

HINDUSTAN ZINC

Minor blip; bigger picture intact

India Equity Research | Metals and Mining

Hindustan Zinc's (HZL) Q1FY18 EBITDA of INR23bn (up 2.1x YoY) was marginally lower than consensus estimate due to higher power & fuel cost and lower sulfuric acid realisation. We remain upbeat on the company due to: 1) capacity ramp up (1.2mtpa by FY20) progressing as per schedule, 2) COP expected to be contained within ~USD850/t; and 3) positive outlook on zinc owing to supply constraints. Factoring in revised USD:INR estimate of 66 (earlier 67), our FY18E/FY19E EPS is revised down 2% each and TP to INR340 (INR345 earlier), implying exit multiple of 13.6x FY19E, lower than peer set average of 14.2x. Maintain 'BUY'.

EBITDA miss owing to higher cost

HZL's EBITDA came marginally below consensus owing to higher power & fuel cost and lower sulfuric acid realisation. While landed coal cost jumped 85% YoY to USD76/t, sulfuric acid realisation plunged 30% YoY to INR2,386/t. Going ahead, as per the management, the Rampur Agucha mine ramp up will be the biggest growth enabler with improvement in overall grade and lower hoist cost. HZL maintained FY18 volume and cost guidance.

Positives: Robust zinc outlook, volume ramp up, upstream focus

We believe, long-term fundamentals remain intact with mined metal (MM) production ramp up to 1.2mtpa progressing as per schedule. Additionally, development of the Zawar group of mines as a mega mining project is likely to augment capacity further in future. We maintain our positive view on zinc prices owing to supply constraints (refer our note: [Metals and Mining - Sustained deficit a positive for zinc prices; sector update](#)) and estimate focus on value-added products to add USD25-40/t to realisation, boosting margin further.

Outlook and valuations: More sweeteners in store; maintain 'BUY'

We are upbeat on HZL as the stock offers twin benefits of EPS growth (13% CAGR through to FY19E) and stable dividend yield of 4-5% for FY18E and FY19E. We keep our operating estimates unchanged; however, revise FY18E/FY19E EPS down 2% each on revised USD:INR estimates. We maintain 'BUY/SO' with revised target price of INR340 (earlier INR 345), implying exit P/E of 13.6x FY19E.

Financials

(INR mn)

Year to March	Q1FY18	Q1FY17	% Chg	Q4FY17	% Chg	FY17	FY18E	FY19E
Net revenues	50,130	28,041	78.8	67,562	(25.8)	187,980	219,502	236,504
EBITDA	23,840	11,309	110.8	37,480	(36.4)	97,384	118,871	128,955
Adjusted Profit	18,760	8,630	117.4	30,570	(38.6)	83,156	97,133	105,324
Adjusted Diluted EPS	4.4	2.0	117.4	7.2	(38.6)	19.7	23.0	24.9
Diluted P/E (x)						14.2	12.2	11.2
EV/EBITDA (x)						8.9	7.8	6.9
ROAE (%)						24.4	29.8	28.7

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: HZNC.BO, B: HZ IN)

CMP	: INR 280
Target Price	: INR 340
52-week range (INR)	: 305 / 172
Share in issue (mn)	: 4,225.3
M cap (INR bn/USD mn)	: 1,185 / 18,394
Avg. Daily Vol.BSE/NSE('000)	: 2,605.6

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	64.9	64.9	64.9
MF's, FI's & BK's	30.6	1.3	30.7
FII's	2.6	3.0	3.1
Others	1.8	30.8	1.3
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	10.7	2.3	7.4
3 months	(0.7)	8.1	9.5
12 months	57.5	15.3	30.0

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Higher volume and prices spur EBITDA growth

Q1FY18 MM production jumped 84% YoY to 233kt due to ramp up from other mines, except Rampur Agucha. As a result of transition from open pit to underground, production volume from Rampur Agucha was lower in Q1FY18. However, management expects production to pick up owing to the 'feast phase' at Rampur Agucha in H2FY18.

Refined zinc volume grew 58% YoY to INR190KT, while lead volume grew 48% YoY to 34KT. As a result of ramp up of SK mine, silver volume rose 25% YoY to 110kt.

COP/t was marginally up at INR62,698 owing to higher power & fuel cost and lower byproduct realisation (sulfuric acid), though partially offset by operating leverage benefits.

Table 1: Q1FY18 EBITDA growth led by better volume and prices

Year to March	Q1FY18	Q1FY17	Y-o-Y (%)	Q4FY17	Q-o-Q (%)
Production volume					
Mined metal content (Kt)	233.0	127.0	83.5	312.0	(25.3)
Refined zinc – integrated (Kt)	194.0	101.0	92.1	215.0	(9.8)
Refined lead - integrated (Kt)	35.0	25.0	40.0	45.0	(22.2)
Salable silver production (tonnes)	115.0	89.0	29.2	139.0	(17.3)
Wind power (MU)	156.0	148.0	5.4	75.0	108.0
Sales volume					
Refined zinc (Kt)	190.0	120.0	58.3	217.0	(12.4)
Refined lead (Kt)	34.0	23.0	47.8	47.0	(27.7)
Silver (tonnes)	110.0	88.0	25.0	135.0	(18.5)
Net sales value					
Zinc (INR mn)	43,573	19,250	126.4	51,600	(15.6)
Lead (INR mn)	5,755	3,400	69.3	8,580	(32.9)
Silver (INR mn)	5,652	3,600	57.0	5,630	0.4
Other (INR mn)	1,750	1,500	16.7	1,180	48.3
Total (INR mn)	56,731	27,750	104.4	66,990	(15.3)
EBITDA (INR mn)	23,840	11,309	110.8	37,480	(36.4)
EBITDA margin (%)	47.6%	40.3%		55.5%	(14.3)
Net realisations					
Zinc (USD/t)	3,423	2,434	40.6	3,549	(3.6)
Lead (USD/t)	2,526	2,243	12.6	2,725	(7.3)
Silver (INR/kg)	51,384	40,909	25.6	41,704	23.2
Blended EBITDA/t (INR/t)	106,376	79,032	34.6	141,899	(25.0)
Blended EBITDA/t (USD/t)	1,588	1,199	32.4	2,118	(25.0)

Source: Company data, Edelweiss Research

Q1FY18: Key conference call highlights

Macro outlook: Management continues to remain firm on zinc price

- Management stated that zinc outlook looks favourable in view of sustained destocking and supply deficit.
- Management expects LME zinc to rise up to USD3,200/t by Q4FY18 end if supply constraints persist.

Operational highlights

- Zinc metal CoP/t before royalty was INR62,698 (USD973) in Q1FY18, up 2% YoY. Management mentioned that the cost of production was higher in Q1FY18 due to lower overall grade (8.4% in Q1FY18 compared to 11% in Q4FY17), higher coal cost (average coal cost for Q1FY18 was USD76/t against USD41/t a year ago) and lower realisation of sulphuric acid (down to INR2,386/t from INR3,400/t a year ago).
- Management expects significant cost reduction once the material is hoisted through shaft instead of truck haulage. Also, stope turnover will also rise.
- HZL has received environmental clearance for silver refinery expansion to 625t/annum from the current 500t/annum.
- HZL is upgrading Zawar to the status of mega mining complex based on revised Reserve and Resources potential.
- HZL estimates production in H2FY18 to be significantly higher with improvement in grade as Rampur Agucha mine ramps up, resulting in return of the feast phase.
- Exports comprised 30-33% of total volumes in Q1FY18.
- HZL repaid about INR10bn short-term loans in Q1FY18. An additional INR10bn was utilised for funding working capital.

Outlook and guidance: Capacity ramp up and focus on value-added products

- HZL expects zinc-lead metal production to be 950kt in FY18, while silver production to be over 500t.
- FY18 COP/t is expected to be marginally higher compared to last year, though it will vary based on trends in commodity (coal & other inputs) prices.
- HZL is focusing on value-added products such as die cast alloys (premium of USD25-30/t) in zinc and value-added products in silver. Management expressed confidence that in the next 3-5 years, all zinc slabs will be rolled into valued-added products.
- Going ahead, the company will utilise more domestic coal to reduce fuel cost. Currently, landed cost of e-auction coal is USD10-20/t cheaper than imported coal.
- Tax rate for FY18 is expected to be slightly higher than MAT.
- Management intends to increasing annual production volume to 1.5mt post 1.2mt is achieved in FY20.

Q4FY17: Key conference call highlights

Macro outlook: Management continues to remain firm on zinc price

- Management mentioned that despite additional zinc supply coming in, the demand-supply balance is expected to remain tight.
- Accordingly, with continued increase in demand, the outlook on Zinc prices remains firm.

Operational highlights:

- Management mentioned that Q4FY17 production was up 66% YoY (13% QoQ) at 312kt due to ramp up of Rampur Agucha (RA) mine. For the full year FY17, it was at 907kt up 2% YoY, in line with guidance. It expects FY18 MM production to be ~5% higher YoY.
- HZL's smelters operated at full throttle, with close to 100% utilization rates in Q4FY17.
- The zinc metal CoP/t before royalty was INR53,226 (USD794) in Q4FY17, down 8% YoY, largely driven by higher average on grades on account of higher production volumes from RA open cast mine, better smelter efficiencies and reversal of certain old liabilities. For FY17, CoP/t stood at INR55,679 (USD836), up 6% YoY.
- During the quarter, the company successfully commissioned 16MW captive solar farm on wasteland at Dariba and Debari sites with a capex of INR820mn.
- Environmental clearance for 4mtpa ore production and beneficiation at Zawar mine was received in Jan'17, following which consent to establish and operate has also been received. Management expects Zawar mill expansion to 2.5mt and associated up gradation project to be completed by Jun'17.
- Fumer project, undertaken to further improve silver and other metal recoveries from HZL's hydro plants is progressing well and is expected to be completed in mid FY19.

FY18 outlook and guidance:

- The company expects zinc-lead metal production to be 950kt in FY18 while silver production to be over 500tonnes.
- Management mentioned that FY18 COP/t is expected to be marginally higher as compared to last year, though will vary based on the trends in commodity (coal & other inputs) prices.
- The capex guidance for FY18E was in the range of USD350-360mn, to be largely spent on mine expansion projects, smelter debottlenecking and other projects.
- Tax rate for the FY18 is expected to be slightly higher than MAT.
- Management plans to increase share of underground mining from 52% of total mine metal production in FY17 to 80% in FY18 and achieving completely underground by FY19.

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	50,130	28,041	78.8	67,562	(25.8)	187,980	219,502	236,504
Dec/(inc) in stock	1,250	(1,759)	(171.1)	(2,004)	(162.4)	(3,141)	-	-
Raw material costs	-	3,494	(100.0)	-	-	2,054	2,156	2,264
Stores & spares	-	2,417	(100.0)	-	-	10,943	11,707	12,495
Power and fuel	3,870	1,681	130.2	3,935	(1.6)	8,668	10,167	10,976
SG&A	-	1,104	(100.0)	1,565	(100.0)	6,389	6,580	6,580
Employee expenses	1,740	1,727	0.7	1,895	(8.2)	7,220	7,235	7,249
Other Expenses	13,940	5,436	156.5	16,227	(14.1)	35,771	39,318	42,638
Mining royalty	5,490	2,634	108.4	8,463	(35.1)	22,692	23,467	25,347
Total expenditure	26,290	16,733	57.1	30,081	(12.6)	90,596	100,631	107,550
EBITDA	23,840	11,309	110.8	37,480	(36.4)	97,384	118,871	128,955
Depreciation	3,600	3,886	(7.4)	5,321	(32.3)	18,112	16,789	17,649
EBIT	20,240	7,423	172.7	32,159	(37.1)	79,272	102,083	111,306
Other income	5,300	6,343	(16.4)	4,811	10.2	24,737	21,345	20,396
Interest	1,370	712	92.4	142	866.1	2,017	2,012	46
Add: Exceptional items		(5)	(100.0)					
Profit before tax	24,170	13,048	85.2	36,829	(34.4)	101,992	121,416	131,655
Provision for taxes	5,410	4,421	22.4	6,259	(13.6)	18,837	24,283	26,331
Reported net profit	18,760	8,627	117.5	30,570	(38.6)	83,156	97,133	105,324
Adjusted Profit	18,760	8,630	117.4	30,570	(38.6)	83,156	97,133	105,324
Diluted shares (mn)	4,225	4,225		4,225		4,225	4,225	4,225
Adjusted Diluted EPS	4.4	2.0	117.4	7.2	(38.6)	19.7	23.0	24.9
Diluted P/E (x)						14.2	12.2	11.2
EV/EBITDA (x)						8.9	7.8	6.9
ROAE (%)						24.4	29.8	28.7
Raw material	2.5	6.2		(3.0)		(0.6)	1.0	1.0
Employee cost	3.5	6.2		2.8		3.8	3.3	3.1
Stores & spares	-	8.6		-		5.8	5.3	5.3
Power & fuel	7.7	6.0		5.8		4.6	4.6	4.6
Mining royalty	11.0	9.4		12.5		12.1	10.7	10.7
SG&A	-	3.9		2.3		3.4	3.0	2.8
EBITDA	47.6	40.3		55.5		51.8	54.2	54.5
Reported net profit	37.4	30.8		45.2		44.2	44.3	44.5
Tax rate	22.4	33.9		17.0		18.5	20.0	20.0

Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	219,502	222,671	(1.4)	236,504	239,920	(1.4)	Revised revenue and PAT estimates as per our revised USD:INR assumptions.
EBITDA	118,872	121,345	(2.0)	128,955	131,601	(2.0)	
EBITDA Margin	54.2	54.5		54.5	54.9		
Adjusted PAT	97,132	99,127	(2.0)	105,324	107,541	(2.1)	
Net Profit Margin	44.3	44.5		44.5	44.8		
Capex	23,100	23,450	(1.5)	23,100	23,450	(1.5)	

Company Description

HZL is a part of the Vedanta Group and is the only integrated zinc manufacturer in India, with zinc smelting capacity of 823 ktpa and lead smelting capacity of 185 ktpa. The company is the second-largest integrated zinc and lead producer in the world. It caters to ~80% of zinc demand in India. The company's fully-integrated zinc operations include three lead-zinc mines, two zinc smelters, a lead smelter, and one lead-zinc smelter in Rajasthan. HZL's mines supply most of its concentrate requirements.

Investment Theme

Continued supply constraints following mine closures provide a stable growth outlook for Zinc going forward. Further, volume ramp in the forecast period will result in benefits of operating leverage. We like HZL for its ability to deliver ~50% EBITDA margins and maintain good dividend yield. It is among the lowest cost in the world and has a strong Balance Sheet with no debt. We maintain BUY/SO' with TP of INR340, implying P/E of 13.6x FY19E.

Key Risks

- HZL's share price is sensitive to LME zinc prices. Lower-than-estimated LME prices in the event of a demand slowdown or oversupply will adversely impact the company's earnings.
- Lower than expected volume growth
- INR appreciation and/or lower metal premiums

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Sector				
Zinc LME (USD/t)	1,829.0	2,366.0	2,500.0	2,550.0
Lead LME (USD/t)	1,768.0	2,000.0	2,000.0	2,000.0
Copper Tc/Rc (c/lb)	22.0	22.0	22.0	22.0
Company				
Zinc production (t)	758,938	724,754	789,285	847,690
Lead production (t)	145,000	153,550	160,950	166,500
Silver production (kg)	425,000	488,750	513,188	525,000
Zinc premium (USD/t)	214	359	353	598
Lead premium (USD/t)	232	298	298	512
Mining & mfg cost(INR/t)	52,060	69,742	66,666	67,417
Zinc royalty (%)	13.0	13.0	13.0	13.0
Lead royalty (%)	18.9	18.9	18.9	18.9
Employee exp. growth (%)	(6.1)	0.2	0.2	0.2
SG&A expenses growth (%)	10.6	1.0	3.0	-
Depreciation rate (%)	4.6	10.4	8.5	8.0
Tax rate (%)	5.2	20.0	20.0	20.0
Dividend payout (%)	172.6	179.3	62.6	57.8
Net borrowings (INR mn)	(351,234)	(320,703)	(259,000)	(294,837)
Capex (INR mn)	14,738	23,625	23,100	23,100
Debtor days	15	15	15	15
Inventory days	95	95	95	95
Payable days	46	45	45	45
Cash conversion cycle	64	65	65	65

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	142,264	187,980	219,502	236,504
Materials costs	47,059	57,436	63,348	68,373
Accretion to stock	(1,835)	(3,141)	-	-
Mining Royalty	16,447	22,692	23,467	25,347
Employee costs	8,163	7,220	7,235	7,249
Total SG&A expenses	6,325	6,389	6,580	6,580
Total operating expenses	76,159	90,596	100,631	107,550
EBITDA	66,105	97,384	118,871	128,955
Depreciation	7,126	18,112	16,789	17,649
EBIT	58,979	79,272	102,083	111,306
Add: Other income	27,294.2	24,737.2	21,344.94	20,395.57
Less: Interest Expense	169	2,017	2,012	46
Profit Before Tax	86,104	101,992	121,416	131,655
Less: Provision for Tax	4,438	18,837	24,283	26,331
Reported Profit	81,666	83,156	97,133	105,324
Adjusted Profit	81,666	83,156	97,133	105,324
Shares o/s (mn)	4,225	4,225	4,225	4,225
Adjusted Basic EPS	19.3	19.7	23.0	24.9
Diluted shares o/s (mn)	4,225	4,225	4,225	4,225
Adjusted Diluted EPS	19.3	19.7	23.0	24.9
Adjusted Cash EPS	22.1	23.2	26.2	28.4
Dividend per share (DPS)	27.8	29.4	12.0	12.0
Dividend Payout Ratio(%)	172.6	179.3	62.6	57.8

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	53.5	48.2	45.8	45.5
Depreciation	5.0	9.6	7.6	7.5
Interest Expense	0.1	1.1	0.9	-
EBITDA margins	46.5	51.8	54.2	54.5
Net Profit margins	57.4	44.2	44.3	44.5

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(3.8)	32.1	16.8	7.7
EBITDA	(10.9)	47.3	22.1	8.5
PBT	(10.0)	18.5	19.0	8.4
Adjusted Profit	(0.2)	1.8	16.8	8.4
EPS	(0.2)	1.8	16.8	8.4

Metals and Mining

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	8,451	8,451	8,451	8,451	
Reserves & Surplus	365,401	299,595	335,883	380,363	
Shareholders' funds	373,852	308,046	344,334	388,813	
Total Borrowings	1,118	80,005	927	927	
Long Term Liabilities	21,141	1,697	1,697	1,697	
Def. Tax Liability (net)	25,713	6,677	3,557	437	
Sources of funds	421,824	396,425	350,515	391,874	
Gross Block	155,859	174,413	197,513	220,613	
Net Block	98,213	98,655	104,966	110,417	
Capital work in progress	23,628	30,713	30,713	30,713	
Intangible Assets	1,201	1,275	1,275	1,275	
Total Fixed Assets	123,042	130,643	136,954	142,405	
Non current investments	58,503	40,822	40,822	40,822	
Cash and Equivalents	352,351	321,630	259,927	295,764	
Inventories	10,582	19,358	17,622	17,970	
Sundry Debtors	2,441	1,360	7,475	10,311	
Loans & Advances	4,416	13	13	13	
Other Current Assets	1,104	4,128	4,128	4,128	
Current Assets (ex cash)	18,542	24,859	29,239	32,422	
Trade payable	7,788	12,051	6,949	10,060	
Other Current Liab	122,827	109,478	109,478	109,478	
Total Current Liab	130,615	121,530	116,427	119,539	
Net Curr Assets-ex cash	(112,072)	(96,670)	(87,188)	(87,117)	
Uses of funds	421,824	396,425	350,515	391,874	
BVPS (INR)	88.5	72.9	81.5	92.0	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	81,666	83,156	97,133	105,324	
Add: Depreciation	7,126	18,112	16,789	17,649	
Interest (Net of Tax)	161	1,644	1,610	37	
Others	(37,369)	(27,485)	(24,063)	(23,507)	
Less: Changes in WC	(5,829)	(86,843)	9,698	72	
Operating cash flow	57,412	162,271	81,770	99,432	
Less: Capex	14,738	23,625	23,100	23,100	
Free Cash Flow	42,675	138,646	58,670	76,332	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		57,412	162,271	81,770	99,432
Investing cash flow		(66,731)	115,110	(1,755)	(2,704)
Financing cash flow		(19,640)	(193,889)	(141,934)	(60,891)
Net cash Flow		(28,959)	83,492	(61,919)	35,837
Capex		(14,738)	(23,625)	(23,100)	(23,100)
Dividend paid		(19,267)	(270,758)	(60,845)	(60,845)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		20.2	24.4	29.8	28.7
ROACE (%)		21.3	27.3	33.7	35.8
Inventory Days		92	101	107	95
Debtors Days		12	4	7	14
Payable Days		57	67	55	45
Cash Conversion Cycle		46	38	59	63
Current Ratio		2.8	2.9	2.5	2.7
Gross Debt/EBITDA		-	0.8	-	-
Gross Debt/Equity		-	0.3	-	-
Adjusted Debt/Equity		0.3	26.0	0.3	0.2
Net Debt/Equity		(93.9)	(78.4)	(75.2)	(75.8)
Interest Coverage Ratio		34,836.9	3,930.4	5,073.3	241,470.4

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		0.3	0.5	0.6	0.6
Fixed Asset Turnover		1.5	1.9	2.1	2.2
Equity Turnover		0.4	0.6	0.7	0.6

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		19.3	19.7	23.0	24.9
Y-o-Y growth (%)		(0.2)	1.8	16.8	8.4
Adjusted Cash EPS (INR)		22.1	23.2	26.2	28.4
Diluted P/E (x)		14.5	14.2	12.2	11.2
P/B (x)		3.2	3.8	3.4	3.0
EV / Sales (x)		5.9	4.6	4.2	3.8
EV / EBITDA (x)		12.6	9.7	7.8	6.9
Dividend Yield (%)		9.9	10.5	4.3	4.3

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Hindustan Zinc	18,394	12.2	11.2	7.8	6.9	29.8	28.7
Korea Zinc Co Ltd	7,602	12.7	11.8	6.0	5.6	11.5	11.3
United Co RUSAL PLC	8,384	6.6	5.9	9.1	8.4	31.5	27.5
Median	-	12.2	11.2	7.8	6.9	29.8	27.5
AVERAGE	-	10.5	9.6	7.6	7.0	24.3	22.5

Source: Edelweiss research

Additional Data

Directors Data

Agnivesh Agarwal	Chairman	Navin Agarwal	Director
A R Narayanaswamy	Director	Reena Sinha Puri	Director
Sunil Duggal	CEO & Whole-time Director	Farida M. Naik	Director
Arun L. Todarwal	Director	Sudhir Kumar	Director

Auditors - Deloitte Haskins & Sells

**as per last annual report*

Holding – Top 10

	Perc. Holding		Perc. Holding
Government of India	29.54	Birla Sun Life Asset Management	0.38
Goldman Sachs Group Inc	0.30	Janus Capital Management Llc	0.29
UTI Asset Management Co Ltd	0.24	Vanguard Group	0.19
HDFC Life Insurance Co Ltd	0.15	ICICI Prudential Asset Mgmt Co	0.13
Kotak Mahindra	0.11	FMR LLC	0.09

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
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No Data Available

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
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No Data Available

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Coal India	BUY	SO	M	Hindalco Industries	BUY	SO	M
Hindustan Zinc	BUY	SO	L	Jindal Steel & Power	BUY	SO	M
JSW Steel	REDUCE	SP	H	NMDC	HOLD	SP	M
Steel Authority of India	REDUCE	SU	M	Tata Steel	BUY	SO	M
Vedanta	BUY	SO	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss
Ideas create, values protect



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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s): Metals and Mining

Coal India, Hindalco Industries, Hindustan Zinc, Jindal Steel & Power, JSW Steel, NMDC, Steel Authority of India, Tata Steel, Vedanta

Recent Research

Date	Company	Title	Price (INR)	Recos
18-Jul-17	Metals & Mining	Sustained deficit a positive for Zinc prices; <i>Sector Update</i>		
13-Jul-17	Vedanta	Oil and Gas division: At inflection point?; <i>Company Update</i>		Buy
07-Jul-17	Metals & Mining	Carbon steel majors continue to gain ground ; <i>Sector Update</i>		

Distribution of Ratings / Market Cap

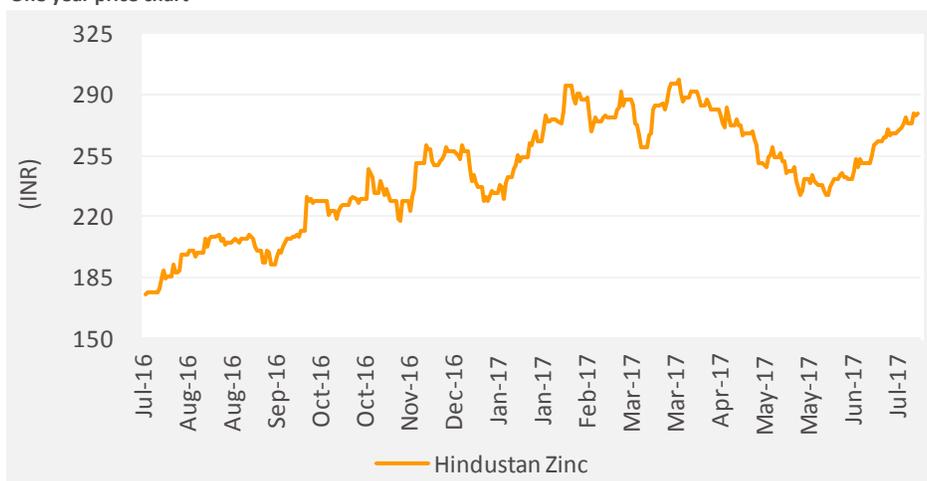
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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