

October 19, 2025

RESULT REPORT Q2 FY26 | Sector: Metals and Mining

Hindustan Zinc Ltd

Volumes to recover; Pricing strength to support margins; assign ADD!

Marginal beat on estimates; Strong metal pricing sustains profitability amid volume softness

Top-line performance: Revenues above estimates: Revenue from operations for the quarter stood at Rs 85,250mn (vs our estimate of Rs 82,940mn), up 10.4% QoQ and 3.4% YoY, driven by improved LME Zinc and silver prices, partially offset by lower lead-silver volumes. In a nutshell, better realizations across zinc and silver as well as by-products supported the topline despite modest production softness.

Volumes and Realizations: Realizations show strength; Volumes witness softness YoY, remain flat sequentially: Mined metal production stood at 258kt (vs 265kt in Q1FY26). Refined metal production remained flat sequentially, primarily on account of lower lead production owing to lower grade availability in the ore. Silver volumes continue to remain low coming in at 147 tons, up 1.4% QoQ and down 20% YoY. Realizations continue to reach all-time highs.

Profitability: EBITDA beat on estimates owing to a flattish cost structure and improved realizations: Absolute EBITDA for the quarter stood at Rs 44,260mn (vs our estimate of Rs 41,604mn). EBITDA margins stood at 51.9% for the quarter vs 49.4% in Q1FY26 and 49.8% in Q2FY25 (We estimated a 50.2% EBITDA margin during the quarter). Reported net profit for the quarter stood at Rs 26,320mn (vs our estimate of Rs 24,046mn), +19.4% sequentially and +14.5% on a YoY basis.

Volume Guidance: Mined metal guidance remains unchanged at 1,125kt (+/- 10kt); however, refined metal and silver guidance have been brought down marginally. Refined metal guidance now stands at 1,075kt (+/-10kt) from the earlier guidance of 1,100kt (+/-10kt) and silver guidance now stands at 680 tons (+/-10 tons) vs 700 tons stated earlier.

Our View: HZL delivered a resilient performance in Q2FY26, supported by better realizations and disciplined cost management despite modest volume headwinds. The company's structural cost leadership, strong balance sheet, and increasing silver contribution to profitability continue to underpin earnings visibility. Near-term volume softness appears temporary, with medium-term growth expected to be driven by ongoing debottlenecking initiatives and an anticipated ramp-up in mining operations through H2FY26.

We project Revenue, EBITDA and RPAT to grow at 5.1%, 7.6% and 6.8% respectively over the FY25-28E period. We roll-over our estimates to FY28E and value HZL at 11x H1FY28E EV/EBITDA to arrive at our target price of Rs 551/share.

Exhibit 1: Results Overview

Parameter (Rs mn)	Q2FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	85,250	10.4%	3.4%	Beat	Beat
EBITDA	44,260	16.0%	7.8%	Beat	In-line
EBITDA %	51.9%	251 bps	212 bps	Beat	Miss
Profit after tax	26,320	19.4%	14.5%	Beat	Beat

Source: Bloomberg; YES Sec

Reco	: ADD
CMP	: Rs 500
Target Price	: Rs 551
Potential Upside	: +10.3%

Stock data (as on Oct 17, 2025)

Nifty	25,710
52 Week h/l (Rs)	575 / 378
Market cap (Rs/USD mn)	2113716 / 24027
Outstanding Shares (mn)	4,225
6m Avg t/o (Rs mn):	2,407
Div yield (%):	6.5
Bloomberg code:	HZ IN
NSE code:	HINDZINC

Stock performance



	1M	3M	1Y
Absolute return	10.0%	14.9%	-1.2%

Shareholding pattern (As of Jun'25 end)

Promoter	61.8%
FII+DII	34.1%
Others	4.1%

Δ in estimates

	New	Old
FY27E EBITDA	218,693	213,645
	New	Old
FY28E EBITDA	215,455	-

Δ in stance

(1-Yr)	New	Old
Rating	ADD	BUY
Target Price	551	551

Financial Summary

(Rs mn)	FY26E	FY27E	FY28E
Revenue	358,874	394,772	394,853
YoY (%)	5.6	10.0	0.0
EBIDTA	190,672	218,693	215,455
EBITDA (%)	53.1	55.4	54.6
PAT	112,595	129,758	125,170
EPS	26.6	30.7	29.6
P/E (x)	18.8	16.3	16.9
BVPS	48	69	83
P/B (x)	10.4	7.3	6.0
ROE (%)	55.4	44.6	35.5
ROCE (%)	52.8	48.3	40.6

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ANALYST CALL TAKEAWAYS

General business updates

- **Capex breakdown of ~Rs 160bn (Rs 120bn for mine and smelter expansions and the remaining for 10 mtpa tailings project):** 20% in FY26, 50-60% in FY27 and 30% in FY28. Total capex for FY26: \$800mn (\$400mn of growth capex and additional \$400mn of maintenance capex).
- **10 mtpa tailings project:** About 100ktpa of zinc metal should be recovered through this technology. Around 25ktpa of lead content expected depending on the grade.
- **Zinc CoP:** Major driver of the costs following down was the increase in mining grade, increased mix of domestic coal, in the usage of renewable energy in the power mix. **Current coal mix** -> Domestically sourced: 58% for the quarter and the remaining was imported. HZ is now targeting a Zinc CoP exit rate of \$950-975 during Q4FY26.
- **Mining grade** averaged at about 7.40% for Q2FY26 and was 7.30% during Q2FY25. The increase in the mining grade also played a part in Zinc CoP coming down.
- **RE share** in the energy mix currently stands at 19%. Q1FY26 was at 19% as well. The company aims to reach a share of 25% by the end of FY26 which should see about \$10/t cost savings on the Zinc CoP.
- **Silver volumes:** Lower volumes in Q2FY26 majorly on the back of lower lead volumes and mining grade quality. Company aims to make up for volumes over the course of H2FY26. The management has brought down the production guidance to 680 tons (+10 tons) from the earlier 700 tons. Additionally, the company targets silver volume of 700-750 tons over the course of FY27-28E.
- The company continues to study the possibility of running more on the Lead mode to benefit from the rise in silver prices, however, the strategic decision mainly lies based on the quality of the grade of the mined metal and the quality of silver content in the same.
- The company expects free cash flow generation at current LME and volume pre-capex should be around Rs 100bn for FY26, so debt levels shouldn't be too high going ahead with the new capex plan in place as well. Due to increase in the growth capex, the company expects a net-debt/net-cash flat balance sheet by the end of FY26.
- **Phase-1 update:** Smelter orders already placed. Mining expansion orders to be placed in the upcoming two weeks. Phase-II of growth will also be seeing orders placed by September 30, 2025.
- **Hedging Policy:** Currently hedged zinc volumes at 87kt at \$2,872/t; Silver volumes of 131 tons is hedged at \$37/oz.

Project updates

- **DAP/NPK Plant:** Project is now targeted to be completed by Q1FY27.
- **Hot Acid Leaching Plant:** Expected completion by Q4FY26.

Operational guidance for FY26E

- **Mined Metal:** 1,125kt (+10kt) (maintained)
- **Refined Metal:** decreased to 1,075kt (earlier: 1,100kt (+10kt)); FY27E should see above 1,100kt
- **Silver:** decreased to 680 tons (earlier: 700-710 tons)
- **Zinc CoP:** decreased to \$1,000/t (earlier: \$1,025-1,050/t)
- **Growth capex:** increased to \$350-400mn (earlier: \$225-250mn)

INVESTMENT THESIS AND VALUATION

Near-Term Margin Support, Long-Term Growth Visibility Intact

In the near term, we expect LME zinc and silver prices to remain supportive for HZL's FY26E performance. After declining to below-\$2,600/t following tariff-related volatility in April-May 2025, LME zinc prices have recovered meaningfully above ~\$2,850/t — a trend we expect to sustain through H2FY26, aiding margin recovery. Meanwhile, silver prices have surged to record highs; however, H1FY26 silver volumes were impacted by lower grades. We have accordingly revised our FY26E silver volume estimate to 660 tons (from 697 tons), factoring in a sequential pickup in mining activity during the second half.

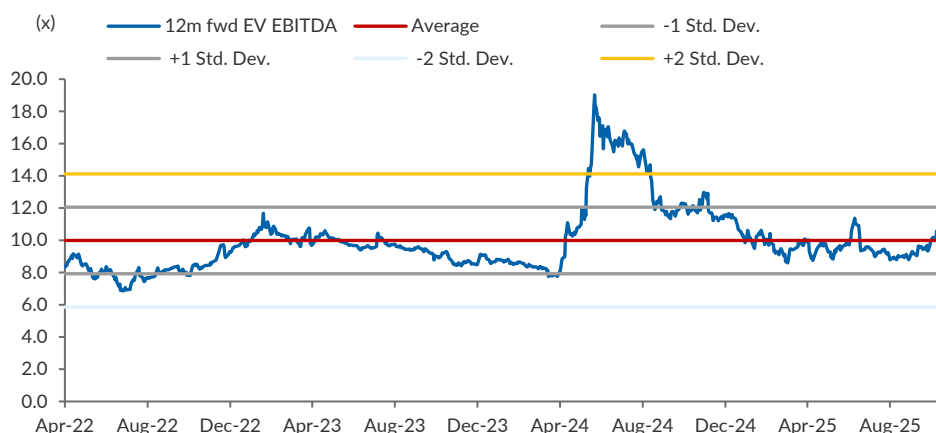
Over the medium term, HZL's growth visibility remains anchored by its ongoing debottlenecking initiatives, the upcoming DAP/NPK plant (enhancing downstream integration for sulphuric acid), expansions at Rampura Agucha and Rajpura Dariba mines, the 250 ktpa zinc smelter at Debari, and the recently approved 10 mtpa tailings reprocessing project. With India's steel capacity additions driving sustained zinc demand, this integrated capex cycle positions HZL to capture the next leg of growth while reinforcing its cost leadership and competitive positioning in the global base metals space.

Exhibit 2: Valuation Summary

Valuation (Rs mn)	Sep-27	Per-share
EBITDA	217,074	51
Multiple (x)	11.0	
Enterprise Value	2,387,817	565
(-) Net Debt (H1FY27)	57,863	14
Equity Value	2,329,954	551
No. of shares outstanding	4,225	
Rs/share	551	
CMP	500	
Potential upside	10.3%	

Source: YES Sec

Exhibit 3: EV Band



Source: YES Sec

HZL has traded at an average of 10x one-year forward EV/EBITDA since CY22. We assign a 10% premium to this multiple to account for the company's strengthening earnings visibility, led by the expanding silver business, where both volume growth and pricing momentum remain supportive. Additionally, rising refined metal volumes and steady cash generation are expected to sustain strong profitability over the next three years. HZL's captive mining operations continue to provide a unique structural edge in the global base metal space, enabling it to consistently deliver strong EBITDA margins of above 50%.

Accordingly, we value the company at 11x H1FY28E EV/EBITDA, translating into a target price of Rs 551/share.

Exhibit 4: Key Monitorables & Triggers

What to Watch	Why it Matters	Timeline
21ktpa Cell house debottlenecking	Increase in volumes expected; to be commissioned in Chanderiya	Q3FY26
Hot-acid leaching plant	Expected recovery of 27tonnes of Silver and 6ktpa lead from the smelting waste at Dariba	FY26-end
510ktpa DAP/NPK plant	To forward integrate the sulphuric acid business for better realizations and margins	Q1FY27
250ktpa smelter and mine expansions	Next leg of growth -> to enhance capacity by over 20%	H1FY29
10mtpa Zinc tailings reprocessing plant	Using waste tailings to recover zinc metal and add incremental refined metal volumes	FY28-end

Source: YES Sec

Exhibit 5: Estimate Revisions

Metric (Rs mn)	Old Est (FY27E)	Old Est (FY28E)	New Est (FY27E)	New Est (FY28E)	% Change (FY27E)	Reason
Refined metal sales (kt)	1,184	-	1,115	1,142	(5.8%)	Accounting for changes in guidance
Silver sales (tons)	752	-	736	752	(2.1%)	Accounting for changes in guidance
Zinc prices (\$/t)	2,850	-	2,800	2,750	(1.8%)	NA
Lead prices (\$/t)	2,150	-	2,100	2,100	(2.3%)	NA
Silver prices (\$/oz)	34.50	-	45.00	42.50	30.4%	Impact of rise in silver prices
EBITDA	213,645	-	218,693	215,455	2.4%	Volume fall offset by better realizations
EBITDA margin	54.9%	-	55.4%	54.6%	0.9%	NA

Source: YES Sec

QUARTERLY SNAPSHOT

Exhibit 6: Financial performance

Rs mn	Q2FY26	Q1FY26	% QoQ	Q2FY25	% YoY
Revenue	85,250	77,230	10.4%	82,420	3.4%
Cost of goods sold	16,160	15,310	5.6%	18,320	(11.8%)
Employee costs	1,840	1,900	(3.2%)	1,840	0.0%
Other expenses	22,990	21,860	5.2%	21,220	8.3%
EBITDA	44,260	38,160	16.0%	41,040	7.8%
EBITDA %	51.9%	49.4%	251 bps	49.8%	212 bps
Other income	2,370	2,820	(16.0%)	2,680	(11.6%)
Depreciation	8,810	9,110	(3.3%)	8,750	0.7%
Finance costs	2,590	2,390	8.4%	3,190	(18.8%)
Exceptional items	-	-		830	(100.0%)
Profit before tax	35,230	29,480	19.5%	30,950	13.8%
Taxes	8,910	7,440	19.8%	7,970	11.8%
Profit after tax	26,320	22,040	19.4%	22,980	14.5%

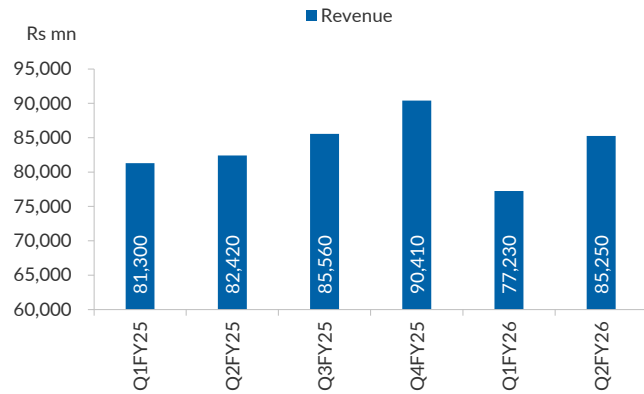
Source: Company; YES Sec

Exhibit 7: Operational performance

Rs mn	Q2FY26	Q1FY26	% QoQ	Q2FY25	% YoY
Mined metal (kt)	258	265	(2.6%)	262	(1.5%)
Zinc (kt)	202	201	0.5%	198	2.0%
Lead (kt)	45	48	(6.3%)	63	(28.6%)
Refined metal sales (kt)	247	249	(0.8%)	261	(5.4%)
Silver (Tons)	147	145	1.4%	184	(20.1%)

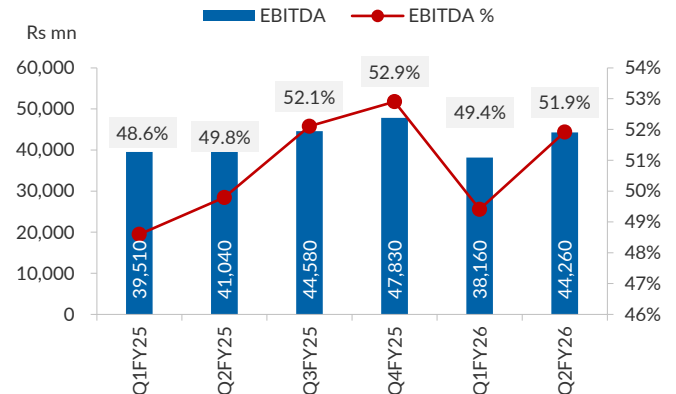
Source: Company; YES Sec

Exhibit 8: Revenues rise sequentially



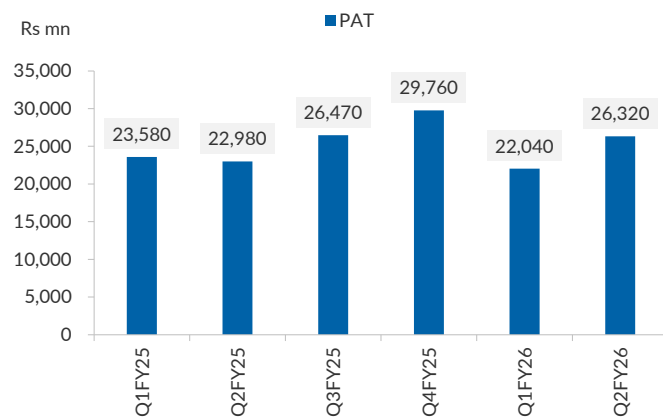
Source: Company, YES Sec

Exhibit 9: Margin profile sustains on account of pricing



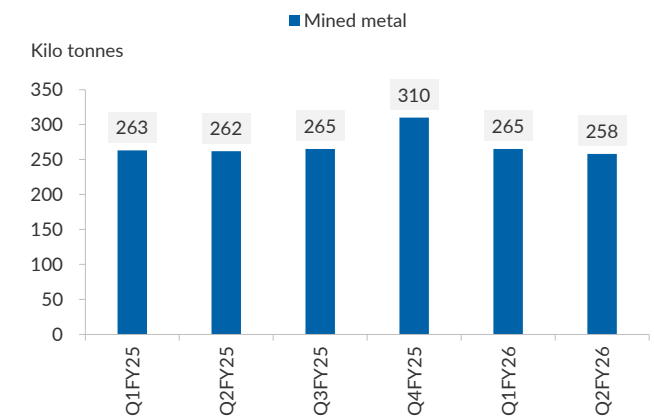
Source: Company, YES Sec

Exhibit 10: PAT follows similar trajectory



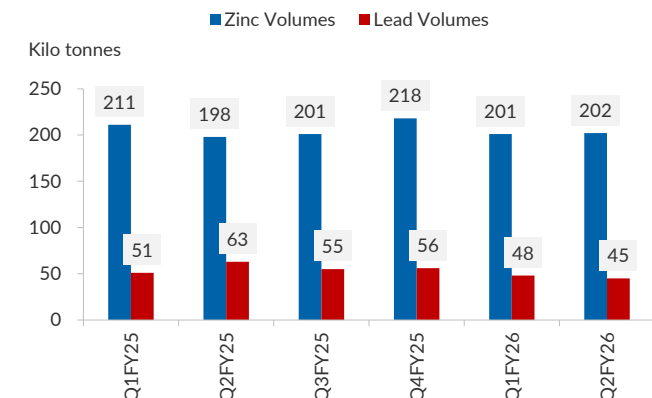
Source: Company, YES Sec

Exhibit 11: Mined metal output



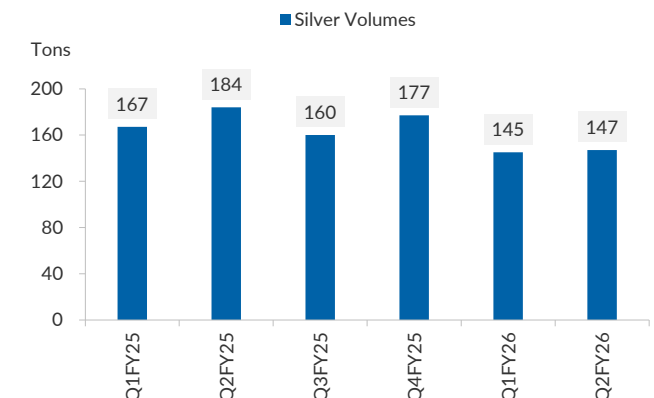
Source: Company, YES Sec

Exhibit 12: Refined metal volumes



Source: Company, YES Sec

Exhibit 13: Silver volumes now expected to pick-up



Source: Company, YES Sec

FINANCIALS

Exhibit 14: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net revenue	340,980	289,340	339,690	358,874	394,772	394,853
Cost of goods sold	76,360	62,040	67,370	66,489	71,824	72,536
Employee cost	8,430	8,260	8,780	8,868	9,089	9,317
Other expenses	81,070	82,430	90,580	92,845	95,166	97,545
EBITDA	175,120	136,610	172,960	190,672	218,693	215,455
% Margin	51.4%	47.2%	50.9%	53.1%	55.4%	54.6%
Dep. & Amort.	32,640	34,660	36,340	40,612	48,375	53,105
Other income	13,820	11,030	9,960	9,813	10,009	10,209
Finance costs	3,330	9,550	11,110	11,716	11,716	10,616
Exceptional items	-	-	830	-	-	-
Profit before tax	152,970	103,430	134,640	148,156	168,611	161,944
Taxes	47,770	25,560	31,850	37,212	42,153	40,486
Profit after tax	105,200	77,870	102,790	110,945	126,458	121,458
EPS	24.90	18.43	24.53	26.26	29.93	28.75

Source: Company, YES Sec

Exhibit 15: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets						
PPE	175,280	178,750	183,580	196,120	244,785	250,800
CWIP	21,070	15,290	25,520	38,808	63,068	77,848
Non-current assets	205,920	212,110	227,750	253,051	326,514	347,311
Inventories	18,620	19,240	18,820	18,216	19,678	19,873
Trade receivables	3,800	1,610	1,120	4,916	5,408	5,409
Cash and equivalents	590	510	940	17,520	12,096	34,272
Bank	13,530	1,220	810	3,167	4,511	8,319
Current assets	148,620	126,930	116,430	139,678	137,910	164,091
Total assets	354,540	339,040	344,180	392,729	464,424	511,402
Equity and liabilities						
Equity share capital	8,450	8,450	8,450	8,450	8,450	8,450
Other equity	120,970	143,880	124,450	194,795	282,303	344,098
Non-current liabilities	50,700	78,530	99,530	80,786	61,863	46,866
Current liabilities	174,420	108,180	111,750	108,698	111,809	111,988
Total equity and liabilities	354,540	339,040	344,180	392,729	464,424	511,402

Source: Company, YES Sec

Exhibit 16: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before taxes	152,970	103,430	134,640	150,356	173,011	166,894
Depreciation & amortization	32,640	34,660	36,340	40,612	48,375	53,105
Finance costs	3,330	9,550	11,110	9,516	7,316	5,666
CFO before working cap changes	177,500	137,010	173,880	200,485	228,702	225,665
Working capital changes	5,560	13,990	1,150	(5,990)	1,337	(16)
Cash generated from operations	183,060	151,000	175,030	194,495	230,039	225,648
Taxes paid	(31,400)	(17,570)	(33,760)	(37,762)	(43,253)	(41,723)
Net CFO	151,660	133,430	141,270	156,733	186,786	183,925
Net CFI	65,250	(34,050)	(26,580)	(66,440)	(121,300)	(73,900)
Net CFF	(232,240)	(99,460)	(114,260)	(71,766)	(69,566)	(84,041)
Net change in cash	(15,330)	(80)	430	18,527	(4,080)	25,984
Cash at beginning	15,920	590	510	940	17,520	12,096
Cash at end	590	510	940	17,520	12,096	34,272

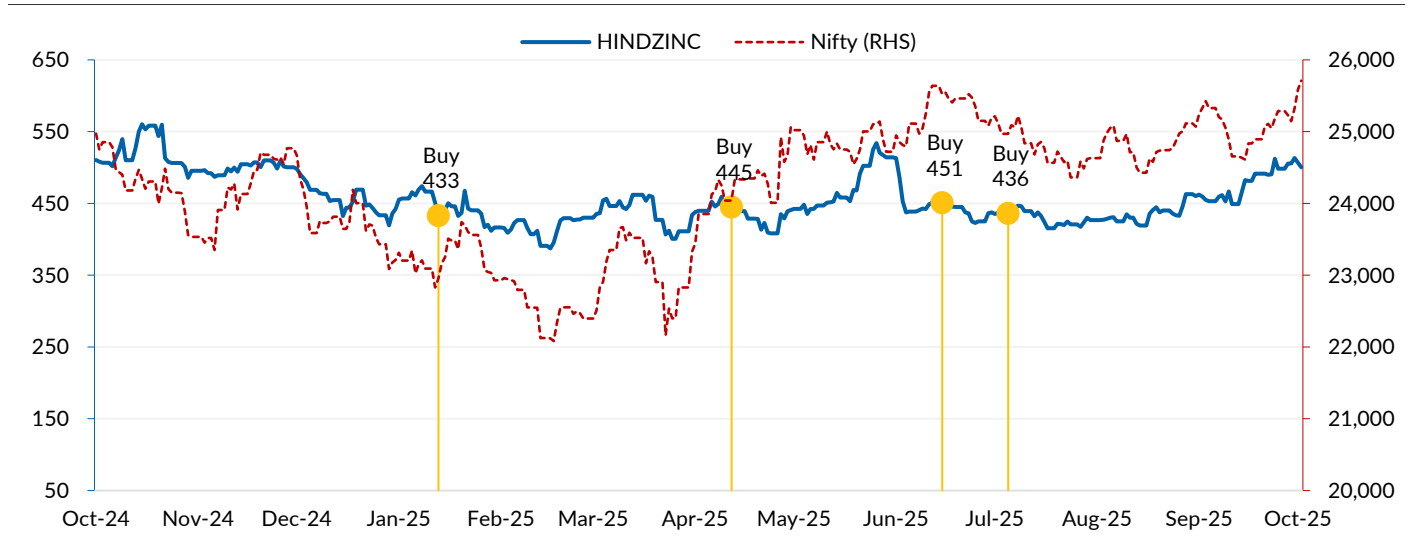
Source: Company, YES Sec

Exhibit 17: Key Ratios

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)						
Revenues	15.8	(15.1)	17.4	5.6	10.0	0.0
GP	12.1	(14.1)	19.8	7.4	10.5	(0.2)
EBITDA	7.9	(22.0)	26.6	10.2	14.7	(1.5)
EBIT	7.1	(28.4)	34.0	9.8	13.5	(4.7)
PAT	9.2	(26.0)	32.0	9.5	15.2	(3.5)
Margins (%)						
GP	77.6	78.6	80.2	81.5	81.8	81.6
EBITDA	51.4	47.2	50.9	53.1	55.4	54.6
EBIT	41.8	35.2	40.2	41.8	43.1	41.1
PAT	30.9	26.9	30.3	31.4	32.9	31.7
Return profile (%)						
ROE	81.3	51.1	77.3	55.4	44.6	35.5
ROCE	79.1	44.2	58.8	52.8	48.3	40.6
Per share (Rs)						
EPS	24.9	18.4	24.5	26.6	30.7	29.6
BVPS	30.6	36.1	31.5	48.1	68.8	83.4
P/E (x)	12.0	15.9	18.5	18.8	16.3	16.9
P/BV (x)	9.8	8.1	14.4	10.4	7.3	6.0

Source: Company, YES Sec

Recommendation Tracker



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