

January 30, 2026

Hindustan Zinc Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial Paper	5,000.00	5,000.00	[ICRA]A1+; Reaffirmed
Total	5,000.00	5,000.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the short-term rating factors in the Hindustan Zinc Limited's (HZL) sustained strong business risk profile, underpinned by its leading position in the domestic zinc market, large operating scale and cost-efficient operations. In 9M FY2026, HZL reported healthy operating profitability, supported by a sharp increase in zinc London Metal Exchange (LME) prices, averaging at \$2,996/tonne (July to Dec 2025) along with elevated silver prices. The profitability was further aided by a reduction in cost of production (CoP) to \$980/tonne in 9M FY2026 and healthy mined and refined metal production. In 9M FY2026, the refined metal production remained steady at 766kt vis-a-vis 783kt in the corresponding period of the previous year. HZL reported an OPBITDA of ~Rs 14,309 crore in 9M FY2026, registering a year-on-year increase of ~14%. ICRA expects HZL's CoP to remain at ~\$950-\$1,050 per tonne in the near to medium term supported by lower power costs, improved metal recoveries, higher byproduct realisation and better ore grades. With zinc and silver prices remaining firm in the current fiscal, operating profitability is expected to remain strong, translating into an OPBDITA of ~Rs. 18,000-19,000 crore in FY2026.

HZL's financial risk profile continues to remain robust, supported by a strong operating profitability and low gross debt position, resulting in healthy debt protection metrics with an interest coverage of ~21 times and a total debt/OPBITDA ratio of around 0.7x in H1 FY2026. While historically high dividend payouts had led to an increase in dependence on short-term borrowings, dividend outflows are expected to moderate lower going forward (Rs.4,225 crore in the current fiscal versus Rs.12,253 crore in FY2025), which is likely to support further improvement in coverage indicators. The liquidity also remained strong with cash and liquid investment balance of ~Rs.8,155 crore as on September 30, 2025. While the company has sizeable growth capital expenditure plans in the medium term, the same is expected to be funded through mix of internal accruals and external debt.

HZL's strengths are also partially offset by its exposure to price risks and the inherent cyclicity in the metal industry. Also, the company remains exposed to regulatory risks, including those related to government policies on land acquisition and environmental and forest clearances.

Key rating drivers and their description

Credit strengths

Leading market share in the domestic zinc market – HZL enjoys a dominant position in India's primary zinc industry, with a market share exceeding 75%. Despite competitive pressures from import, particularly from Korea and Japan, the company's locational advantage enables it to maintain competitive pricing through lower freight costs and shorter delivery time, thereby supporting its market leadership and demand stability.

Fully integrated operations support sequential improvement in cost structure – HZL has fully integrated mining and metal operations comprising zinc, lead and silver mines, smelters and captive power plants, which together support its low cost of production. HZL has access to high-grade zinc reserves and, in FY2025, the company reported zinc and lead grade of 5.8% and

1.7%, respectively, against 5.7% and 1.7%, respectively, in FY2024, resulting in lower CoP during the year. With power and fuel costs comprising 35-40% of the overall operating costs, the company's ongoing transition to renewable energy through the power purchase agreements signed with Serentica Renewables India Private Limited (rated [ICRA]AA-(Stable)/[ICRA]A1+) is expected to further improve its CoP in the near to medium term. This apart, higher operational efficiency is also expected from the doubling of the capacity in the medium to long term, as per the company's growth capex plans.

Favourable domestic demand to support volume growth – ICRA expects the demand growth for non-ferrous metals like zinc and lead to remain healthy at 7-10% in FY2026. The healthy demand is likely to support the volume growth and realisations. The prices of metals viz. zinc and lead, remained strong on the LME in the current fiscal. In addition, with HZL being a primary silver producer and with silver prices witnessing a sharp rally in the current fiscal and touching all-time high, driven by supply constraints and robust industrial and investment demand, HZL is expected to continue to derive meaningful gains.

Strong financial risk profile – As on September 30, 2025, HZL's total consolidated debt (including buyer's/supplier's credit) stood at Rs.11,606 crore and its financial leverage (TD/OPBITDA) was at 0.7 times (debt of Rs.11,220 crore and TD/OPBITDA of 0.7 times by the end of FY2025). During 9M FY2026, the interest coverage remained at 20.6 times vis-à-vis 15.9 times in FY2025. Historically, HZL's substantial dividend payouts had increased its dependence on short-term borrowings. However, with dividend outflows expected to remain lower going forward (Rs.4,225 crore in the current fiscal versus Rs.12,253 crore in FY2025), the company's coverage metrics are anticipated to improve further from past levels.

Credit challenges

Vulnerable to price risks and inherent cyclicity in metal industry – HZL's operations are exposed to the cyclical characteristics inherent in volatile metal prices, which causes swings in profitability and cash flows and increases the business risks. HZL's performance also remained closely linked to the galvanised steel industry, which consumes ~70% of India's primary zinc production, and is influenced by its inherent cyclicity. Nonetheless, the company's competitive cost position mitigates the risk to some extent.

Exposure to regulatory risks – While HZL has a demonstrated track record in the metal and mining business, the company remains exposed to industry-wide risks pertaining to Government policies on land acquisition, environmental and forest clearance, etc that may adversely impact its operations in case of any adverse ruling. ICRA also notes that several mining leases are set to expire in 2030, and HZL's ability to renew these leases along with any associated cost increase will be a key factor in determining the long-term profitability.

Environmental and social risks

HZL has a dominant position in the metal and mining sectors with presence across commodities such as zinc, lead and silver. This exposes HZL to the risks of strict regulations or investments in alternative, environment-friendly mining, smelting technologies. The metal and mining sectors have a significant impact on the environment owing to their high greenhouse gas (GHG) emissions, waste generation and water consumption. This is because of the energy-intensive manufacturing process and its high dependence on natural resources such as coal. Increasing regulatory requirements to reduce green house gas emissions and stricter air pollution standards may lead to higher costs for metals manufacturers in the medium term, impacting the overall profitability. This in turn leads to a greater focus on reducing the carbon footprint through various technological interventions, like expanding the share of renewables in the energy sourcing mix.

Social risks pertain to the health and safety aspects of employees involved in mining and manufacturing activities. Casualties/accidents at operating units due to gaps in safety practices could lead to production outages and invite penal action from regulatory bodies. The sector is exposed to labour-related risks and risks of protests/social issues with local communities, which might impact the expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could trigger local criticism.

Liquidity position: Strong

HZL's liquidity position is expected to remain strong, with cash and liquid investments of ~Rs.8,155 crore as on September 30, 2025, excluding the unutilised fund-based limits. ICRA expects company's healthy consolidated cash flow from operations and accumulated liquid cash and bank balances to remain adequate to meet its annual margin capex requirement (including maintenance capex) and repayment obligations, in the current and upcoming fiscal.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on HZL's ratings could arise in case of a sustained weakening of operating profitability, and/or any large debt-funded capex or elevated dividend payout, that would weaken the company's liquidity position and increase its leverage, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology Non-Ferrous Metals (Primary Producers)
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated. As on March 31, 2025, HZL had five subsidiaries and one joint venture

About the company

Hindustan Zinc Limited is an integrated mining and metal producer of zinc, lead and silver. HZL operates out of Rajasthan, with its headquarters in Udaipur and mining facilities spread across the north Indian state. HZL is India's largest integrated producer of zinc, lead and silver. HZL's facilities include: (i) the Zawar group of mines (ii) the Rajpura Dariba, Sindesar Khurd, Rampura Agucha and Kayad mines in Rajasthan (iii) zinc-lead processing facilities which include a smelter at Debari, Chanderiya and Dariba in Rajasthan (iv) a silver refinery at Pantnagar in Uttarakhand. HZL is a subsidiary of Vedanta Limited, which holds a 61.8% stake in the company, while ~28% is held by Government of India.

Key financial indicators (audited)

	FY2024	FY2025	H1 FY2026*
Operating income	28,932	34,083	16,320
PAT	7,390	10,026	4,883
OPBDIT/OI	47.3%	51.2%	50.9%
PAT/OI	25.5%	29.4%	29.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.6	1.6
Total debt/OPBDIT (times)	0.7	0.7	0.7
Interest coverage (times)	14.3	15.9	16.6

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2026)			Chronology of rating history for the past 3 years					
					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jan 30, 2026	Jul 18, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	5,000.00	[ICRA]A1+	[ICRA]A1+	Jan 06, 2025	[ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial paper^	NA	NA	NA	5,000.00	[ICRA]A1+

Source: Company; ^ Yet to be placed

Annexure II: List of entities considered for consolidated analysis

Company Name	HZL's Ownership	Consolidation Approach
Hindustan Zinc alloys Private Limited	100.00%	Full Consolidation
Vedanta Zinc Football and Sports Foundation	100.00%	Full Consolidation
Zinc India Foundation	100.00%	Full Consolidation
Hindustan Zinc Fertilisers Private Limited	100.00%	Full Consolidation
Hindmetal Exploration Services Private Limited	100.00%	Full Consolidation
Madanppur South Coal Company Limited	18.05%	Equity Method

Source: HZL annual report FY2025

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