

Silver surge lifts Hindustan Zinc

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Shares of Hindustan Zinc Ltd (HZL) have risen nearly 38% over the past month, driven by a sharp rally in silver prices. The stock has hit a new 52-week high in eight of the past nine trading sessions on the National Stock Exchange, while average daily volumes in December are nearly four times those seen in November.

The global silver market is undergoing a structural shift, with rising demand from renewable energy, electric vehicles, and electronics pushing the market into a supply deficit for the fifth consecutive year in 2025. Silver is currently trading at about \$72 per ounce (oz), almost double the average of \$36.6 per oz in the half-year ended September (HIFY26), and 1.4 times the FY25 average of \$30.4 per oz. The persistent demand-supply mismatch is expected to keep prices firm.

The rally brightens HZL's earnings outlook. Every \$1 per oz increase in silver prices lifts the company's

Steep spike

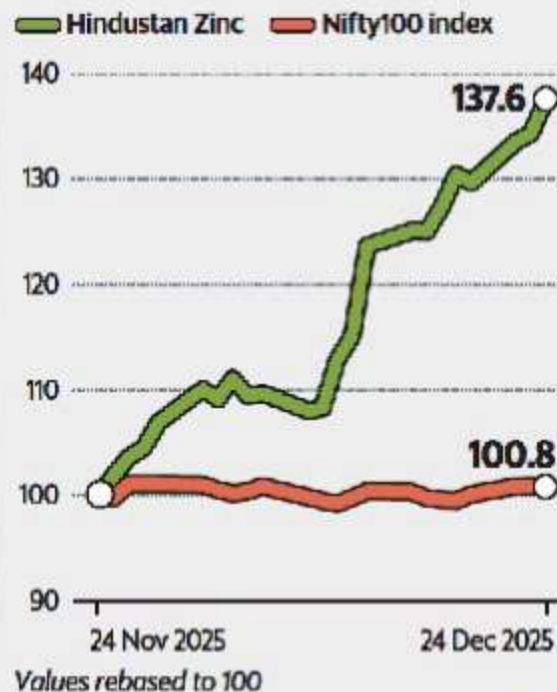
Hindustan Zinc's shares have outperformed sharply in the past month as its earnings prospects got brighter amid rising silver prices.

Silver business Ebit ('000 \$ per tonne)



Note: Ebit is earnings before interest and taxes; *estimated

Source: Company, Jefferies India, NSE



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Ebitda by about 1%. Silver accounted for 41% of HZL's earnings before interest and taxes (Ebit) in HIFY26, up from around 28% in FY23, and is expected to rise to 45% by FY27.

"We believe HZL provides the cleanest exposure to play silver price strength in India," noted Emkay Global Financial Services in a 17

December report.

Zinc prices have also firmed after a marginal decline in HIFY26. Prices on the London Metal Exchange rose to nearly \$3,400 per tonne in mid-December, about 35% higher than the April lows, driven by a sharp drop in inventories. Although prices have since eased, they remain above the

FY25 average of \$2,875 per tonne. A \$100 per tonne increase in zinc prices boosts HZL's Ebitda by roughly 4%.

On the flip side, HZL continues to face challenges in ramping up production, prompting the management to trim FY26 guidance. The company now expects to produce 1.075 million tonnes (mt) of metals (zinc plus lead), just 2% higher than FY25 levels, and 680 tonnes of silver, 1% lower than FY25. In HIFY26, metals output fell 5%, while silver production declined a steeper 16%.

Nevertheless, earnings growth is expected to be solid. Despite modest volume growth, Jefferies India expects earnings per share (EPS) to rise at a strong 22% and 29% in FY26 and FY27, respectively, and 7% in FY28, along with robust cash flows and return on equity (ROE). "Our FY26-28 estimated EPS are 9-31% above Street," said Jefferies' analysts in a report on 14 December.

"We expect strong free cash flow at ₹8000-14,800 crore per year and 69-85% ROE over FY26-28E," they added.

In addition to higher realizations, HZL's cost of production is declining, aided by improved recovery rates and lower power costs as the share of renewable energy (RE) increases.

SHINING BRIGHT

THE global silver market is undergoing a structural shift, with demand from renewables, EVs

EVERY \$1 per oz increase in silver prices lifts Hindustan Zinc Ltd's Ebitda by about 1%

Zinc cost of production excluding royalty stood at \$1,002 per tonne in HIFY26, down 8% year-on-year and 20% lower than the FY23 peak of \$1,257 per tonne. The company aims to raise RE adoption to 55% by FY27 and 70% by FY28, from 7% in FY25. Emkay estimates that costs fall by \$1 per tonne

for every 2% increase in RE share, helping offset mining cost inflation.

The HZL stock trades at an enterprise value of about 12x FY27 estimated Ebitda, as per Bloomberg data. While the valuation looks demanding, firm silver prices would keep investors' interest alive in the stock.