

HINDUSTAN ZINC (HZ) – BUY

February Month Pick

Current Market Price (CMP)

Rs.289

Target Price

Rs.335

Our fair value of Rs335 offers upside of 15.9% from current market price.

Rationale:

- HZ's 3QFY21 EBITDA was ahead of estimates led by lower costs.
- We expect earnings to grow at 22.5% in FY22 and 3.1% in FY23.
- HZ's silver EBITDA share is likely to increase to 25%+ with the expansion projects.
- Robust fundamentals coupled with volume growth gives strong growth visibility.
- We value Zinc & lead-7x & silver-10x Sep'22E EBITDA & arrive at fair value of Rs335. (Earnings Before Interest, Tax, Depreciation and Amortization)

Q3FY21 Earnings update:

Positives:

- Sales increased to Rs6,033cr led by higher metal volumes & zinc-silver prices.
- Mined metal production increased 4%yoy in 3QFY21 on higher ore production
- Volume expansion to drive earnings & strong prices to keep cashflow intact.

Negatives:

- Zinc cost of production increased sequentially to US\$946/ton.
- We have cut EPS by 2%/4%/1% for FY21/22/23E factoring lower silver volumes.

[Click here](#)

For detailed report dated 20th January 2021. Note: CMP & valuation may differ due to difference in dates



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Holding Period: 12 Months / Disclaimer: <http://bit.ly/2n5AxIE>