

Hindustan Zinc

BSE SENSEX 81,583 S&P CNX 24,853

CMP: INR486 TP: INR480 (-1%) Neutral

Announces expansion plans; step toward 2x capacity growth



HINDUSTAN ZINC
Zinc & Silver of India

HZL's Board has approved a growth capex of ~INR120b (funded through internal accruals and debt) to expand the zinc smelting capacity by 250ktpa at Debari, along with a mines capacity expansion of 330ktpa (Rajpura Dariba - 2.5ktpa and Zawar - 0.8ktpa).

Bloomberg	HZ IN
Equity Shares (m)	4225
M.Cap.(INRb)/(USDb)	2055 / 23.8
52-Week Range (INR)	717 / 378
1, 6, 12 Rel. Per (%)	11/-3/-32
12M Avg Val (INR M)	1274

Key takeaways from the investor call held by the company:

- The project is expected to be completed in the next 36 months, with capex spread across FY26-28 (guidance: INR35b - FY26, INR50b - FY27, and the rest in FY28).
- Of the INR120b capex plan, ~INR62.5b will be allocated to expanding zinc smelting capacity at Debari (at USD2,500/t), which includes INR10-12b for associated facilities such as the leaching & purification plant, cell house, and roaster. The remaining capex will be incurred on mine expansion.
- The Debari smelter expansion project will have its own fumer facility, which will produce 30tpa of silver.
- Following the completion of phase-I, the refined metal capacity will reach 1.379mtpa (1.169/0.21mtpa - Zinc/Lead, respectively), with refined silver capacity increasing by 30tpa to 830tpa.
- The existing metal capacity of ~1.129mtpa operated at a utilization level of ~93% in FY25. The current phase-I expansion is expected to add ~22% to this capacity.
- Phase-II aims to double the refined metal capacity to 2mtpa (1.6/0.4mtpa - Zinc/Lead, respectively) and silver capacity to 1.5ktpa.
- Management has guided for Cost of Production (CoP) to remain competitive at USD1,025-1,050/t.
- The company expects revenue to rise from INR341b in FY25 to INR400-420b with the ramp-up of phase-I expansion, and further to INR620-650b upon the completion of the expansion plan.
- EBITDA is expected to increase from INR174b in FY25 to INR210-220b post the phase-I expansion, and further to INR340-360b after the phase-II expansion, considering the LME prices and exchange rates remain constant.

Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Sales	341	375	383
EBITDA	173.9	212.3	218.7
PAT	104.4	131.8	135.4
EPS (INR)	24.7	31.2	32.0
GR. (%)	34.5	26.3	2.7
BV/Sh (INR)	31.5	50.7	70.8

Ratios

ROE (%)	73.2	75.8	52.7
RoCE (%)	56.2	61.3	49.9

Valuations

P/E (X)	19.7	15.6	15.2
P/BV (X)	15.4	9.6	6.9
EV/EBITDA (X)	11.9	9.3	8.5
Div Yield (%)	6.0	2.5	2.5

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	63.4	63.4	64.9
DII	32.1	32.0	32.5
FII	1.4	1.4	0.6
Others	3.1	3.2	2.0

FII Includes depository receipts

Stock Performance (1-year)



Valuation and view

- The expansion plans are in line with the company's long-term target to double its capacity. It continues to focus on improving production with tight cost control measures.
- We retain our earnings estimates for FY26-27E and expect HZL to maintain its focus on profitability. Additionally, the favorable pricing condition is likely to further support margins.
- At CMP, HZL trades at 8.5x FY27E EV/EBITDA, and we believe the current valuation prices in all positive factors. **We reiterate our Neutral rating with a TP of INR480 (premised on 8.5x EV/EBITDA on FY27 estimates).**

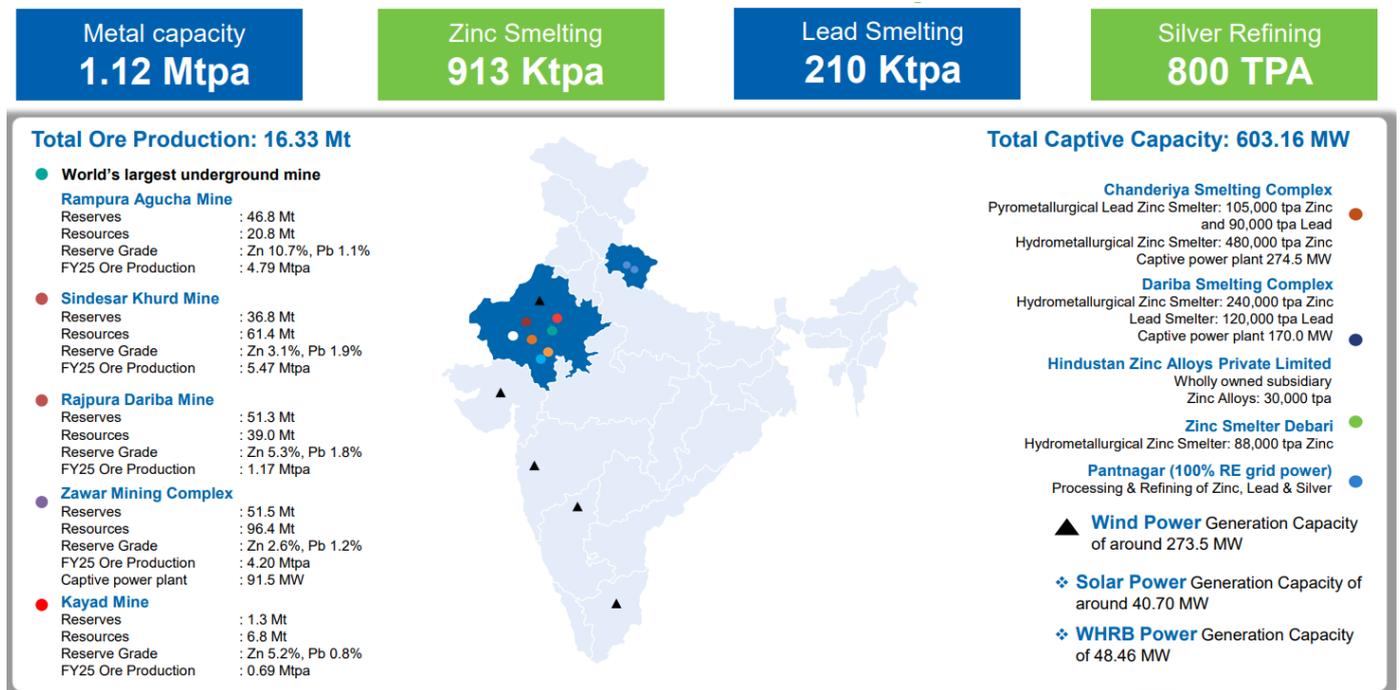
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Story in charts

Exhibit 1: Existing mines and smelter capacity



Source: MOFSL, Company

Exhibit 2: Phase-I expansion plan to be completed in the next three years



Source: MOFSL, Company

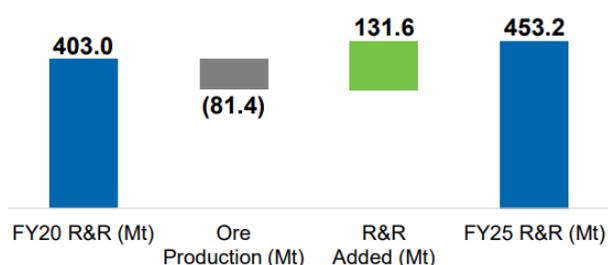
Exhibit 3: Phase-II will lead to 2x capacity growth

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

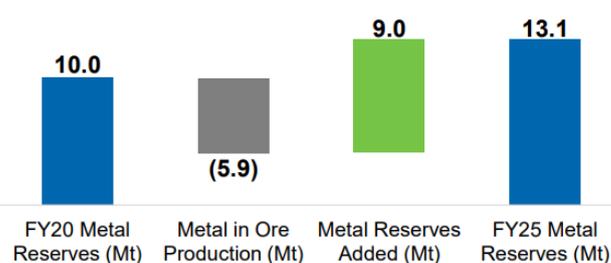
Source: MOFSL, Company

Steady volume growth prospects to support top-line growth:

- HZL holds a strong position in the Indian primary zinc market with a 77% market share. Its mined metal posted a CAGR of ~4%, rising from 917 KT in FY20 to 1,095 KT in FY25. Similarly, refined metal grew from 870KT in FY20 to 1,052KT in FY25.
- Roasting is a critical step in producing saleable zinc in hydrometallurgical smelters. HZL's upcoming 160 KTPA roaster at Debari is expected to be commissioned by mid-Q1FY26, enabling the company to achieve 1.13mtpa refined metal production from FY27 onwards. Additionally, its long-term roadmap to double capacity to ~2mtpa is expected to support sustained top-line growth through higher volumes.
- With a focused approach to exploration, the company has increased its total R&R by over 40% net of production in the last five years. Metal reserves have grown more than 3x compared to FY20 on a net of production basis, implying an impressive mine life of over 25 years.

Exhibit 4: Total R&R as of FY25
Increased the Total R&R by over 40% net of production in last 5 years


Source: MOFSL, Company

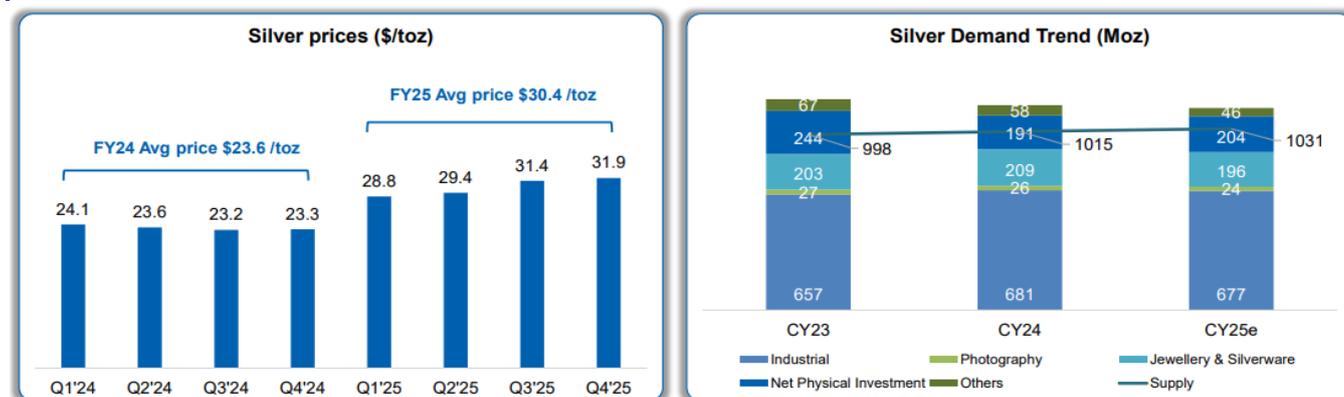
Exhibit 5: HZL increased its metal reserves by 3x
Increased to over 3x metal reserves as compared to FY20 on a net of production basis


Source: MOFSL, Company

Silver contribution to play out steadily over the medium and long term:

- Silver plays a dual role as an industrial metal and a financial asset. HZL is India’s only primary silver producer and has risen from the 23rd position in CY14 to become the fourth-largest globally. Its Sindesar Khurd mine ranks among the top five silver-producing mines worldwide. Over the past two decades, HZL’s silver output has increased multi-fold from 35t in FY04 to 687t in FY25. The company currently operates at a silver refining capacity of 800t at Pantnagar, Uttarakhand, which is expected to increase to 1,500t by CY30. The recent upgrade of its zinc fumer plant is also expected to support silver growth, contributing an incremental 33t annually by converting smelting waste into precious metals.
- For FY26, management has guided for silver production volume to rebound to 700t (declined 8% YoY to 687t in FY25). It has also indicated that a 10% increase in silver prices could lead to an incremental EBITDA of INR5.5-5.75b. Strong industrial demand and a deficit in the market have supported silver price movement, which rose 29% YoY in FY25. These strong pricing trends are likely to persist, further enhancing the company’s silver-driven profitability.

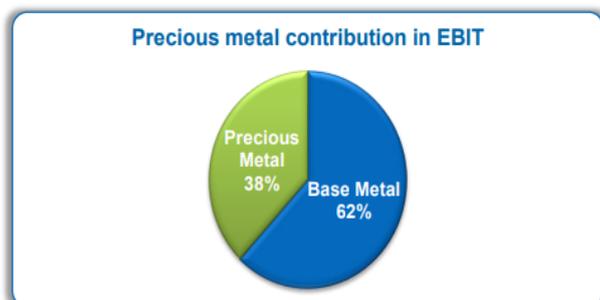
Exhibit 6: Global market update - Precious metal | Silver



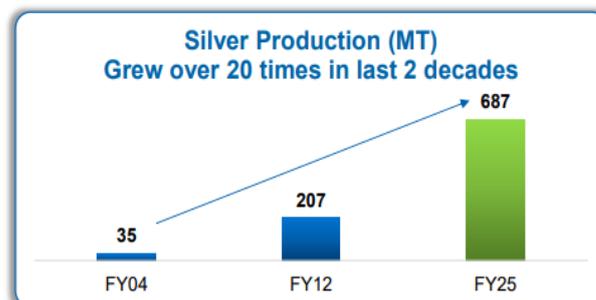
Source: MOFSL, Company

Exhibit 7: India’s only primary silver producer contributing significantly to profitability

Robust portfolio of Precious metal

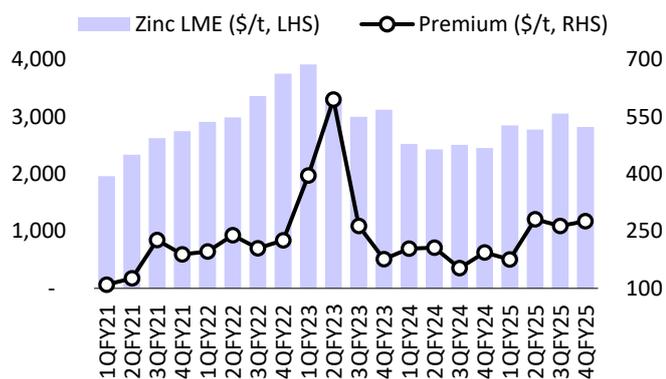


HZL is India’s only Primary Silver producer



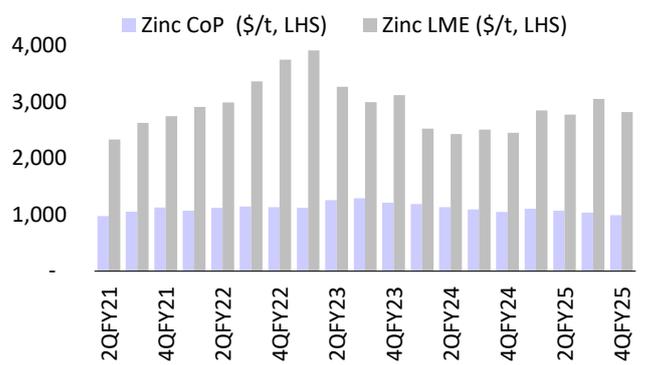
Source: MOFSL, Company

Exhibit 8: Premium sustained above USD250/t



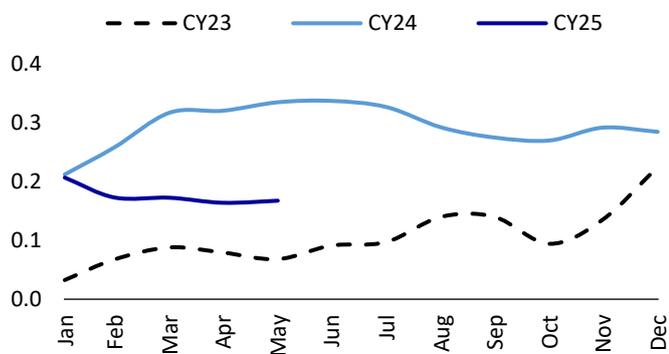
Source: MOFSL, Company

Exhibit 9: Zinc's CoP declined to USD994/t vs. LME's at USD2,821/t



Source: MOFSL, Company

Exhibit 10: Zinc inventory trend (LME+SHFE)



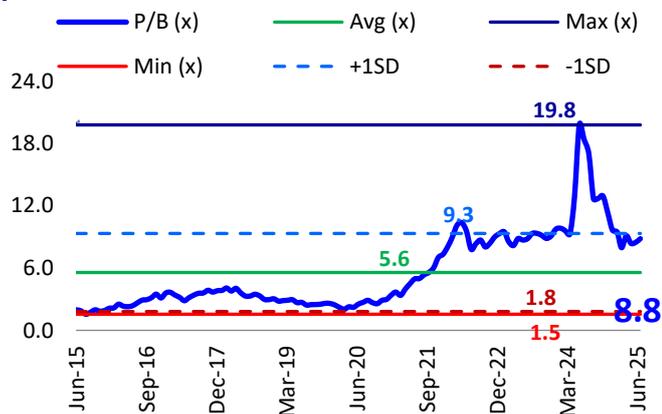
Source: MOFSL, Company

Exhibit 11: LME zinc prices (USD/t)



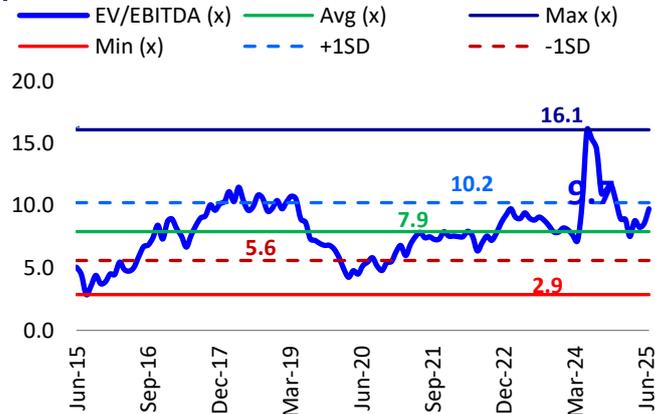
Source: MOFSL, Company

Exhibit 12: P/B ratio at elevated levels to justify high RoE



Source: MOFSL

Exhibit 13: EV/EBITDA trends



Source: MOFSL

Exhibit 14: Valuation

Valuation	UoM	FY27E
EBITDA	INR b	219
EV/EBITDA Multiple	x	8.5
Enterprise Value	INR b	1,859
Net Cash	INR b	197
Equity value	INR b	2,056
Shares outstanding	b	4.2
Target price (INR/sh; rounded-off)	INR/sh	480

Source: MOFSL

Financials and Valuation

Income Statement							INR b	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	186	226	294	341	289	341	375	383
Total Expenses	97	110	132	166	153	167	162	164
EBITDA	88	117	162	175	137	174	212	219
DDA	23	25	29	33	35	36	41	42
EBIT	66	91	133	142	102	137	172	177
Finance cost	1	4	3	3	10	11	11	11
Other income	19	18	12	14	11	10	14	15
PBT	84	106	142	153	103	136	175	180
Tax	16	26	45	48	25	32	43	44
Rate (%)	18.9	24.5	31.4	31.2	24.7	23.5	24.7	24.7
PAT (before EO)	68	80	98	105	78	104	132	135
EO expense (Income)	0	0	1	0	0	1	0	0
Reported PAT	68	80	96	105	78	104	132	135
APAT	68	80	98	105	78	104	132	135
Change (YoY %)	-14.5	17.3	22.3	7.7	-26.2	34.5	26.3	2.7

Balance Sheet (Consolidated)							INRb	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	8	8	8	8	8	8	8	8
Reserves	395	315	334	121	144	125	206	291
Net Worth	403	323	343	129	152	133	214	299
Total Loans	6	65	28	119	85	108	106	104
Deferred Tax Liability	-18	-11	9	23	23	23	22	21
Capital Employed	391	377	381	271	261	264	342	424
Gross Block	272	300	335	370	410	451	467	482
Less: Accum. Deprn.	107	132	161	194	229	265	306	348
Net Fixed Assets	165	168	174	176	182	186	161	134
Capital WIP	25	19	21	22	17	26	26	26
WC. Assets	262	259	252	156	140	133	237	346
Inventory	18	14	20	19	19	19	20	21
Account Receivables	4	4	7	4	2	1	5	5
Cash and Bank Balance	222	223	208	113	100	93	192	301
Loans and advances	17	18	17	21	19	19	19	19
WC. Liability & Prov.	61	69	66	84	78	81	82	82
Trade payables	15	15	20	21	21	22	23	23
Provisions & Others	46	54	46	63	57	59	59	59
Net WC. Assets	201	190	186	72	62	52	155	264
Appl. of Funds	391	377	381	271	261	264	342	424

E: MOFSL Estimates

Financials and Valuation

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	16.1	18.9	23.1	24.9	18.4	24.7	31.2	32.0
Cash EPS	21.5	24.9	30.0	32.6	26.6	33.3	40.9	42.0
BV/Share	95.4	76.5	81.1	30.6	36.0	31.5	50.7	70.8
DPS	16.5	21.3	18.0	75.5	13.0	29.0	12.0	12.0
Payout (%)	122.9	112.7	77.9	303.5	70.8	117.4	38.5	37.4
Valuation (x)								
P/E	30.2	25.8	21.1	19.6	26.5	19.7	15.6	15.2
Cash P/E	22.6	19.6	16.2	14.9	18.3	14.6	11.9	11.6
EV/Sales	9.9	8.4	6.4	6.1	7.1	6.1	5.3	4.9
EV/EBITDA	20.8	16.3	11.6	11.8	15.0	11.9	9.3	8.5
Dividend Yield (%)	3.4	4.4	3.7	15.5	2.7	6.0	2.5	2.5
Return Ratios (%)								
EBITDA Margins	47.7	51.6	55.1	51.3	47.2	51.0	56.7	57.2
Net Profit Margins	36.7	35.3	33.2	30.8	26.8	30.6	35.2	35.4
RoCE (pre-tax)	23.2	28.5	38.3	47.9	42.4	56.2	61.3	49.9
RoIC (pre-tax)	41.6	56.7	81.5	86.1	64.0	83.1	106.9	129.1
Working Capital Ratios								
Fixed Asset Turnover (x)	1.2	1.4	1.7	1.9	1.6	1.9	2.2	2.6
Receivable (Days)	8	7	9	4	5	5	5	5
Trade payable (Days)	29	25	25	22	22	22	22	22
Leverage Ratio (x)								
Current Ratio	4.3	3.7	3.8	1.9	1.8	1.6	2.9	4.2
Interest Cover Ratio	75.9	28.4	50.1	46.9	11.8	13.5	17.4	16.9
Net Debt/Equity	-0.5	-0.5	-0.5	0.0	(0.1)	0.1	(0.4)	(0.7)

Cash Flow Statement								INRb
	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
EBITDA	88	117	162	175	137	174	212	219
Non cash exp. (income)	0	0	1	2	16	(32)	-	-
(Inc)/Dec in Wkg. Cap.	-11	6	-12	6	(2)	3	(5)	(0)
Tax paid	-11	-18	-24	-31	(18)	(3)	(44)	(45)
CF from Op. Activity	66	106	127	151	133	142	164	173
(Inc)/Dec in FA + CWIP	-36	-24	-30	-35	(40)	(41)	(15)	(15)
Free Cash Flow	30	81	97	116	93	101	148	158
Interest & Dividend Income	5	15	9	14	11	10	14	15
Others	5	-15	29	87	(5)	4	-	-
CF from Inv. Activity	-26	-24	8	66	(34)	(27)	(1)	(1)
Debt raised/(repaid)	-19	65	-43	90	(34)	22	(2)	(2)
Dividend (incl. tax)	0	-160	-76	-319	(55)	(123)	(51)	(51)
Interest paid	-2	-2	-3	-3	(10)	(11)	(11)	(11)
Others	0	0	0	0	(1)	(3)	-	-
CF from Fin. Activity	-21	-97	-123	-232	(99)	(114)	(63)	(64)
(Inc)/Dec in Cash	19	-16	13	-15	(0)	0	99	108
Add: Opening cash balance	0	19	3	16	1	1	1	100
Adjustments	0	0	0	0	-	-	-	-
Closing cash balance	19	3	16	1	1	1	100	208
Bank balance and current investments	204	220	192	112	100	92	92	92
Closing Balance (incl. bank balance and inv.)	222	223	208	113	100	93	192	301

E: MOFSL Estimates

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