

Pick of the week



Hindustan Zinc

Recommendation

BUY

Time Period

12 Months

Current Price

₹ 310

Target Price

₹ 370

Potential Upside

19.4%

Investment Argument

- With completion of all expansion projects, HZ is well placed to witness volume growth tailwinds over FY22-23E. HZ has guided for metal volumes at 1.02-1.05 mn tons and silver production at 720 tons for FY2022.
- HZ's 4QFY21 revenues increased to Rs. 6,947 cr (+58% yoy, +15% qoq) led by higher metal volumes and zinc-silver prices. Volumes increased by 14%/29%/41% yoy for zinc/lead/silver.
- Zinc – adjusted CoP (Cost of Production) stood at US\$945/ton (-5% yoy, flat qoq), declined yoy on higher volumes and better bi-product credits. EBITDA (Earnings Before Interest Tax Depreciation and Amortization) at Rs. 3,875 cr increased 97% yoy mainly led by 56%/29% yoy higher silver/zinc prices and lower zinc CoP.
- We expect the zinc market fundamentals to remain strong in FY22E led by supply-side restrictions in China on safety/environment protection, a strong sequential demand recovery in world ex-China coupled with lagging supply.
- As on March 31, 2021, the net cash and cash equivalents increased to ~Rs. 15100 cr (+38% qoq) on strong operational cash flows and release of working capital.

Note: The above is a brief note on the company, based on the inputs of KIE research report dated 27th April 2021, , which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

Disclaimer: <http://bit.ly/2n5AxIE>