INVasset Corporate Insights

HINDUSTAN ZINC

Zinc & Silver of India

30th April, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Pioneering Sustainability and Innovation: Hindustan Zinc's Journey to Global Leadership in Metals and Green Energy

Incorporated in 1966, Hindustan Zinc has a rich experience of more than five decades in Zinc- lead mining and smelting. HZL is one of the lowest cost producers of zinc globally and it is India's Only Integrated producer of Zinc, Lead & Silver, Hindustan Zinc, a prominent entity within the Vedanta Group, stands tall as the world's second-largest integrated zinc producer and the third-largest silver producer.

Leadership in Metal Production: Hindustan Zinc's undisputed leadership in metal production is a result of its relentless pursuit of excellence. With a firm grip on the global zinc market, the company continues to position itself as a key player in the industry, setting benchmarks for efficiency.

Strategic Diversification into Green Energy: Beyond its core business, Hindustan Zinc has ventured into the realm of green energy, exemplifying its commitment to sustainability. Establishing wind power plants and embracing renewable energy sources, the company contributes to environmental conservation and ensures long-term energy security.

Industry Recognition and Awards: Hindustan Zinc's stellar performance hasn't gone unnoticed. The company has amassed a slew of accolades and awards, including recognition from renowned institutions like the CII and the British Safety Council. These accolades serve as a testament to Hindustan Zinc's unwavering dedication to excellence across various facets of its operations.

Innovation and Technology Adoption: At the heart of Hindustan Zinc's success lies a culture of innovation and technology adoption. The company continuously explores cutting-edge technologies and implements best practices to enhance efficiency, reduce costs, and optimize resource utilization. Its forward-looking approach ensures that it remains at the forefront of technological advancements in the mining industry.

Strategic Growth Initiatives: Hindustan Zinc's growth trajectory is fueled by strategic initiatives aimed at expanding its operational footprint and diversifying its product portfolio. From commissioning new projects to forging strategic partnerships, the company charts a course for sustainable growth and value creation.

Global Competitiveness and Market Positioning: In an increasingly competitive global market, Hindustan Zinc remains a formidable player, leveraging its operational excellence, technological prowess, and market insights to stay ahead of the curve. With a strong foothold in key markets and a reputation for quality and reliability, the company capitalizes on emerging opportunities and navigate challenges with confidence.

Financial Resilience and Stability: Amidst market volatilities and economic uncertainties, Hindustan Zinc stands out for its financial resilience and stability. With a strong balance sheet, robust cash flows, and prudent financial management practices, the company navigates through challenging times with poise and confidence. Its ability to weather market fluctuations underscores its status as a reliable investment destination.

Stock Data	
CMP (30-04-2024)	2,235
52 Week High/Low	442.55/284.60
Face Value	1.00
Market Cap (In Crs)	5,25,098
Enterprise Value (In Crs)	5,19,023
NSE	HINDZINC
BSE	500188
Bloomberg	HZ:IN
Sector	Zinc

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	61.90	61.90
FII	12.67	13.65
DII	13.21	12.31
Public	12.19	12.11
Others	0.04	0.04

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	1.18	19.21	25.23
HZL	41.37	46.44	37.28

Key Ratios	
P/E	51.2
P/S	8.48
P/B	10.3
Debt To Equity	0.03
ROE	20.2
ROCE	27.2
Dividend Yield	1.87

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q3 FY24	QOQ	YOY
Sales	7,549	7,310	8,509	3.27%	-11.28%
EBITDA	3,922	3,817	4,609	2.75%	-14.91%
EBIT	2,985	2,912	3,681	2.51%	-18.91%
Net Profit	2,038	2,028	2,583	0.49%	-21.10%
EPS	4.82	4.80	6.11	0.42%	-21.11%

Result Highlights

In the fourth quarter of FY 24, Hindustan Zinc reported sales of INR 7,549 crores, representing a 3.27% increase from the previous quarter but a notable decline of 11.28% compared to the same period last year. EBITDA for the quarter stood at INR 3,922 crores, showing a slight increase of 2.75% sequentially. However, on a YoY basis, EBITDA declined by 14.91%. Similarly, EBIT for Q4 FY 24 was INR 2,985 crores, marking a 2.51% increase from the previous quarter but a significant decrease of 18.91% compared to Q4 FY 23. Net Profit for the quarter amounted to INR 2,038 crores, reflecting a marginal sequential growth of 0.49%, yet a substantial decline of 21.10% YoY. The earnings per share (EPS) for Q4 FY 24 stood at INR 4.82, indicating a slight increase of 0.42% compared to the previous quarter but a notable decline of 21.11% compared to the same period last year.

Overall, Hindustan Zinc's financial performance in Q4 FY 24 showed signs of sequential improvement in sales and profitability metrics. However, the company faced challenges in achieving YoY growth, with sales, EBITDA, EBIT, net profit, and EPS all experiencing declines compared to Q4 FY 23. Despite the sequential uptick in performance, the YoY decrease underscores the impact of broader market dynamics and operational challenges on Hindustan Zinc's financial results. The company continues to navigate through these challenges while focusing on strategic initiatives aimed at driving long-term growth and value creation for its stakeholders.

Sustainable Operations and ESG Commitment: Hindustan Zinc's commitment to sustainability is evident through its robust Environmental, Social, and Governance (ESG) initiatives. The company integrates sustainable practices across its operations, focusing on reducing carbon footprint, optimizing resource utilization, and promoting environmental conservation. By implementing renewable energy solutions, enhancing water management practices, and prioritizing safety and health standards, Hindustan Zinc ensures responsible stewardship of resources and minimizes its impact on the environment. Moreover, its proactive engagement with local communities through various socio-economic development programs underscores its commitment to fostering inclusive growth and social well-being.

Community Engagement and Stakeholder Collaboration: Hindustan Zinc prioritizes community engagement and stakeholder collaboration as integral components of its business strategy. The company fosters meaningful partnerships with local communities, government authorities, and industry stakeholders to address shared challenges, promote sustainable development, and create shared value. Through proactive dialogue, transparent communication, and participatory decision-making, Hindustan Zinc builds trust and mutual understanding with its stakeholders, ensuring alignment of interests and objectives. By actively involving local communities in project planning and implementation, respecting indigenous rights, and promoting inclusive growth, the company strengthens social cohesion, mitigates operational risks, and enhances its social license to operate.

Global Leadership and Market Resilience: Hindustan Zinc's global leadership and market resilience are reflected in its strong market position, diversified product portfolio, and strategic growth initiatives. The company maintains a competitive edge by leveraging its extensive industry expertise, operational excellence, and market insights to capitalize on emerging opportunities and navigate market challenges effectively. With a focus on expanding its presence in key markets, diversifying revenue streams, and enhancing operational efficiency, Hindustan Zinc remains well-positioned to withstand market volatilities and drive sustainable growth. Moreover, its proactive approach to risk management, cost optimization, and strategic investments underscores its commitment to delivering long-term value to shareholders and stakeholders alike.

Concall Highlights

Record-Breaking Production Achievements: Hindustan Zinc celebrated a milestone year with its highest-ever metal and silver production levels, reflecting the company's operational excellence and efficiency. Despite global challenges, the company demonstrated resilience and surpassed expectations, setting new benchmarks in the industry. This record-breaking performance underscores Hindustan Zinc's commitment to delivering consistent value to stakeholders while maintaining a focus on safety and sustainability.

Leadership in Sustainability and ESG Practices: Recognized as a global leader in sustainability and ESG practices, Hindustan Zinc secured top rankings in prestigious assessments such as the S&P Global Corporate Sustainability Assessment and the CDP. The company's proactive approach to environmental stewardship, social responsibility, and corporate governance reflects its dedication to creating long-term value for society and the environment. By integrating sustainability into its core business strategies, Hindustan Zinc reaffirms its commitment to responsible and ethical business practices.

Emphasis on Circular Economy Initiatives: Hindustan Zinc's commitment to sustainability extends to its circular economy initiatives aimed at minimizing waste and maximizing resource efficiency. Through strategic partnerships and innovative technologies, the company seeks to transform waste materials into valuable resources, contributing to a more sustainable and environmentally friendly business model. The commissioning of the Fumer plant for metal recovery from smelter residue underscores Hindustan Zinc's efforts to adopt circular economy principles and drive positive change in the industry.

Inclusive Workplace Culture and Diversity Initiatives: Hindustan Zinc is dedicated to fostering an inclusive workplace culture that celebrates diversity and empowers employees from all backgrounds. The launch of the "Zinclusion" initiative, which includes the recruitment of transgender individuals across key functions, exemplifies the company's commitment to diversity and inclusion. By promoting a culture of belonging and acceptance, Hindustan Zinc not only strengthens its workforce but also sets an example for the industry to follow, driving positive social change and fostering a more inclusive society.

Market Analysis and Industry Trends: Against the backdrop of global economic challenges, Hindustan Zinc provided insights into key market dynamics and industry trends, particularly in manufacturing and zinc prices. By analyzing factors such as global and Indian manufacturing PMI trends, the company demonstrated its market intelligence and strategic foresight. Understanding the impact of manufacturing activity on zinc prices is crucial for informed decision-making and navigating market fluctuations effectively.

Operational Excellence and Milestones: Hindustan Zinc achieved significant operational milestones, including its highest-ever mined and refined metal production levels. The company's focus on operational excellence, coupled with its continuous improvement initiatives, enabled it to deliver industry-leading production growth over the past five years. By optimizing processes, enhancing efficiency, and leveraging technological advancements, Hindustan Zinc remains at the forefront of the mining industry, driving sustainable value creation for its stakeholders.

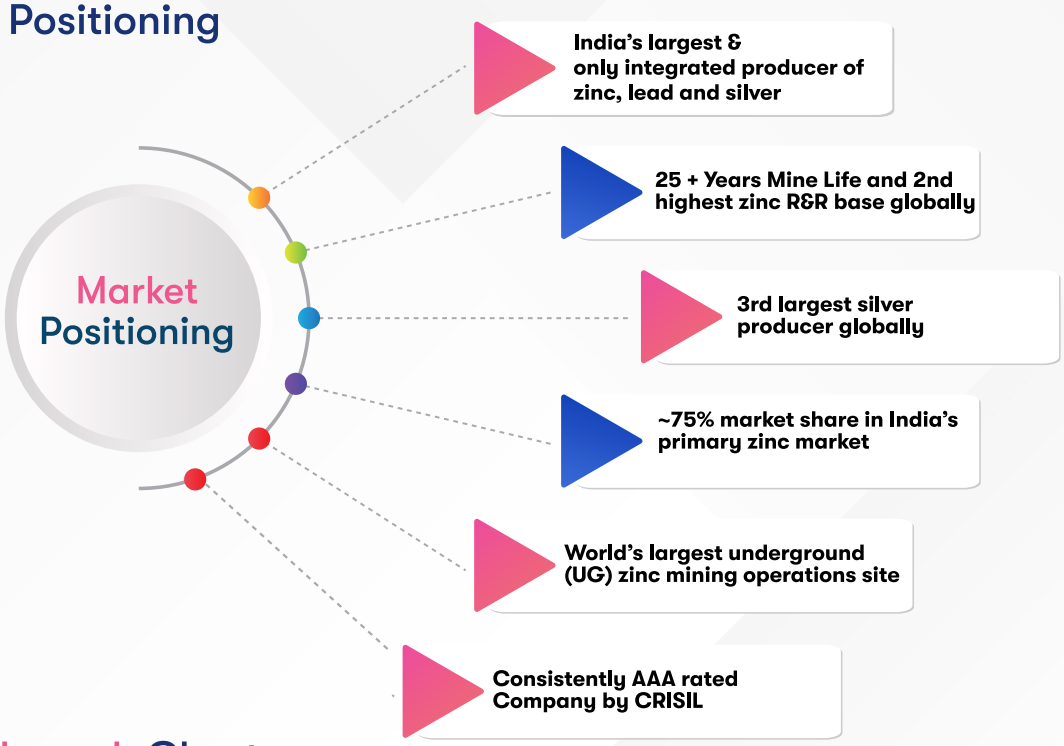
Strategic Reserve Expansion Initiatives: Hindustan Zinc outlined its strategic initiatives to expand reserves and resources, ensuring long-term sustainability and operational continuity. With a substantial increase in total reserves and resources over the past five years, the company is well-positioned to support its operations for over 25 years. By prioritizing exploration and resource development, Hindustan Zinc strengthens its competitive advantage and reinforces its status as a leading player in the mining sector.

Supply Chain Resilience and Optimization: Hindustan Zinc prioritizes supply chain resilience and optimization to ensure seamless operations and mitigate risks. Through strategic partnerships, vendor diversification, and digital supply chain solutions, the company strengthens its supply chain network and enhances efficiency. By leveraging advanced technologies such as blockchain and predictive analytics, Hindustan Zinc gains better visibility into its supply chain, improves decision-making, and minimizes disruptions. This focus on supply chain resilience enables the company to adapt to changing market conditions, optimize costs, and deliver value to its stakeholders consistently.

Financial Performance and Sustainability Integration: Hindustan Zinc's financial performance reflects its strategic focus on cost management, efficiency, and sustainability integration. The improved zinc cost of production, coupled with strong EBITDA, net profit, and dividend payouts for FY'2024, underscores the company's financial resilience and stability. By integrating ESG principles into its financial functions, Hindustan Zinc aligns its business strategy with long-term value creation and stakeholder interests.

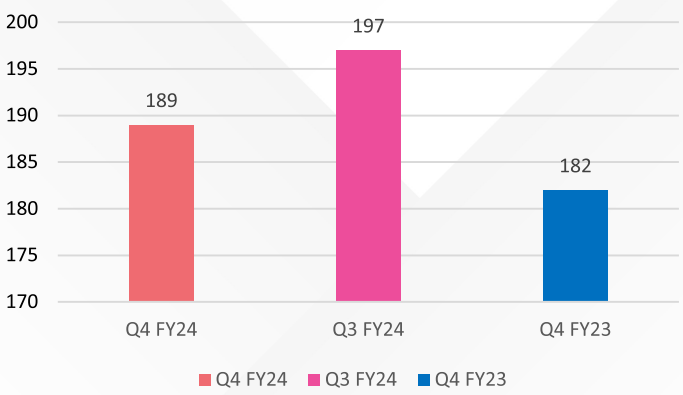
Future Outlook and Growth Strategy: Looking ahead, Hindustan Zinc remains focused on cost reduction initiatives and strategic investments to drive growth and capitalize on market opportunities. By leveraging market dynamics strategically and maintaining a disciplined approach to capital allocation, the company aims to sustain its leadership position and deliver sustainable value to its stakeholders. The future outlook underscores Hindustan Zinc's commitment to driving innovation, operational excellence, and long-term growth.

Market Positioning

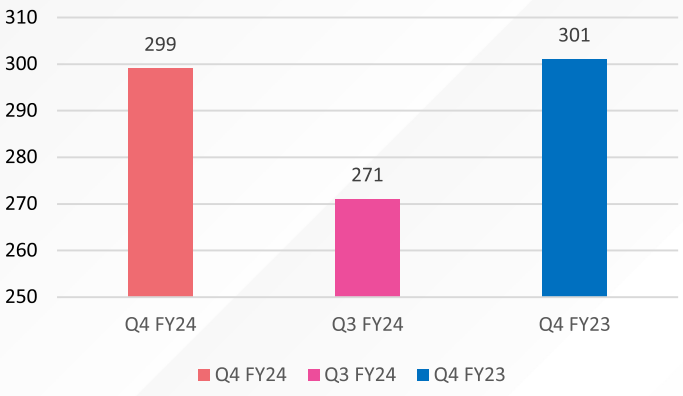


Story Through Charts

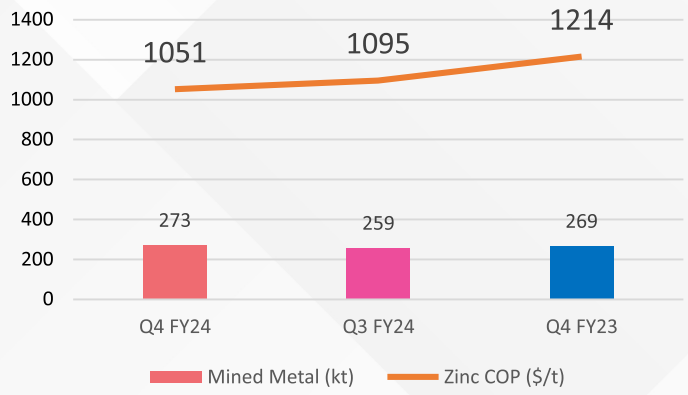
Saleable Silver (MT)



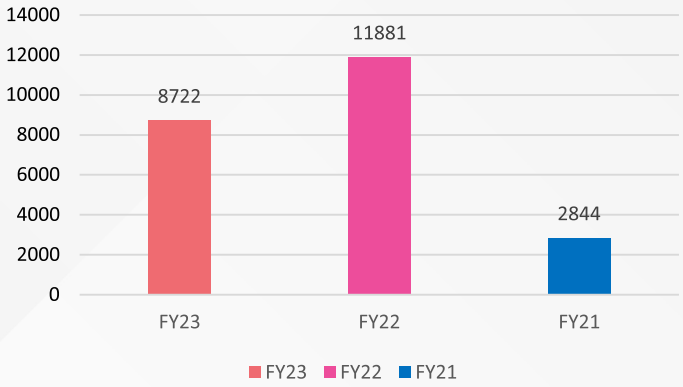
Mined Metal (kt)



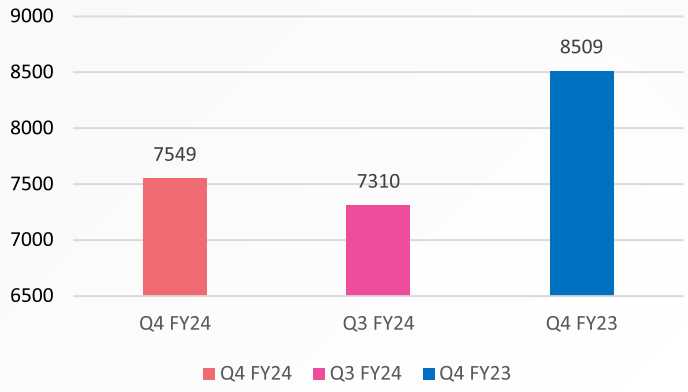
Refined Metal (kt) & Zinc COP ($/t)



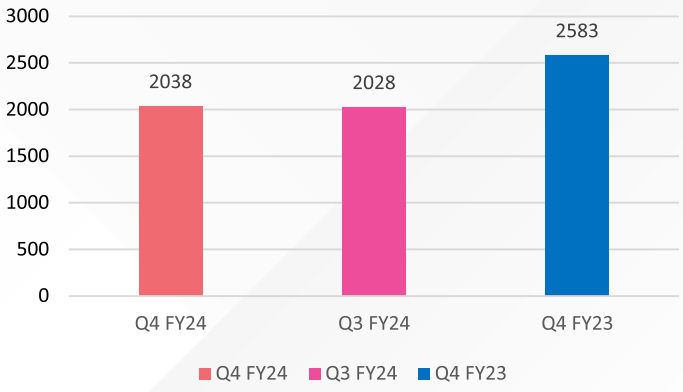
Borrowings (In Cr)



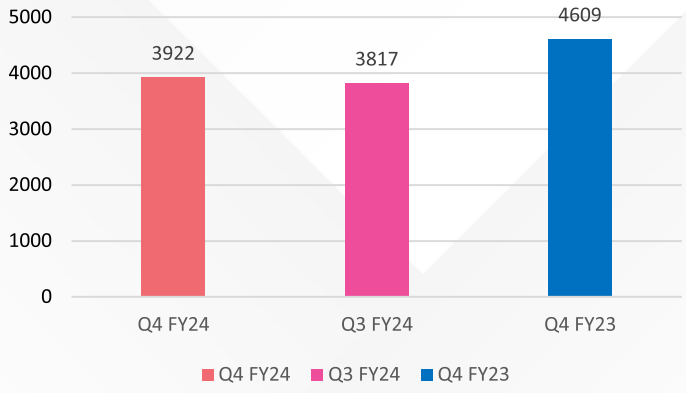
Revenue (In Cr)



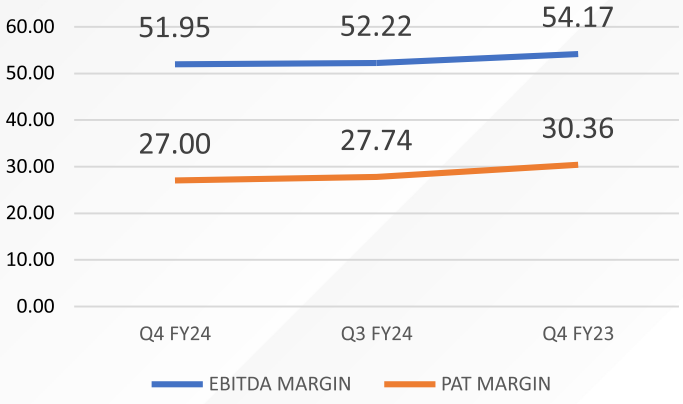
PAT (In Cr)



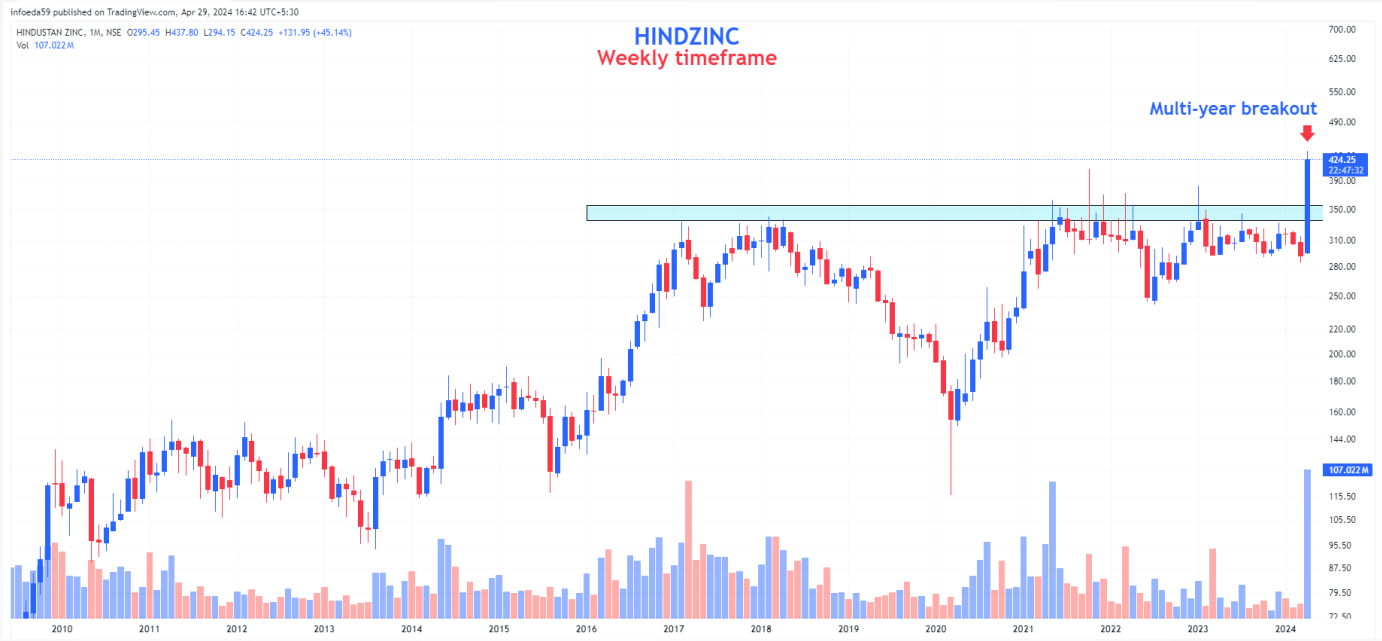
EBITDA (In Cr)



EBITDA & PAT MARGINS (IN %)



Technical Outlook



Hindustan Zinc displays a robust bullish pattern, showcasing a 'Multi-year breakout.' The price action has breached a significant resistance level, suggesting a strong uptrend. The consolidation phase prior to the breakout suggests that the stock was accumulating strength. Investors might view this as a confirmation of a long-term positive sentiment, potentially signaling the start of a sustained upward movement in the stock's price.

Hindustan zinc's short-term averages are well above the long-term indicate momentum, with both Simple Moving Averages (SMA) and Exponential Moving Averages (EMA) trending upwards. The EMA values, closer to current price action, suggest a robust bullish bias in recent trading periods.

The Relative Strength Index (RSI) readings for Hindustan Zinc are high on both daily (74.44) and weekly (71.25) timeframes, suggesting strong buying pressure. However, being above 70, it indicates the stock may be entering overbought territory, which could lead to a potential pullback as traders might consider taking profits.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	411.4	412.3
10	410.3	402.5
20	373.0	380.7
50	332.7	348.2
100	324.4	331.9
200	318.6	322.4

Pivot Levels : FIBONACCI		
R1 429.7	Pivot 420.88	S1 412.8
R2 437.8		S2 403.9
R3 446.7		S3 395.8

	Daily	Weekly
Relative Strength Index (RSI)	74.44	71.25

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