

Silver emerges as key growth driver for HZL

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SILVER IS EMERGING as a key earnings driver for Hindustan Zinc (HZL) with a persistent global supply deficit expected to support prices even as rising production adds to the company's revenue potential. Analysts see silver prices, alongside zinc realisations and lower production costs as key factors shaping the company's earnings outlook.

Silver contributed around 28% of HZL's segment revenue and 43% of segment earnings before interest and tax (Ebit) in the September quarter. Revenue from the segment rose 141% year-on-year to ₹4,111 crore, while Ebit increased 147% to ₹3,609 crore. The segment's Ebit margin stood at 88%.

Analysts from Motilal Oswal said that they expect the global silver market to remain in deficit for the sixth consecutive year in 2026, with a projected shortfall of around 1.44 kilotonne, supported by structural

SILVER LINING

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■ Every **\$1 per troy ounce** change in silver prices affects annual Ebitda by **₹200-225 cr**, experts from JM Financial said

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industrial demand. A persistent deficit could support prices, although the impact on Hindustan Zinc's earnings will depend on actual price movements and production volumes, they added.

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Saleable silver production rose 16.1% sequentially to 173 tonne in the September quarter. Hindustan Zinc has retained its FY27 production guidance at 680 tonne, with a variation of 10 tonne either way. Management also

indicated that production could reach 730-750 tonne in FY28.

Beyond silver, favourable metal prices and lower costs are supporting the company's broader earnings outlook. HZL's revenue rose 76.5% y-o-y to ₹15,093 crore in Q2FY27, while Ebitda more than doubled to ₹9,248 crore. Zinc cost of production, excluding royalty, declined to \$703 per tonne from \$994 a year earlier.

Management has lowered its FY27 zinc cost guidance to \$825-850 per tonne from \$975-1,000 earlier, citing higher sulphuric acid

realisations, improved mined grades, greater scale and operational efficiencies. JM Financial analysts said that the lower cost base could strengthen earnings resilience. Experts added that metal prices could emerge as the key near-term catalyst given limited capacity headroom.

Longer-term growth will depend on capacity expansion. Hindustan Zinc's planned 250,000-tonne integrated zinc capacity addition at Debari is targeted for completion in Q2FY29, taking refined metal capacity from 1.1 million to 1.4 million tonne annually.