

Hindustan Zinc

Refer to important disclosures at the end of this report

Dividend to support an otherwise expensive valuation

- Hindustan Zinc beat EBITDA estimates by 5.6%, driven by a 4.5% beat on the topline with the help of higher-than-expected premium on LME in Q3 as domestic demand rebounded sharply; reflected in reduction in exports to 26% vs. 70% in Q1.
- The zinc concentrate market was in a deficit of 220kt in CY20 due to a temporary closure of Vedanta's Gamesberg zinc mine. This in turn has dragged down TCs to USD100/t and is likely to impact smelter output in the near term.
- Demand recovery in China is strong, but it is still weak in other economies due to resurging Covid-19 and related lockdowns. Recovery in those economies and further stimulus in China post winter will be key to a further upgrade in our zinc price forecasts.
- We raise our TP to Rs281 as we assume a 19% increase in EBITDA for FY22E on the back of a 13% hike in Zinc price assumptions and 3% uptick in metals volume. The recent 23% rally in the stock in last one month caps further upsides, but a dividend yield of 7.4% for FY22/23E should provide support.

- To attain 1.2mt run rate in Q4:** Management highlighted that they will achieve a run rate of 1.2mt MIC volumes in Q4 and should be closer to 1.2mt for FY22. We have baked in 1.1mt volume and further 697t silver sales for FY22E. Any further uptick in volumes will drive our EPS upgrade.
- Leveraging the balance sheet:** Management highlighted that the balance sheet shall not be leveraged beyond the temporary mismatch of cash required, generally at the time of making dividend payouts. This is one of the concerns that was raised when the company sought to raise debt to fund capex while sitting on cash of Rs270bn.
- Growth projects back on track:** Post-Covid revival in zinc prices has resulted in management again considering the 1.35-1.5mt expansion at Rajasthan and Gujarat greenfield smelters, though the timelines for the same have not been outlined.
- Outlook and Valuation:** The stock trades at 6.7x our FY22 EV/EBITDA estimate, which we believe captures any upside in the near term. However, a dividend yield of 7.4% supports valuations. We believe that strong dividend declaration will continue due to the leverage at the promoter entities. This will ensure the stock remains attractive on the dividend yield even at the current price. We maintain Hold on the stock. The key upside risk to our call is stronger-than-expected global recovery, which will drive commodities prices up and higher-than-estimated sales tonnages.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Metals & Mining \(page 10\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	211,180	185,610	219,941	269,807	298,231
EBITDA	106,700	88,470	116,017	155,379	159,910
EBITDA Margin (%)	50.5	47.7	52.7	57.6	53.6
APAT	79,560	68,050	82,463	111,178	114,871
EPS (Rs)	18.8	16.1	19.5	26.3	27.2
EPS (% chg)	(12.0)	(14.5)	21.2	34.8	3.3
ROE (%)	22.9	18.4	22.6	33.2	32.4
P/E (x)	15.7	18.4	15.2	11.3	10.9
EV/EBITDA (x)	10.0	11.8	9.1	6.7	6.2
P/BV (x)	3.7	3.1	3.8	3.6	3.4

Source: Company, Emkay Research

CMP Rs 296 as of (January 20, 2021)	Target Price Rs 281 (▲) 12 months
Rating HOLD (■)	Upside (5.2) %

Change in Estimates

EPS Chg FY21E/FY22E (%)	0.8/21.9
Target Price change (%)	19.6
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	19.5	26.3
Consensus	18.3	22.9
Mean Consensus TP (12M)	Rs 261	

Stock Details

Bloomberg Code	HZ IN
Face Value (Rs)	2
Shares outstanding (mn)	4,225
52 Week H/L	328 / 116
M Cap (Rs bn/USD bn)	1,252 / 17.15
Daily Avg Volume (nos.)	1,841,158
Daily Avg Turnover (US\$ mn)	6.3

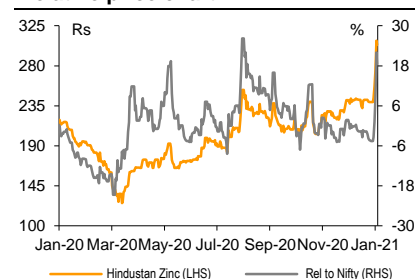
Shareholding Pattern Dec '20

Promoters	64.9%
FII's	1.1%
DII's	2.6%
Public and Others	31.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	23	33	58	37
Rel. to Nifty	15	8	19	14

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Vishal Chandak

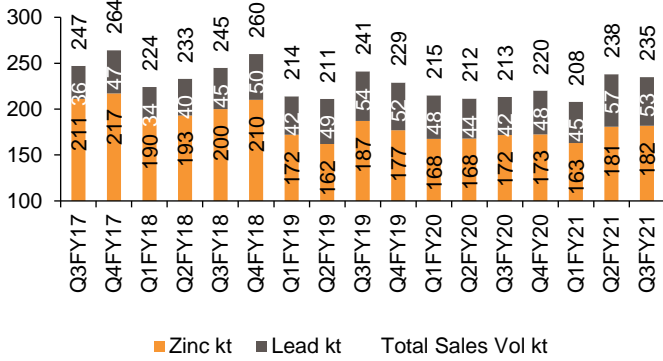
vishal.chandak@emkayglobal.com
+91 22 6612 1275

Abhishek Mody

abhishek.mody@emkayglobal.com
+91 22 6624 2491

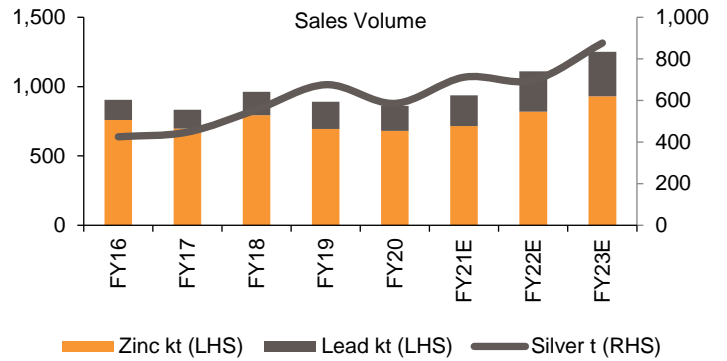
Story in Charts

Exhibit 1: Sales in Q3FY21 at similar levels as previous quarter



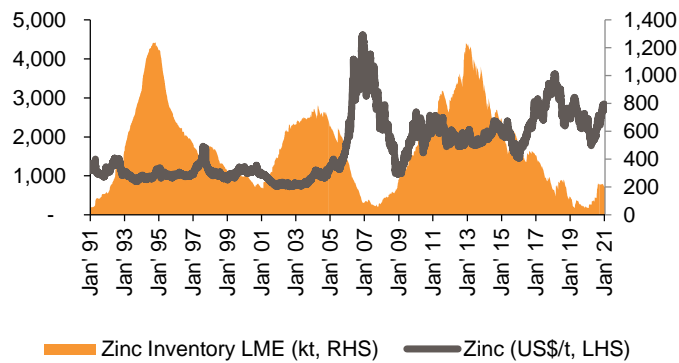
Source: Company, Emkay Research

Exhibit 2: Sales Volume expected to rise by FY21



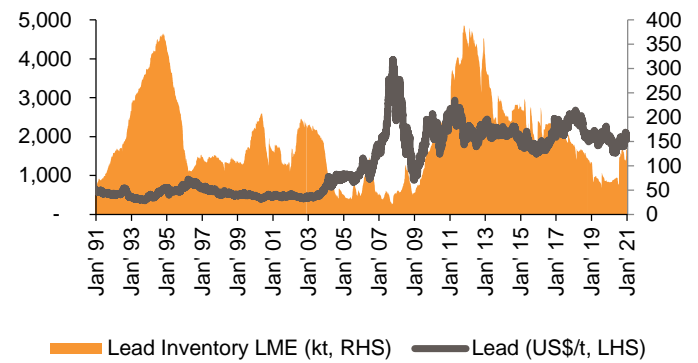
Source: Company, Emkay Research

Exhibit 3: Zinc inventory and prices



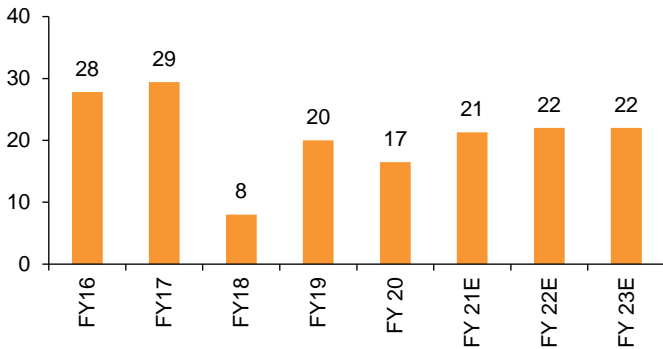
Source: Bloomberg, Emkay Research

Exhibit 4: Lead inventory and prices



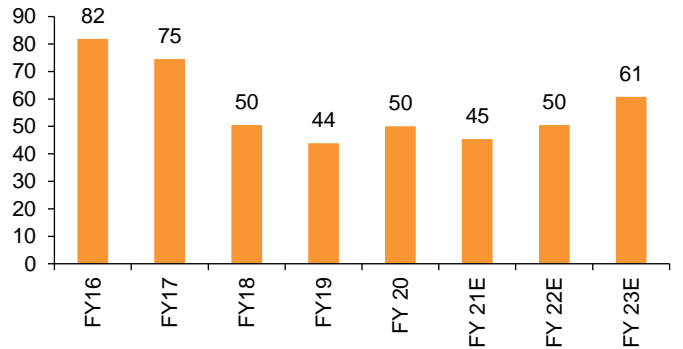
Source: Bloomberg, Emkay Research

Exhibit 5: Dividend per share (Rs.)



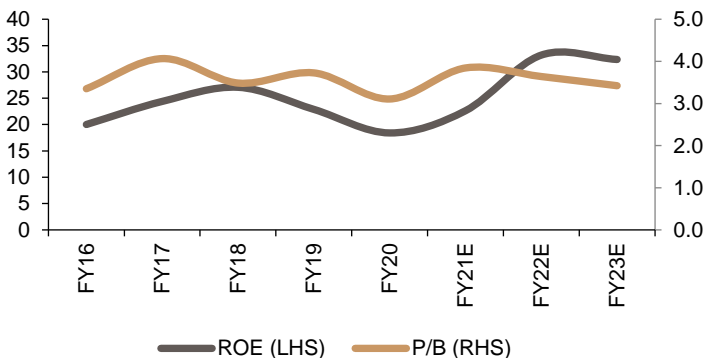
Source: Company, Emkay Research

Exhibit 6: Net cash per share (Rs.)



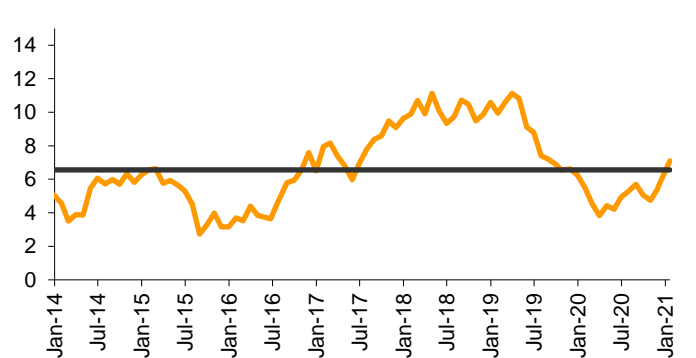
Source: Company, Emkay Research

Exhibit 7: ROE expected to rise in FY22



Source: Company, Emkay Research

Exhibit 8: Hindustan Zinc 1-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Exhibit 9: Actual vs. Estimates (Q3FY21)

Rs bn	Actual	Estimates		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	60.33	58.00	57.86	4%	4%	In Line
EBITDA	32.69	30.97	31.04	6%	5%	Marginally ahead due to 4% beat in topline
EBITDA Margin (%)	54%	53%	54%	1 bps	1 bps	
Emkay Net Profit	22.00	20.32	22.11	8%	0%	Marginally ahead due to 4% beat in topline

Source: Bloomberg, Company, Emkay Research

Exhibit 10: Standalone Quarterly Financials

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (abs)	YoY (%)	QoQ (abs)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Net sales	46,260	43,210	38,980	55,330	59,150	12,890	28%	3,820	7%	153,460	140,110	10%
Other Op Income	460	700	910	1,270	1,180	720	157%	(90)	-7%	3,360	1,590	111%
Total Revenue	46,720	43,910	39,890	56,600	60,330	13,610	29%	3,730	7%	156,820	141,700	11%
Inventory Chg.	-1,710	-1,000	1,670	1,420	250	1,960	NA	(1,170)	-82%	3,340	-1,910	-275%
Staff Expense	2,010	1,140	2,350	1,660	1,890	-120	-6%	230	14%	5,900	5,750	3%
Power	4,040	4,420	3,880	4,350	4,400	360	9%	50	1%	12,630	12,620	0%
Mining Royalty	6,130	6,070	4,630	6,730	7,300	1,170	19%	570	8%	18,660	17,460	7%
Other Exp.	13,360	13,640	11,600	12,920	13,800	440	3%	880	7%	38,320	38,950	-2%
Total Exp.	23,830	24,270	24,130	27,080	27,640	3,810	16%	560	2%	78,850	72,870	8%
EBITDA	22,890	19,640	15,760	29,520	32,690	9,800	43%	3,170	11%	77,970	68,830	13%
Dep.	5,970	5,530	5,440	6,520	6,390	420	7%	(130)	-2%	18,350	17,260	6%
EBIT	16,920	14,110	10,320	23,000	26,300	9,380	55%	3,300	14%	59,620	51,570	16%
Other Income	4,450	4,700	6,840	3,900	4,500	50	1%	600	15%	15,240	14,640	4%
Interest	420	160	520	680	1,350	930	221%	670	99%	2,550	960	166%
PBT	20,950	18,650	16,640	26,220	29,450	8,500	41%	3,230	12%	72,310	65,250	11%
Total Tax	4,750	5,260	3,050	6,820	7,450	2,700	57%	630	9%	17,320	10,590	64%
Current Tax	3,580	3,110	2,870	4,530	5,090	1,510	42%	560	12%	12,490	11,170	12%
Deferred Tax	1,170	2,150	180	2,290	2,360	1,190	102%	70	3%	4,830	-580	-933%
Reported PAT	16,200	13,390	13,590	19,400	22,000	5,800	36%	2,600	13%	54,990	54,660	1%

Source: Company, Emkay Research

Exhibit 11: Key margins

Margins (%)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY	QoQ	9MFY21	9MFY20	YoY
EBIDTA	49%	45%	40%	52%	54%	519 bps	203 bps	50%	49%	114 bps
EBIT	36%	32%	26%	41%	44%	738 bps	296 bps	38%	36%	162 bps
EBT	45%	42%	42%	46%	49%	397 bps	249 bps	46%	46%	6 bps
PAT	35%	30%	34%	34%	36%	179 bps	219 bps	35%	39%	-351 bps
Effective Tax rate	23%	28%	18%	26%	25%	262 bps	-71 bps	24%	16%	772 bps

Source: Company, Emkay Research

Exhibit 12: Key operating and Financials Metrics

	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	abs Yoy	YoY (%)	abs Qoq	QoQ (%)	9MFY21	9MFY20	YoY (%)
Production Volume (kt)												
Mined metal content	235	249	202	238	244	9	4%	6	3%	684	667	2.5%
Refined Zinc	178	172	157	180	182	4	2%	2	1%	519	516	0.6%
Refined Lead	41	49	44	57	52	11	26%	(5)	-9%	153	133	14.7%
Saleable Silver (mt)	149	168	117	203	183	34	23%	(20)	-10%	503	442	13.8%
Sales Volume (kt)												
Zinc Sales Volume	172	173	163	181	182	10	6%	1	1%	526	508	3.6%
Lead Sales Volume	42	48	45	57	53	11	27%	(4)	-7%	155	133	16.4%
Total Metal Sales	213	220	208	238	235	22	10%	(3)	-1%	681	640	6.4%
Silver Sales Volume (mt)	153	144	146	203	183	30	20%	(20)	-10%	532	443	20.2%
Segment Revenue (Rs mn)												
Refined Zinc	31,650	29,200	25,620	33,230	38,350	6,700	21%	5,120	15%	97,200	97,260	-0.1%
Refined Lead	6,520	6,920	6,040	8,610	8,170	1,650	25%	(440)	-5%	22,820	20,080	13.6%
Silver	6,900	6,010	6,430	12,370	11,450	4,550	66%	(920)	-7%	30,250	18,430	64.1%
Others	1,650	1,780	1,800	2,390	2,360	710	43%	(30)	-1%	6,550	5,930	10.5%
Total Revenue	46,720	43,910	39,890	56,600	60,330	13,610	29%	3,730	7%	156,820	141,700	10.7%
Average Realization / Premium												
Zinc - Realization (\$/t)	2,589	2,335	2,082	2,473	2,858	269	10%	385	16%	2,468	2,727	-9.5%
Zinc - LME (\$/t)	2,388	2,128	1,961	2,335	2,628	240	10%	293	13%	2,314	2,495	-7.3%
Premium over LME - (\$/t)	201	207	121	138	230	29	14%	92	67%	154	232	-33.5%
Lead - Realization (\$/t)	2,200	2,007	1,778	2,035	2,091	-110	-5%	56	3%	1,967	2,155	-8.7%
Lead - LME (\$/t)	2,045	1,847	1,673	1,873	1,901	-144	-7%	28	1%	1,819	1,988	-8.5%
Premium over LME - (\$/t)	155	160	105	162	190	34	22%	28	17%	148	167	-11.5%
Cost of Production												
CoP - Zinc (reported)(USD/t)	1,077	997	954	919	946	-131	-12%	27	3%	958	1,065	-10.0%
CoP - Zinc (reported)(INR/t)	76,571	72,220	72,004	68,228	69,744	-6,827	-9%	1,516	2%	71,369	74,881	-4.7%

Source: Company, Emkay Research

Conference Call Highlights

- **Global Industry update:** Global Zinc industry continues to face supply challenges due to Covid-19; a few mines may not restart in the near term. Mine production in CY20 was down 3% on a yoy basis. Concentrate market was in a deficit of 220kt, which dragged down TCs to USD100/t, which could ultimately impact refined zinc output. A temporary shutdown of the Gamesberg mine of Vedanta has also put pressure on TC.
- **Domestic Industry:** Driven by a strong recovery in steel, zinc demand has rebounded sharply in India and premiums have shot up. Zinc exports came down to 26% in Q3 compared to 29%/70% in Q2/Q1. HZL expects domestic demand to remain strong in the near term, driven by the economic revival.
- **Volumes guidance:** Management highlighted that it is likely to achieve a run rate of 1.2mt annualized during Q4 and will achieve MIC production of 1.2mt in FY21. However, the next phase of growth at 1.35mt is at the project stage as it needs mine development of 14km per month compared to 10km per month achieved currently.
- **Capex guidance retained for FY21:** The FY21 capex guidance stood at USD330mn, of which growth capex was USD140mn, maintenance being USD190mn. Management reiterated that there is no cut back in capex, given the strong recovery.
- **Cash & Debt:** The closing cash balance at the end of the quarter was Rs210bn, while the temporary debt of Rs100bn was taken up to pay dividend due to a mismatch in the maturity of FMPs.
- **Plans to leverage the balance sheet:** Management highlighted that there are no plans to leverage the balance sheet, except for meeting temporary timing mismatch between dividend payouts and maturity of investments.
- **Expansion project:** The company received Environmental clearance for Zawar mine expansion from 4-4.8mt and Chanderiya smelter expansion from 0.42-0.5mtpa. The two backfill paste plants have also been commissioned, which will help improve mine productivity. However, the fumer project continues to be delayed due to Chinese visa restrictions. The company expects the fumer to be commissioned by the end of Q4.
- **Gujarat greenfield project:** The project is at the drawing board stage. Preparation of DPR is underway and post that, management will seek approval from the board to go ahead with the project.

Exhibit 13: Key Assumptions and Change in estimates

Financials (Rs bn)	FY21			FY22			FY23		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	208.7	219.9	5%	247.0	269.8	9%	282.2	298.2	6%
EBITDA	116.0	116.0	0%	130.7	155.4	19%	143.3	159.9	12%
PAT	81.8	82.5	1%	91.2	111.2	22%	99.1	114.9	16%
EPS	19.4	19.5	1%	21.6	26.3	22%	23.5	27.2	16%
LME									
Zinc (\$/t)	2,256	2,396	6%	2,400	2,700	13%	2,450	2,450	0%
Lead (\$/t)	1,800	1,855	3%	1,900	1,910	1%	2,000	1,950	-3%
FX (USD/INR)	73.56	74.24	1%	72.00	73.69	2%	72.00	74.50	3%
Sales Volume									
Zinc (kt)	730	716	-2%	852	820	-4%	960	930	-3%
Lead (kt)	194	220	13%	228	290	27%	249	320	29%
Total Refined Metal (kt)	924	936	1%	1,080	1,110	3%	1,209	1,250	3%
Silver (t)	650	712	10%	764	697	-9%	834	876	5%

Source: Company, Emkay Research

Exhibit 14: Valuation

Valuation	UoM	FY22E
EBITDA	Rs bn	155
Multiple	x	6.5
EV	Rs bn	1,010
Net Debt	Rs bn	-177
Implied Market cap	Rs bn	1,187
No. of Shares	mn	4,225
Fair Value	Rs	281

Source: Company, Emkay Research

Exhibit 15: Peer Comparison

	M.Cap USD bn	PE (x)			EV/EBITDA (x)			PB (x)			ROE (x)		
		CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23
Hindustan Zinc*	17.16	15.2	11.3	10.9	9.1	6.7	6.2	3.8	3.6	3.4	22.6	33.2	32.4
Korea Zinc	7.20	12.8	11.6	11.1	5.4	5.1	4.7	1.1	1.0	1.0	8.8	9.2	9.1
Teck	11.18	34.7	11.8	11.4	8.3	5.7	5.5	0.7	0.6	0.6	0.9	4.2	4.1
Yunnan	3.78	29.1	22.9	18.8	NA	NA	NA	1.6	1.5	1.4	5.6	6.7	9.3
Glencore PLC	51.15	73.8	11.9	12.5	7.5	5.4	5.3	1.4	1.3	1.2	-0.8	9.4	9.4

Source: Bloomberg, Emkay Research Note (*): denotes Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	211,180	185,610	219,941	269,807	298,231
Expenditure	104,480	97,140	103,924	114,429	138,321
EBITDA	106,700	88,470	116,017	155,379	159,910
Depreciation	18,830	22,790	24,804	25,080	27,289
EBIT	87,870	65,680	91,213	130,299	132,621
Other Income	17,820	19,340	19,440	20,524	23,125
Interest expenses	1,130	1,120	4,050	2,585	2,585
PBT	104,560	83,900	106,603	148,238	153,161
Tax	25,000	15,850	24,140	37,059	38,290
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	79,560	68,050	82,463	111,178	114,871
Adjusted PAT	79,560	68,050	82,463	111,178	114,871

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	8,450	8,450	8,450	8,450	8,450
Reserves & surplus	327,600	394,650	317,396	335,617	357,531
Net worth	336,050	403,100	325,846	344,067	365,981
Minority Interest	0	0	0	0	0
Loan Funds	9,640	10,900	54,060	54,060	54,060
Net deferred tax liability	(19,250)	(18,220)	(18,220)	(18,220)	(18,220)
Total Liabilities	326,440	395,780	361,686	379,907	401,821
Net block	166,940	178,380	172,046	168,766	163,278
Investment	0	0	0	0	0
Current Assets	215,850	248,260	264,721	288,772	335,109
Cash & bank balance	195,110	222,470	245,693	267,401	310,723
Other Current Assets	3,180	3,280	3,299	4,047	4,473
Current liabilities & Provision	78,890	55,750	105,971	114,521	123,456
Net current assets	136,960	192,510	158,750	174,250	211,653
Misc. exp	0	0	0	0	0
Total Assets	326,440	395,780	361,686	379,907	401,821

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	104,560	83,900	106,603	148,238	153,161
Other Non-Cash items	(690)	(970)	0	0	0
Chg in working cap	6,710	(11,170)	16,093	6,208	5,919
Operating Cashflow	87,810	66,210	123,360	142,466	148,079
Capital expenditure	(34,000)	(36,370)	(24,470)	(27,800)	(11,800)
Free Cash Flow	53,810	29,840	98,890	114,666	136,279
Investments	(416,600)	(356,120)	0	0	0
Other Investing Cash Flow	2,530	5,190	0	0	0
Investing Cashflow	(10,920)	(26,480)	(9,470)	(12,800)	(11,800)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	0	84,050	0	0
Dividend paid (incl tax)	(119,580)	0	(159,717)	(92,957)	(92,957)
Other Financing Cash Flow	25,360	(19,080)	0	0	0
Financing Cashflow	(96,300)	(20,780)	(75,667)	(92,957)	(92,957)
Net chg in cash	(19,410)	18,950	38,223	36,708	43,321
Opening cash position	19,640	230	19,180	57,403	94,111
Closing cash position	230	19,180	57,403	94,111	137,433

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	50.5	47.7	52.7	57.6	53.6
EBIT Margin	41.6	35.4	41.5	48.3	44.5
Effective Tax Rate	23.9	18.9	22.6	25.0	25.0
Net Margin	37.7	36.7	37.5	41.2	38.5
ROCE	31.4	23.5	29.2	40.7	39.8
ROE	22.9	18.4	22.6	33.2	32.4
RoIC	87.6	51.1	78.1	162.1	189.7

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	18.8	16.1	19.5	26.3	27.2
CEPS	23.3	21.5	25.4	32.2	33.6
BVPS	79.5	95.4	77.1	81.4	86.6
DPS	20.0	16.5	21.3	22.0	22.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	15.7	18.4	15.2	11.3	10.9
P/CEPS	12.7	13.8	11.7	9.2	8.8
P/BV	3.7	3.1	3.8	3.6	3.4
EV / Sales	5.1	5.6	4.8	3.9	3.3
EV / EBITDA	10.0	11.8	9.1	6.7	6.2
Dividend Yield (%)	6.7	5.6	7.2	7.4	7.4

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
Net Debt/EBIDTA	(1.7)	(2.4)	(1.7)	(1.4)	(1.6)
Working Cap Cycle (days)	(100.5)	(58.9)	(144.3)	(126.0)	(121.3)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	(4.4)	(12.1)	18.5	22.7	10.5
EBITDA	(13.1)	(17.1)	31.1	33.9	2.9
EBIT	(18.6)	(25.3)	38.9	42.9	1.8
PAT	(14.2)	(14.5)	21.2	34.8	3.3

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	46,720	43,910	39,890	56,600	60,330
EBITDA	22,890	19,640	15,760	29,520	32,690
EBITDA Margin (%)	49.0	44.7	39.5	52.2	54.2
PAT	16,200	12,940	13,570	19,450	21,980
EPS (Rs)	3.8	3.1	3.2	4.6	5.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	64.9	64.9	64.9	64.9	64.9
FIs	1.1	1.0	1.0	1.0	1.1
DIs	2.7	2.7	2.6	2.6	2.6
Public and Others	31.3	31.4	31.5	31.5	31.4

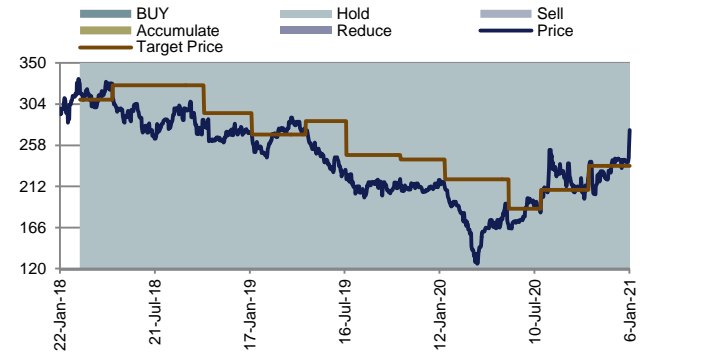
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
21-Oct-20	233	235	12m	Hold	Vishal Chandak
10-Oct-20	209	208	12m	Hold	Vishal Chandak
22-Jul-20	197	208	12m	Hold	Vishal Chandak
22-May-20	165	187	12m	Hold	Vishal Chandak
22-Jan-20	209	220	12m	Hold	Vishal Chandak
30-Oct-19	213	242	12m	Hold	Vishal Chandak
19-Jul-19	220	247	12m	Hold	Vishal Chandak
3-May-19	275	285	12m	Hold	Vishal Chandak
21-Jan-19	268	270	12m	Hold	Vishal Chandak
22-Oct-18	282	294	12m	Hold	kamal Sahoo
23-Jul-18	268	325	12m	Hold	Goutam Chakraborty
8-May-18	301	325	12m	Hold	Goutam Chakraborty
2-May-18	308	325	12m	Hold	Goutam Chakraborty
1-Mar-18	316	309	12m	Hold	Goutam Chakraborty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Metals & Mining



Analyst: Vishal Chandak

Contact Details

vishal.chandak@emkayglobal.com
+91 22 6612 1275

Sector

Metals and Mining

Analyst bio

Vishal Chandak is a CA and MBA (Finance). He brings in over 16 years of experience, including seven years in the corporate side, with balance being on both the buy side and sell side. Currently, his team tracks 12 stocks in the Metals and Mining space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Metals & Mining	2.63	2.63	0%	0	100.00
Coal India	0.36	0.34	-5%	-2	13.13
Hindalco	0.45	0.45	0%	0	17.29
Hindustan Zinc	0.09	0.09	-5%	0	3.39
Jindal Stainless	0.00	0.01	NA	1	0.55
Jindal Stainless Hisar	0.00	0.01	NA	1	0.50
JSW Steel	0.49	0.46	-5%	-2	17.53
MOIL	0.00	0.00	NA	0	0.00
National Aluminium Co	0.00	0.00	NA	0	0.00
NMDC	0.14	0.14	2%	0	5.32
SAIL	0.08	0.09	2%	0	3.30
Tata Steel	0.62	0.63	2%	2	24.05
Vedanta	0.39	0.39	0%	0	14.92
Cash	0.00	0.00	NA	0	0.02

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	01-Apr-19	21-Jan-20	21-Jul-20	20-Oct-20	18-Dec-20	19-Jan-21
EAP - Metals & Mining	100.0	87.9	65.5	71.1	96.9	103.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	87.7	64.2	69.6	94.8	101.6

*Performance measurement base date 1st April 2019

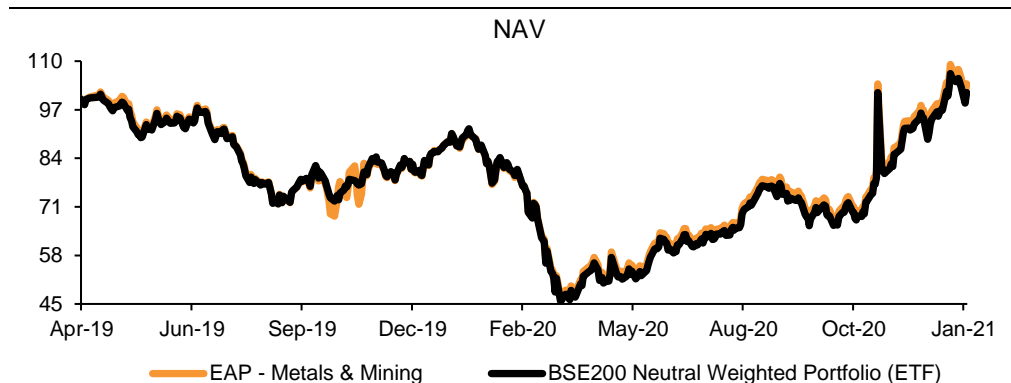
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Metals & Mining	7.2%	46.1%	58.5%	18.2%
BSE200 Neutral Weighted Portfolio (ETF)	7.2%	46.0%	58.3%	15.8%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 21 Jan 2021 04:04:41 (SGT)

Dissemination Date: 21 Jan 2021 04:05:41 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of January 20, 2021
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
Disclosure of previous investment recommendation produced:
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of January 20, 2021.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 20, 2021
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the January 20, 2021

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com