

Lower volumes, metal prices partially offset by lower cost

- HZL reported 1QFY26 standalone revenue of Rs. 77.2 bn (down 15% QoQ/5% YoY), ~5% below consensus, impacted by lower production volume and softer zinc/lead prices, partially offset by higher silver prices, stronger dollar and improved by-product realization.
- 1QFY26 witnessed highest-ever first quarter mined metal output of 265 KT, but refined output fell due to planned maintenance at smelters. EBITDA/PAT declined 3.4%/6.5% YoY to Rs. 38.2 bn/Rs. 22.3 bn, primarily impacted by lower top-line.
- We retain our FY26E/FY27E EPS estimates supported by favorable industry trends and HZL's strong competitive positioning. Maintain 'BUY' rating with a target price of Rs. 564 valued at 10x FY27E EV/EBITDA.

Steady start to FY26; volumes impacted by planned maintenance

HZL began FY26 with mined metal production at 265 KT (flat YoY / -14.5% QoQ), the highest-ever Q1 output. Refined metal declined to 250 KT (Zinc: 202 KT; Lead: 48 KT) due to planned smelter shutdowns. Silver production fell to 149 tons (-11% YoY / -16% QoQ) on lower grades and base effect. FY26 volume guidance remains unchanged, and management expects recovery with ramp-up of debottlenecking projects.

Stronger silver price and cost levers partially supported margin

EBITDA declined 20.2% QoQ to INR 38.2 bn, with margin at 49.4% (-349 bps QoQ), impacted by lower output and realizations. Profitability was partly supported by silver (~41% of EBIT), improved grades, and cost savings. Zinc CoP fell to USD 1,010/t (16-quarter low), with FY26 CoP guided at USD 1,025-1,050/t, and long-term goal of <USD 1,000/t via RE usage (30-35%), digital tools, and logistics gains.

Capex is on track for integration and cost rationalization

Gross debt rose to Rs 135.2 bn (vs. Rs 106.5 bn QoQ), with cash at Rs 93.4 bn, leading to higher net debt. FY26 capex guidance remains USD 225-250 mn, with key projects: Debari Roaster and cell house debottlenecking (Q2), hot acid leaching (Q4), and fertilizer plant (1QFY27). These aim to support integration, expand alloys, and enhance cost competitiveness. Despite elevated capex and rising net debt, the company expects to generate ~Rs 180 bn in free cash flows over the medium term, offering flexibility for dividend payouts and reinvestments.

Key Data

Nifty	24,968
Equity / FV	Rs 8,451mn / Rs 2
Market Cap	Rs 1,840bn
	USD 21.4bn
52-Week High/Low	Rs 663/ 378
Avg. Volume (no)	6,367,860
Bloom Code	HZ IN

	Current	Previous
Rating	BUY	BUY
Target Price	564	564

Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	351	367	0.0	0.0
EBITDA	193	203	0.0	0.0
EBITDA (%)	54.8	55.4	0	0
APAT	112	119	0.0	0.0
EPS (Rs)	26.5	28.1	0.0	0.0

Valuation (x)

	FY25A	FY26E	FY27E
P/E	17.8	16.5	15.5
EV/EBITDA	10.7	9.5	8.9
ROE (%)	72.1	76.3	69.4
RoACE (%)	43.4	44.7	44.1

Q1FY26 Result (Rs Mn)

Particulars	Q1FY26	YoY (%)	QoQ (%)
Revenue	77,230	(5.0)	(14.6)
Total Expense	39,070	(6.5)	(8.2)
EBITDA	38,160	(3.4)	(20.2)
Depreciation	9,110	8.1	(10.1)
EBIT	29,050	(6.5)	(22.9)
Other Income	2,820	1.8	22.6
Interest	2,390	(6.6)	(4.8)
EBT	29,480	(5.8)	(21.4)
Tax	7,440	(3.5)	(3.8)
RPAT	22,040	(6.5)	(25.9)
APAT	22,040	(6.5)	(25.9)
		(bps)	(bps)
Gross Margin	80.2	98	(239)
EBITDA (%)	49.4	81	(349)
NPM (%)	28.5	(47)	(438)
Tax Rate (%)	25.2	60	462
EBIT (%)	37.6	(61)	(408)

VP - Research: Suman Kumar
+91 22 40969740

sumank@dolatcapital.com

Associate: Shivani Tanna
+91 22 61764876

shivaniit@dolatcapital.com

Exhibit 1: Actuals vs Dolat Estimates

Particulars (Rs mn)	Q1FY26	Q1FY26E	Variance (%)	Comments
Revenue	77,230	78,159	(1.19)	lower refined metal and silver volume
EBITDA	38,160	36,489	4.58	Aided by cost optimization efforts, improved coal mix (higher linkage share), and better-than-expected by-product contribution, especially from silver (~41% of EBIT).
EBITDA Margin (%)	49.4	46.7	273 bps	
Adjusted PAT	22,040	21,014	4.88	
EPS (Rs)	5.2	5	4.88	

Source: Company, Dolat Capital

Exhibit 2: Standalone Summary

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY26	QoQ (%)	FY25	CPLY (FY24)	YoY (%)
Sales	77,230	81,300	(5.0)	90,410	(14.6)	339,690	289,340	17.4
Cost of Material Consumed	(90)	660	(113.6)	(2,580)	n.a.	(620)	(1,560)	(60.3)
% of sales	(0.1)	0.8	(93 bps)	(2.9)	274 bps	(0.2)	(0.5)	36 bps
Employee cost	1,900	2,280	(16.7)	2,240	(15.2)	8,780	8,260	6.3
% of sales	2.5	2.8	(34 bps)	2.5	(2 bps)	2.6	2.9	-27 bps
Other expenses	37,260	38,850	(4.1)	42,920	(13.2)	158,570	146,030	8.6
% of sales	48.2	47.8	46 bps	47.5	77 bps	46.7	50.5	-379 bps
Total Exp	39,070	41,790	(6.5)	42,580	(8.2)	166,730	152,730	9.2
EBITDA	38,160	39,510	(3.4)	47,830	(20.2)	172,960	136,610	26.6
Margin %	49.4	48.6	81 bps	52.9	(349 bps)	50.9	47.2	370 bps
Other income	2,820	2,770	1.8	2,300	22.6	9,960	11,030	(9.7)
Depreciation	9,110	8,430	8.1	10,130	(10.1)	36,340	34,660	4.8
Interest expenses	2,390	2,560	(6.6)	2,510	(4.8)	11,110	9,550	16.3
Profit Before Tax	29,480	31,290	(5.8)	37,490	(21.4)	135,470	103,430	31.0
Exceptional item	0	0	-	0	-	830	0	-
PBT after exceptional	29,480	31,290	(5.8)	37,490	(21.4)	134,640	103,430	30.2
Tax	7,440	7,710	(3.5)	7,730	(3.8)	31,850	25,560	24.6
Tax Rate %	25.2	24.6	60 bps	20.6	462 bps	23.7	24.7	-106 bps
Reported Net Profit	22,040	23,580	(6.5)	29,760	(25.9)	102,790	77,870	32.0
Adjusted Net Profit	22,040	23,580	(6.5)	29,760	(25.9)	103,620	77,870	33.1
EPS (INR)	5.2	5.6	(6.5)	7.0	(25.9)	24.3	18.4	32.0

Source: Company, Dolat Capital

Exhibit 3: Operating Metrics

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	CPLY (FY24)	YoY (%)
Mined metal production ('000 tonne)	265	263	0.8	310	(14.5)	1,094	1,079	1.4
Refined zinc production ('000 tonne)	202	211	(4.3)	214	(5.6)	827	817	1.2
Refined lead production ('000 tonne)	48	51	(5.9)	56	(14.3)	225	217	3.7
Refined silver production (tonne)	149	167	(10.8)	177	(15.8)	688	746	(7.8)
LME zinc price (USD per tonne)	2,639	2,836	(6.9)	2,835	(6.9)	2,875	2,476	16.1
LME lead price (USD per tonne)	1,946	2,167	(10.2)	1,969	(1.2)	2,045	2,121	(3.6)
Silver realization (INR per kg)	116,414	85,449	36.2	95,367	22.1	89,154	71,964	23.9
INR:USD	85.6	83.4	2.6	86.6	(1.2)	84.6	82.8	2.1
Zinc cost of production - excl royalty (USD per tonne)	1,010	1,107	(8.8)	994	1.6	1,053	1,119	(5.9)

Source: Company, Dolat Capital

Earnings Call KTAs

- **FY26 Volume Guidance:** Management reiterated FY26 production guidance of 1,115 - 1,135 KT for mined metal, 1,090 - 1,110 KT for refined metal, and 700 - 710 tons for silver. Volume recovery is expected to be back-ended, aided by the ramp-up of debottlenecking projects.
- **Zinc CoP Outlook:** FY26 CoP (ex-royalty) is expected to remain flat at USD 1,025–1,050/t, with long-term cost reduction target of <USD 1,000/t. Levers include higher renewable energy usage (30–35%), digitization, improved material handling, and better coal mix (higher linkage coal usage).
- **By-product Contribution:** Silver continues to be a strategic profitability driver, contributing ~41% of EBIT in Q1. Management expects silver to maintain an elevated share in the mix through FY26, with focus on improved recovery and volumes.
- **Capex & Project Pipeline:** Capex guidance remains unchanged within the range of USD 225 -250 mn, with key investments directed toward vertical integration and margin improvement. Major projects underway include the 160 KTPA Debari Roaster and cell house debottlenecking, both targeted for commissioning by Q2FY26; the hot acid leaching facility scheduled for Q4FY26; and the 510 KTPA fertilizer (DAP/NPK) plant, expected to be operational by Q1FY27.
- **Renewable Energy Transition:** Share of renewables in total power mix rose to ~19–20% in 1QFY26 (vs. ~13% YoY), with management reaffirming FY26 target of ~30–35%. The shift is expected to aid margin stability and support ESG goals
- **Long-Term Growth Roadmap:** Management has outlined a cumulative capex pipeline of Rs.320 bn over the next 4-5 years, focused on metal capacity expansion, vertical integration, downstream value-addition, and ESG-linked projects
- **Fertilizer Business Ramp Up:** The company expects to commission its 510 KTPA DAP/NPK fertilizer plant by 1QFY27. Management has already incurred ~Rs 10 bn in capex and anticipates the business to generate Rs 20-25 bn in annual revenue and Rs 4-5 bn in EBITDA once scaled, adding a new vertical to the earnings mix.

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Revenue	289,340	339,690	351,419	367,230
Total Expense	152,730	166,730	158,756	163,947
COGS	53,400	41,030	55,671	57,549
Employees Cost	8,260	8,780	8,763	9,026
Other expenses	91,070	116,920	94,322	97,372
EBIDTA	136,610	172,960	192,663	203,283
Depreciation	34,660	36,340	40,059	43,783
EBIT	101,950	136,620	152,604	159,500
Interest	9,550	11,110	11,908	10,280
Other Income	11,030	9,960	8,427	8,847
Exc. / E.O. items	0	(830)	0	0
EBT	103,430	134,640	149,124	158,067
Tax	25,560	31,850	37,281	39,517
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	77,870	102,790	111,843	118,550
Adjustments	0	830	0	0
APAT	77,870	103,620	111,843	118,550

Balance Sheet

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Sources of Funds				
Equity Capital	8,451	8,451	8,451	8,451
Minority Interest	0	0	0	0
Reserves & Surplus	143,880	124,450	151,787	173,155
Net Worth	152,331	132,901	160,237	181,606
Total Debt	87,220	109,640	105,497	91,076
Net Deferred Tax Liability	23,180	22,930	22,930	22,930
Total Capital Employed	262,731	265,471	288,664	295,611

Applications of Funds

Net Block	180,551	184,150	212,341	217,558
CWIP	15,290	26,250	6,000	6,000
Investments	5,780	8,230	0	0
Current Assets, Loans & Advances	137,420	125,550	149,048	153,353
Current Investments	98,740	91,480	99,710	99,710
Inventories	19,240	18,820	18,251	18,821
Receivables	1,610	1,120	1,877	1,963
Cash and Bank Balances	1,730	1,750	9,500	12,250
Loans and Advances	16,100	12,380	19,710	20,609
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	76,310	78,709	78,725	81,300
Payables	74,100	76,519	76,426	78,885
Other Current Liabilities	2,210	2,190	2,300	2,414
<i>sub total</i>				
Net Current Assets	61,110	46,841	70,323	72,053
Total Assets	262,731	265,471	288,664	295,611

E – Estimates

Important Ratios

Particulars	FY24A	FY25A	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	81.5	87.9	84.2	84.3
EBIDTA Margin	47.2	50.9	54.8	55.4
EBIT Margin	35.2	40.2	43.4	43.4
Tax rate	24.7	23.7	25.0	25.0
Net Profit Margin	26.9	30.3	31.8	32.3
(B) As Percentage of Net Sales (%)				
COGS	18.5	12.1	15.8	15.7
Employee	2.9	2.6	2.5	2.5
Other	31.5	34.4	26.8	26.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.6	0.8	0.7	0.5
Interest Coverage	10.7	12.3	12.8	15.5
Inventory days	24	20	19	19
Debtors days	2	1	2	2
Average Cost of Debt	9.3	11.3	11.1	10.5
Payable days	93	82	79	78
Working Capital days	77	50	73	72
FA T/O	1.6	1.8	1.7	1.7
(D) Measures of Investment				
AEPS (Rs)	18.4	24.5	26.5	28.1
CEPS (Rs)	26.6	33.1	36.0	38.4
DPS (Rs)	13.0	29.0	20.0	23.0
Dividend Payout (%)	70.5	118.3	75.6	82.0
BVPS (Rs)	36.1	31.5	37.9	43.0
RoANW (%)	55.3	72.1	76.3	69.4
RoACE (%)	32.7	43.4	44.7	44.1
RoAIC (%)	39.3	52.1	56.2	56.7
(E) Valuation Ratios				
CMP (Rs)	436	436	436	436
Mcap (Rs Mn)	1,840,118	1,840,118	1,840,118	1,840,118
EV	1,826,868	1,856,528	1,836,405	1,819,234
MCap/ Sales	6.4	5.4	5.2	5.0
EV/Sales	6.3	5.5	5.2	5.0
P/E	23.6	17.8	16.5	15.5
EV/EBITDA	13.4	10.7	9.5	8.9
P/BV	12.1	13.8	11.5	10.1
Dividend Yield (%)	3.0	6.7	4.6	5.3
(F) Growth Rate (%)				
Revenue	(15.1)	17.4	3.5	4.5
EBITDA	(22.0)	26.6	11.4	5.5
EBIT	(28.4)	34.0	11.7	4.5
PBT	(32.4)	30.2	10.8	6.0
APAT	(26.0)	33.1	7.9	6.0
EPS	(26.0)	33.1	7.9	6.0

E – Estimates

Cash Flow

Particulars	FY24A	FY25A	FY26E	FY27E
Profit before tax	103,430	135,470	149,124	158,067
Depreciation & w.o.	34,660	36,340	40,059	43,783
Net Interest Exp	9,550	11,110	11,908	10,280
Direct taxes paid	(25,560)	(31,850)	(37,281)	(39,517)
Change in Working Capital	(1,730)	7,029	(7,502)	1,020
Non Cash	0	0	0	0
(A) CF from Operating Activities	120,350	158,099	156,307	173,633
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(31,249)	(50,899)	(48,000)	(49,000)
Free Cash Flow	89,101	107,200	108,307	124,633
(Inc.)/ Dec. in Investments	(3,450)	4,810	0	0
Other	0	(830)	0	0
(B) CF from Investing Activities	(34,699)	(46,919)	(48,000)	(49,000)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(31,590)	22,420	(4,143)	(14,421)
Interest exp net	(9,550)	(11,110)	(11,908)	(10,280)
Dividend Paid (Incl. Tax)	(54,929)	(122,534)	(84,506)	(97,182)
Other	(1,972)	0	0	0
(C) CF from Financing	(98,041)	(111,224)	(100,557)	(121,883)
Net Change in Cash	(12,390)	(44)	7,750	2,750
Opening Cash balances	14,120	1,730	1,750	9,500
Closing Cash balances	1,730	1,686	9,500	12,250

E – Estimates

Notes

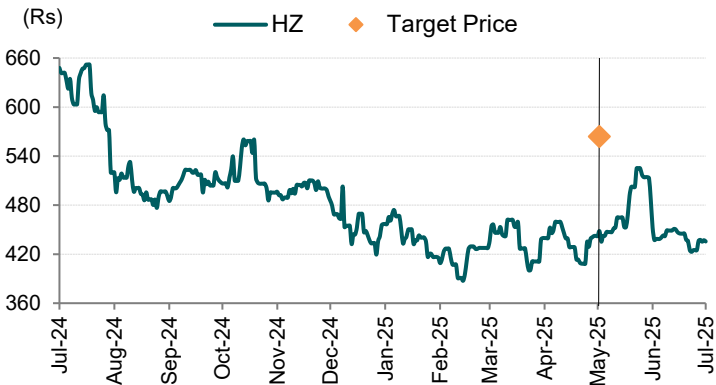
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(4)	(1)	(33)
Rel to NIFTY (%)	(4)	(6)	(33)

Shareholding Pattern

Particulars	Dec'24	Mar'25	Jun'25
Promoters	63.4	63.4	61.8
MF/Banks/FIs	3.2	3.1	4.1
FIIIs	1.4	1.4	1.4
Public / Others	32.0	32.1	32.7



Month	Rating	TP (Rs.)	Price (Rs.)
May-25	Buy	564	448

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Dolat Team

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	Director - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	Director - Equity Sales & Corporate Access	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	Director - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	Designation	E-mail	
P. Sridhar	Director and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	Director - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	Director - Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Director - Sales Trading	kartikm@dolatcapital.com	+9122 4096 9715
Nishit Sariya	VP - Derivatives Sales Trading	nishits@dolatcapital.com	+9122 4096 9765
Monali Jobanputra	Co - Head Asia Derivatives	monalij@dolatcapital.com	+9122 6176 4841
Bhavin Mehta	Director Research - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

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SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
