

VALUE SCANNER

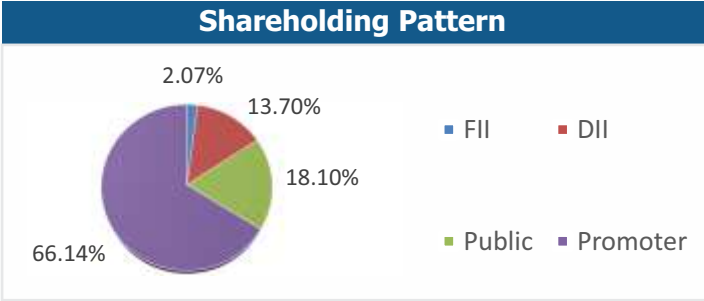
Hindustan Copper Ltd	
Recommendation	Buy
CMP	Rs. 288
Target Price	Rs. 450
Time Frame	12-15 Months
Risk	Medium
Sector	Copper

Price & Ratio Analysis	
% Change from previous Day	-1.66%
% Change from previous Month	-0.35%
52 Week High/ Low	306.75/94.05
Market Cap (Rs. CR)	26003
Book Value / Share	22.60
% of Deliverable Qty to Traded Qty	28.17%
EPS	3.14%
ROCE	18.00%
P/E	85.70

Company Description	
Hindustan Copper Limited (HCL), a Miniratna Category-I, Government of India (GoI) Enterprise under the administrative control of the Ministry of Mines, was incorporated on 9th November 1967 under the Companies Act., 1956. It was established as a Govt. of India Enterprise to take over all plants, projects, schemes and studies pertaining to the exploration and exploitation of copper deposits from National Mineral Development Corporation Ltd.	
HCL's mines and plants are spread across five operating Units, one each in the States of Rajasthan, Madhya Pradesh, Jharkhand, Maharashtra and Gujarat as named below:	
<ul style="list-style-type: none"><li>Malanjkhand Copper Project (MCP) at Malanjkhand, Madhya Pradesh</li><li>Khetri Copper Complex (KCC) at Khetrinagar, Rajasthan</li><li>Indian Copper Complex (ICC) at Ghatsila, Jharkhand</li><li>Taloja Copper Project (TCP) at Taloja, Maharashtra</li><li>Gujarat Copper Project (GCP) at Jhagadia, Gujarat"</li></ul>	

Support, Resistance & Trend Analysis	
Support	221/163
Resistance	305/550
Moving Average 50 days/200 days	269/186
Pivot Level	161
ADX (14d)	23.25
Bollinger Band (Weekly)	338/143
MACD Weekly	0.04
RSI (14, E9) Monthly	51
Stochastic oscillator Talojy (1,3,3)	64.55

Technical Analysis	
The stock has scaled a new 52-week-high at 306.80, which suggests strong bullish indicator and most importantly, is on backdrop of stock price potentially breaking out of previous trading ranges. Several indicators like the Keltner Channel, High Low Band, and MA Channel are showing strong bullish signals, indicating positive breakouts.	
The ADX (Average Directional Index) is at 23, indicating an improving robust trend. An ADX value over 25 would typically indicate a stronger trend. Rate of Change and RSI (21) indicators are positive, suggesting upward price momentum.	
The big long-term supports are placed at 221/163 area.	
Look to accumulate at CMP, and on dips between 200-215 zone, targeting 307/389 and then aggressive targets at 450 with stop below 139. Holding Period: 12-15 months.	



Quarterly Result					
Rs. Crs	Q3FY23-24	Q2FY23-24	Q1FY22-23	Y-o-Y %	Q-o-Q %
Net Sales	399.0	381.4	557.0	68.9%	-13.5%
EBIT	87	87	116	-20.2%	-12.8%
EBIT Margin (%)	21.7%	22.8%	20.9%	-0.3	2.1%
EBITDA	106.0	132.4	114.0	-50.1%	-1.9%
EBITDA Margin (%)	26.6%	34.7%	20.5%	-0.7	23.1%
Net Profit	63	61	80	-19.6%	-10.2%
Net Profit Margin	15.8%	15.9%	14.4%	-0.3	5.0%
EPS (Rs.)	0.65	0.63	0.83	-28%	

Peer Comparison				
Company	HINDZINC	VEDL	GRAVITA	CUBEX TUBINGS
CMP	296	271.1	883.1	102.2
Market Cap (Rs. CR)	25998	100773	6096	146
Book Value/Share	37.2	187.04	59.52	47.66
EPS	19.72	57.53	26.62	2.97
Dividend Yield (%)	25.50%	37.47%	0.49%	0.00%
P/E	15.01	4.71	33.18	34.38
P/B	7.96	1.45	14.84	2.15
52W H	344	300.95	1166	112.95
52W L	284.6	208	452.65	24.25



Valuation & Outlook	
The key positive catalysts for Hindustan Copper Limited (HCL):	
<ul style="list-style-type: none"><li>HCL is the only company in India engaged in mining of copper ore and owns all the operating mining lease of Copper ore and also the only integrated producer of refined copper (vertically integrated company).</li><li>The Company has the facilities for production &amp; marketing of copper concentrate, copper cathodes, continuous cast copper rod and by-products, such as anode slime (containing gold, silver, etc.), copper sulphate and sulphuric acid. Presently, company is focusing on mining &amp; beneficiation operation and is primarily selling copper concentrate as the main product.</li><li>Greater demand for Copper is quite likely in domestic market on backdrop of the Government's increased focus on infrastructure, construction and manufacturing sectors and renewal energy.</li><li>HCL has reduced debt.</li><li>Company has delivered good profit growth of 29.9% CAGR over last 5 years</li><li>Company has been maintaining a healthy dividend payout of 29.9%</li><li>The Profit Before Tax achieved during the quarter ending December 2023 was Rs 82.18 crore on a turnover of Rs 394.26 crore.</li><li>The turnover was around 6% higher than the immediate preceding quarter. Similarly, the PBT achieved in nine months ending Dec 2023 was Rs 227.14 crore on a Turnover of Rs 1132.14 crore. This is despite the fact that the company paid a land tax arrear of Rs 15 crore and increased Royalty on account of renewal of mining lease for 20 years at its flagship project at Malanjkhand, Madhya Pradesh.</li><li>On the production front, the growth momentum has been maintained. During the nine months ended December 2023, mine production in terms of Copper ore and Metal-in-concentrate has increased by around 21% and 5% respectively as compared to the corresponding period of the last year.</li></ul>	

## **Future Outlook appears to be positive amidst healthy volumes**

HCL is the only integrated copper producer in India with captive mines, smelter, refinery and rod manufacturing facilities. HCL's thrust on developing new copper mines would quadruple its ore production capacity in the next few years, leading to economies of scale, strengthening its position in the domestic copper industry.

## **Healthy Cash Flows**

HCL's liquidity is expected to remain comfortable in the near term, given the healthy cash flow from operations. HCL's cash flows would be more than sufficient to meet its debt repayment obligations. While HCL has large capex plans for expansion of its mines, the unutilised portion of QIP supports its liquidity position. ICRA also takes comfort from the company's public sector undertaking (PSU) status and its existing relationships with banks, which provide financial flexibility to the company in availing debt at a competitive cost.

## **Reduced Debt Levels**

HCL plans to fund the large portion of the capital expenditure (capex) through internal accruals and the unutilised portion (~Rs. 250 crore) of the Qualified Institutional Placement (QIP) fund raised in April 2021, limiting the company's long-term debt requirement. This would support the capital structure and debt coverage indicators, going forward, even in a scenario of lower copper prices. Moreover, post stabilisation of the recently commenced mines, the company will benefit from the increase in its scale of operation and better grade of underground mined ores, which would support HCL's efforts in reducing its production costs. Hindustan Copper as an integrated copper producer, public sector undertaking (PSU), likely to provide financial flexibility for availing debt at a competitive cost for funding the ongoing capex, if required.

## **Financials also appear robust**

Hindustan Copper's P/E ratio would be typical for a company that's expected to deliver very strong growth, and importantly, perform much better than the market. Hindustan Copper's P/E is flying high just like its stock has during the last month.

Also, if a company can keep growing earnings per share (EPS) long enough, its share price should eventually follow. That makes EPS growth an attractive quality for any company. Hindustan Copper's shareholders have plenty to be happy about as their annual EPS growth for the last 3 years was 48%. While that sort of growth rate isn't sustainable for long, it certainly catches the eye of prospective investors.

Top-line growth is a great indicator that growth is sustainable, and combined with a high earnings before interest and taxation (EBIT) margin, it's a great way for a company to maintain a competitive advantage in the market. Hindustan Copper maintained stable EBIT margins over the last year, all while growing revenue 2.9% to ₹17b. That's a very positive news.



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