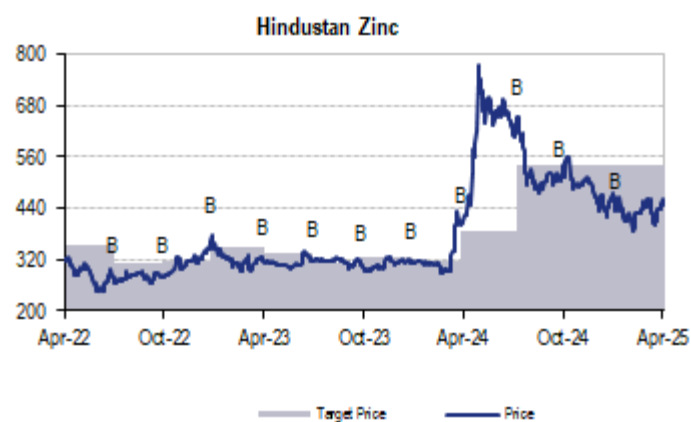
Key Ratios					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
BV/Share (INR)	30.6	36.0	31.5	37.2	46.2
ROIC	66.2%	57.7%	77.6%	78.8%	81.6%
ROE	44.5%	55.2%	73.2%	78.0%	69.6%
Net Debt/Equity (x)	0.0	-0.1	0.0	-0.1	-0.2
P/E (x)	18.4	25.0	18.6	17.1	15.8
P/B (x)	15.0	12.8	14.6	12.4	9.9
EV/EBITDA (x)	11.1	14.1	11.2	10.1	9.3
EV/Sales (x)	5.7	6.6	5.7	5.2	4.8
Debtor days	4	2	1	5	7
Inventory days	20	24	20	26	28
Creditor days	179	178	146	176	186

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-May-20	Buy	200	
21-Jul-20	Buy	200	0.0
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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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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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