



## Weak Revenues!

25<sup>th</sup> April, 2016

**CMP:** Rs. 172  
**Target Price:** Rs. 185  
**Recommendation:** HOLD

## Stock Info

|            |          |
|------------|----------|
| BSE Group  | A        |
| BSE Code   | 500188   |
| NSE Symbol | HINDZINC |
| Bloomberg  | HZIN     |
| Reuters    | HZNC.BO  |
| BSE Sensex | 25,838   |
| NSE Nifty  | 7,899    |

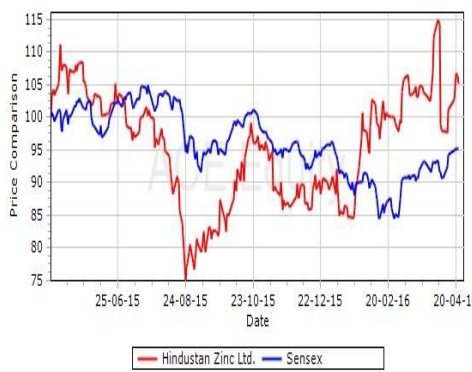
## Market Info

|                   |             |
|-------------------|-------------|
| Market Capital    | Rs 72,717cr |
| Equity Capital    | Rs 845cr    |
| Avg. Trading Vol. | 11,14,170   |
| 52 Wk High/ Low   | 199/117     |
| Face Value        | 2           |

## Shareholding Pattern (%) (Dec 2015)

|                       |      |
|-----------------------|------|
| Promoters             | 64.9 |
| Domestic Institutions | 31.2 |
| Foreign Institutions  | 1.9  |
| Public & Others       | 2.0  |

## Price vs. Sensex Chart



For the year FY 16, Hindustan Zinc's (HZL) reported marginal drop in profits which stood at Rs 8,166 crs. Revenue for the year dropped down by 4.5% YoY.

## Operational Performance:

Mined metal production for the year was in line with guidance at 889K MT vs 887K MT in FY 2015. For Q4 FY 16 it was however down by 30% YoY to 188k MT. The decrease was largely on account of lower production primarily from Rampura Agucha open pit as per mining plan, which was partially offset by significantly higher production from all the underground mines especially Sindesar Khurd & Khayad mines, resulting in higher lead & silver volumes.

Refined Zinc metal production during the quarter was 29% lower YoY & 25% lower than Q3 FY 16 in line with the metal production. Integrated lead & silver metal production increased by 16% & 65% respectively QoQ due higher volumes from Sindesar Khurd mines.

Refined metal production was higher than mined metal production primarily on account of conversion of existing mined metal inventory & enhanced smelter efficiencies. Integrated zinc, lead & silver metal production for the year increased by 5%, 33% & 8% YoY respectively.

## Financial Performance:

Revenues for the quarter were down 24% on YoY basis at Rs 3,132 crs. EBITDA was down by 34% on YoY basis to Rs 1,308 crs. PAT however increased by 7.6% YoY to Rs 2,149 crs, due to higher other income & by lower tax expense.

On blended basis total operating cost increased by 11% to Rs. 95,015 per tonne on YoY basis resulting in drop in EBITDA margin by 6% YoY to 42%.

## Valuation:

We have valued stock on EV/EBITDA of 10.5 (x) its FY17E EBITDA and have arrived at fair value of Rs 185 per share. At CMP of Rs 172 the stock is trading at FY17E EV/EBITDA of 9.8 (x). We recommend **HOLD** rating on the stock.

| Y/E March, (Rs in Cr) | FY13   | FY14   | FY15E  | FY16   | FY17E  |
|-----------------------|--------|--------|--------|--------|--------|
| Net Revenue           | 12,700 | 13,636 | 14,788 | 14,226 | 15,712 |
| EBIDTA                | 6,482  | 6,962  | 7,420  | 6,640  | 7,644  |
| PAT                   | 6,899  | 6,905  | 8,178  | 8,166  | 8,359  |
| EPS                   | 16.3   | 16.3   | 19.4   | 19.4   | 19.8   |
| RONW(%)               | 23.3   | 19.8   | 20.2   | 20.2   | 20.6   |
| P/E(X)                | 7.4    | 7.9    | 8.4    | 9.5    | 8.7    |
| EV/EBITDA(X)          | 7.0    | 7.6    | 9.1    | 12.1   | 9.8    |



### Arihant Research Desk

E. research@arihantcapital.com  
T. 022-42254800

### Head Office

#1011, Solitaire Corporate park ,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E).  
Mumbai – 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

### Registered Office

Arihant House  
E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

### Stock Rating Scale

|            | Absolute Return |
|------------|-----------------|
| BUY        | >20%            |
| ACCUMULATE | 12% to 20%      |
| HOLD       | 5% to 12%       |
| NEUTRAL    | -5% to 5%       |
| REDUCE     | <-5%            |

### Research Analyst Registration No.

**INH000002764**

### Contact

**SMS: 'Arihant' to 56677**

### Website

[www.arihantcapital.com](http://www.arihantcapital.com)

### Email Id

[research@arihantcapital.com](mailto:research@arihantcapital.com)

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