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Hind Zinc slips 2.5% post Q2 nos; analysts say silver prices hold the key

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Shares of Vedanta group firm Hindustan Zinc (HZL) closed 2.5 per cent lower on Wednesday, paring early gains despite the company reporting a 142 per cent year-on-year (Y-o-Y) rise in net profit for the second quarter (Q2) of 2026-27 (FY27), ended September.

The stock opened 4 per cent higher at ₹559.85 on the National Stock Exchange, which was also its intraday high, against the previous close of ₹538.4. However, the gains proved short-lived as the stock reversed course to hit an intraday low of ₹520.6, down 3.3 per cent from the previous close.

HZL shares eventually settled 2.5 per cent lower at ₹525, with around 10.6 million shares changing hands during the session, according to exchange data.

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In comparison, the benchmark Nifty 50 closed 0.34 per cent lower at 22,811.35.

HZL shares have broadly tracked the market so far in 2026, declining 14.2 per cent against a 12.7 per cent fall in the Nifty 50. However, over the past year, the Nifty Next 50 constituent has gained 8.5 per cent, outperforming the benchmark, which has corrected nearly 12 per cent.

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For Q2, the energy transition metals company reported a consolidated net profit of ₹6,412 crore, up from ₹2,649 crore in the year-ago period. The company chalked up the increase to higher metal prices, increased production, and a stronger dollar.

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Revenue from operations rose 76.5 per cent Y-o-Y to ₹15,093 crore from ₹8,549 crore in the corresponding period last year.

Earnings before interest, tax, depreciation, and amortisation (Ebitda) stood at ₹9,285 crore, up 108 per cent Y-o-Y.

As of September 30, HZL had gross investments and cash of ₹17,439 crore, while its outstanding borrowings stood at ₹6,171 crore.

The company reported record Q2 mined metal production of 271,000 tonnes, up 5 per cent Y-o-Y.

Refined metal production rose 7 per cent to 264,000 tonnes, while silver production climbed 20 per cent to 173 tonnes, contributing to profitability.

Silver volatility clouds Jefferies' 'buy' call

Following the quarterly results, Jefferies retained its 'buy' rating on HZL shares but cut its target price to ₹650 from ₹750.

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The brokerage said zinc prices were benefiting from supply disruptions, while silver prices had remained volatile since June. Rising interest rates could also exert near-term pressure on the stock.

Jefferies raised its estimated earnings per share for FY27 by 5 per cent but cut its estimates for 2027-28 and 2028-29 by 4 per cent, citing lower silver prices. The brokerage said HZL was trading below its long-term average enterprise value-to-Ebitda multiple and that a recovery in silver prices would be key to the stock's performance.

MOFSL stays on the fence as HZL plans expansion

Meanwhile, Motilal Oswal Financial Services (MOFSL) reiterated its 'neutral' rating on HZL, with a target price of ₹600.

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MOFSL said the company continued to focus on ramping up production, improving operational efficiency, and tightening cost controls, which should support margins. Its recently announced expansion plans align with its long-term objective of doubling existing capacity and improving earnings visibility, the brokerage said.

Silver prices: HZL's earnings wild card

However, near-term earnings growth is likely to remain constrained by limited capacity headroom, making higher silver prices a key catalyst for further earnings growth.

"We believe further silver price volatility could remain a potential risk or reward for earnings," the brokerage said.

HZL is the world's largest integrated zinc producer and ranks among the world's top 10 silver producers. The company supplies more than 30 countries and holds around 74 per cent of India's primary zinc market.

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