

HINDUSTAN COPPER LTD – OFFER FOR SALE

16 - September - 2021

OFFER BACKGROUND

Notice of Offer for Sale of equity shares of face value of Rs. 5 each ("Equity Shares") of Hindustan Copper Limited (the "Company") by its Promoter, the President of India, acting through Ministry of Mines, Government of India, through the stock exchange mechanism (the "Notice"). The President of India acting through the Ministry of Mines, Government of India submitted to the Exchange, an announcement with respect to offer for sale through Stock Exchange Mechanism for sale up to 4,83,51,201 Equity shares of face value of INR 5/- each of Hindustan Copper Limited. The promoter proposes to sell upto 4,83,51,201 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company) ("Base Offer Size") with an option to additionally sell up to 4,83,51,201 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company) (the "Oversubscription Option" and in the event the Oversubscription Option is exercised. The Floor Price for the Offer shall be INR 116/- (Rupees One Hundred and Sixteen only) per equity share.

THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	The President of India, acting through and represented by the Ministry of Mines, Government of India.
Name of the company whose shares are proposed to be sold and ISIN	Hindustan Copper Ltd
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
Date and time of the opening and closing of Sale	For Institution September 16, 2021 Open: 9.15 a.m., Close: 3.30 p.m. For non-institution August 3, 2017 Open: 9.15 a.m., Close: 3.30 p.m.
Allocation Methodology	The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.
Number of shares proposed to be sold by the seller pursuant to the sale	4,83,51,201 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company) ("Base Offer Size") with an option to additionally sell up to 4,83,51,201 Equity Shares (representing 5.00% of the total issued and paid-up Equity Share capital of the Company) (the "Oversubscription Option" and in the event the Oversubscription Option is exercised
Name of the broker(s) on behalf of the Seller (the "Seller's Broker")	SBICAP Securities Ltd ICICI Securities Ltd Edelweiss Securities Ltd
Floor Price	116/-
Retail Reservation	10% of the offer size
Retail Discount	No discount

Stock Data

Latest Data as on 15 September, 2021	
Latest Equity(Subscribed)	483.51
Latest Reserve	1105.74
Latest EPS -Unit Curr.	1.30
Latest Bookvalue -Unit Curr.	16.43
Face Value	5.00
Stock Exchange	BSE
Latest Market Price--Unit Curr.	124.50
Latest P/E Ratio	95.77
Latest P/BV	7.58
52 Week High -Unit Curr.	196.90
52 Week High-Date	11/05/2021
52 Week Low -Unit Curr.	31.45
52 Week Low-Date	15/10/2021
Market Capitalisation	12039.45
Dividend Yield -%	0.27

Chart



AVERAGES – VOLUME (BSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	19956648	4989162	4
Fornightly	29730194	3303355	9
Monthly	72112992	3433952	21
Quarterly	261172560	4145596	63
Half Yearly	683233600	5509949	124
Yearly	1235903360	4983482	248

AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	2474492416	618623104	4
Fornightly	3637672960	404185888	9
Monthly	8745076736	416432256	21
Quarterly	36616290304	581210944	63

Key Findings

- Hindustan Copper Limited (HCL) is a public sector company incorporated in 1967. It is India's only vertically integrated copper producer. It is involved in mining, smelting, refining and casting of refined copper metal into saleable products. Its mines and plants are in Khetrinagar, Rajasthan, Ghatsila, Jharkhand, Malanjkhand, Madhya Pradesh and Taloja, Maharashtra. Hindustan Copper (HCL) is a vertically integrated copper producing company encompassing mining, beneficiation, smelting, refining and casting of refined copper metal. As of 31 March 2021, the Government of India held 72.76% stake in the company.
- During Q1FY22, The company reported a 53.6 percent rise in consolidated net profit at Rs 45.63 crore.
- During the period the company has posted a profit before tax (PBT) of Rs 61.34 crore during the first quarter this year compared to Rs 24.79 crore in the corresponding period of the previous year, registering an increase of 147 percent. The company had a consolidated net profit after tax and share of profit of JV/Associates of Rs 29.69 crore in the year-ago period
- Net sales surged 255.70% to Rs 522.24 crore in Q4 FY21 as against Rs 146.84 crore in Q4 FY20. Pre-tax loss was at Rs 63.21 crore in Q4 FY21 as against a pre-tax loss of Rs 481.19 crore in Q4 FY20. During the financial year, Hindustan Copper's reported a consolidated net profit of Rs 110.18 crore in Q4 FY21 compared with net loss of Rs 569.21 crore in Q4 FY20. Revenues from operations climbed 114.79% to Rs 1,786.76 crore in Q4 FY21 from Rs 831.85 crore in Q4 FY20. The board has recommended payment of dividend for financial year 2020-21 of Re 0.35 per share.
- It has announced that in the 54th Annual General Meeting scheduled on 22 September 2021, the company will consider a host of measures for fundraising. As per the regulatory filing, the special resolutions that will be considered in the AGM are:
 - To authorize the Board to offer, issue and allot, in one or more tranches, equity shares through Qualified Institutional Placement method in terms of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 up to 9,69,76,680 equity shares of the Company (i.e. 10.48% of the existing paid-up capital of the Company).
 - To authorize the Board to offer, issue and allot, in one or more tranches, secured or unsecured non-convertible Debentures/ Bonds on a private placement basis for an amount not exceeding Rs.500 crore.
- 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:
 - Khetri Copper Complex (KCC) at Khetrinagar, Rajasthan
 - Indian Copper Complex (ICC) at Ghatsila, Jharkhand
 - Malanjkhand Copper Project (MCP) at Malanjkhand, Madhya Pradesh
 - Taloja Copper Project (TCP) at Taloja, Maharashtra
 - Gujarat Copper Project (GCP) at Jhagadia, Gujarat
- Copper demand is expected to grow at 7% -8% in India. The growing demand from the power sector in view of Government laying thrust on renewable energy and increasing demand from the households for consumer durables will increase demand for copper in India. Manufacturing of hybrid and electric vehicles (EVs) will also augment the consumption of copper as EVs use four times more copper than traditional internal combustion engines. Copper is essential to EV technology and its supporting infrastructure. The evolving EVs market will have a substantial impact on copper demand. Copper demand is expected to increase further in health sector due to its biocidal properties. The per capita copper consumption in India is expected to increase from the current level of 0.5 Kg to 1 kg in coming years. The average per capita copper consumption in the world is 3.2 kg.
- The company has taken following initiatives:

Renewable energy:

- Total 856.50 KWp solar plant implementation under RESCO model is completed in HCL till FY 2020-21.
- Approximately Rs. 26.97 lakhs saved annually in electricity bills by installation of roof top solar projects in 2020-21 across HCL
- Power Purchase agreement (PPA) has been signed with vendor for installation of additional capacity 4.5 MWp solar plant at MCP in FY 2020-21. Land survey has already been completed.
- 41 KWp Rooftop Solar plant at MCP and 20 kWp Solar Plant at ICC already installed under CAPEX model.

Conclusion

With the Government's increased focus on infrastructure, construction and manufacturing sectors and renewal energy, the Company is confident that it shall generate greater demand for Copper in domestic market and According to the management of the company, to achieve sustainable growth in business, it would focus on optimum & efficient use of existing resources and assets, rapid expansion of mining capacity through expansion of existing mines, re-opening of closed mines and green field projects, detailed exploration of existing mines and new mining leases to expand mining capacity, assimilate state-of-the art technology in exploration, mining and beneficiation of ores for competitive advantage, continuous improvement in productivity and energy to bring at par with the best internationally, continue innovation through research & development.

Based on 1 year average P/Bvx of 7.56, we expect the stock to see a price target of Rs. 137 on its FY22 Book Value per share of 18.07. Approximately, 17% upside from the current market price of Rs.117/-.

Based on the floor price of 116 the offer size of the OFS is Rs.560.87 crore if oversubscribed the Rs.1121.74.

Shareholding Pattern (%)

Description as on	30-06-2021	20-04-2021	31-03-2021	31-12-2020
Total Foreign	1.54	2.19	1	0.82
Total Institutions	13.02	14.9	12.66	13.3
Total Non Promoter Corporate Holding	1.22	0.82	1.05	0.78
Total Promoters	72.76	72.76	76.05	76.05
Total Public & Others	11.47	9.33	9.24	9.07

Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	30-06-2021	20-04-2021	31-03-2021	31-12-2020
Life Insurance Corp Of India	10.64	11.79	11.42	11.42

Allocation methodology

A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.

In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.

No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.

Oversubscription option

In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.

Conditions for withdrawal of the Sale

The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date. In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.

Conditions for cancellation of the Sale

In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.

Conditions for participating in the Sale

Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.

In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.

In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.

The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

Modification or cancellation of orders would be allowed during the duration of the offer only for:

(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.

(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.

In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.

In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.



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QUARTERLY PERFORMANCE

	Qtr Ending Jun.21	Qtr Ending Jun.20	VAR %
Total Income	267.6	431.43	-38
OPM (%)	44.89	20.01	124
OP	120.12	86.35	39
Other income	11.13	9.95	12
PBIDT	131.25	96.3	36
Net Finance Charges	10.88	17.48	-38
PBDT	120.37	78.82	53
Depreciation	59.12	54.1	9
PBT	61.25	24.72	148
Tax expense	15.62	-4.97	-414
PAT	45.63	29.69	54

Financial Overview

	202103	202003	201903
Equity Paid Up	462.61	462.61	462.61
Networth	1089.25	959.95	1636.79
Capital Employed	2285.85	2597.72	2770.06
Total Debt	1137.43	1563.67	1070.11
Gross Block (Excl. Reval. Res.)	608.63	480.54	416.98
Net Working Capital (Incl. Def. Tax)	411.28	569.62	892.29
Current Assets (Incl. Def. Tax)	1190.44	1361.49	1493.03
Current Liabilities and Provisions (Incl. Def. Tax)	779.17	791.88	600.73
Total Assets/Liabilities (excl Reval & W.off)	3065.02	3389.6	3370.78
Gross Sales	1786.76	831.85	1816.4
Net Sales	1786.76	831.85	1816.4
Other Income	34.84	56.96	36.66
Value Of Output	1447.65	882.99	1673.03
Cost of Production	1311.87	1029.13	1394.23
Selling Cost	0.52	2.46	1.75
PBIDT	445.95	-184.95	542.68
PBDT	382.02	-247.14	482.76
PBIT	151.12	-475.64	289.79
PBT	87.19	-537.83	229.87
PAT after Minority Interest & P/L Asso.Co.	110.22	-569.48	145.33
Adjusted PAT	110.21	-569.47	145.04
CP	405.05	-278.79	398.22
Revenue earnings in forex	0	461.29	842.67
Revenue expenses in forex	0	15.09	411.02
Capital earnings in forex	0	0	0
Capital expenses in forex	0	0	0
Book Value (Unit Curr)	11.77	10.38	17.69
Book Value (Adj.) (Unit Curr)	11.77	10.38	17.69
Market Capitalisation	11056.38	1970.72	4528.95
Financial Years High & Low Prices			
High Date (BSE)	02-Mar-21	01-Apr-19	19-Apr-18
High Price (BSE)	165.1	51.55	82.1
Low Date (BSE)	03-Apr-20	25-Mar-20	18-Feb-19
Low Price (BSE)	20.8	18.3	43
Year End Price Date (BSE)	31-Mar-21	31-Mar-20	29-Mar-19
Year End Price (BSE)	119.5	21.3	48.95
High Date (NSE)	02-Mar-21	01-Apr-19	19-Apr-18
High Price (NSE)	165.15	51.5	82.05
Low Date (NSE)	03-Apr-20	24-Mar-20	18-Feb-19
Low Price (NSE)	20.7	18.25	43
Year End Price Date (NSE)	31-Mar-21	31-Mar-20	29-Mar-19
Year End Price (NSE)	119.6	21.3	48.95
CEPS (annualised) (Unit Curr)	4.38	-3.01	4.3
EPS (ann.) after Minority Interest (Unit Curr)	1.19	-6.16	1.57
EPS (ann.) after Minority Interest (Adjusted) (Unit Curr)	1.19	-6.16	1.57
Dividend (annualised%)	7	0	10.4
Payout (%)	0	-8.45	15.92
Cash Flow From Operating Activities	831.66	85.98	252.11
Cash Flow From Investing Activities	-363.6	-429.84	-586.53

	202103	202003	201903
Cash Flow From Financing Activities	133.08	41.99	444.65
Free Cash Flows to Equity	865.85	25.79	585.11
Free Cash Flows to the Firm	749.24	-67.34	96.28
Price to Free Cash Flows to Equity	12.77	76.41	7.74
Price to Free Cash Flows to the Firm	14.76	-29.26	47.04
Rate of Growth (%)			
ROG-Net Worth (%)	13.47	-41.35	0
ROG-Capital Employed (%)	-12.01	-6.22	0
ROG-Gross Block (%)	26.66	15.24	0
ROG-Gross Sales (%)	114.79	-54.2	0
ROG-Net Sales (%)	114.79	-54.2	0
ROG-Cost of Production (%)	-8.23	-12.76	0
ROG-Total Assets (%)	-9.58	0.56	0
ROG-PBIDT (%)	-341.12	-134.08	0
ROG-PBDT (%)	-254.58	-151.19	0
ROG-PBIT (%)	-131.77	-264.13	0
ROG-PBT (%)	-116.21	-333.97	0
ROG-PAT (%)	-119.36	-491.86	0
ROG-CP (%)	-245.28	-170.01	0
ROG-Revenue earnings in forex (%)	0	-45.26	0
ROG-Revenue expenses in forex (%)	0	-89.56	0
ROG-Market Capitalisation (%)	461.03	-56.49	-22.24
Key Ratios			
Debt-Equity Ratio	1.32	1.01	0.65
Long Term Debt-Equity Ratio	0.69	0.46	0.35
Current Ratio	0.89	1.01	1.36
Turnover Ratios			
Fixed Assets Ratio	3.28	1.85	4.36
Inventory Ratio	3.21	1.19	2.71
Debtors Ratio	14.26	3.74	5.02
Total Asset Turnover Ratio	0.73	0.31	0.66
Interest Cover Ratio	2.36	-7.65	4.84
PBIDTM (%)	24.96	-22.23	29.88
PBITM (%)	8.46	-57.18	15.95
PBDTM (%)	21.38	-29.71	26.58
CPM (%)	22.67	-33.48	21.92
APATM (%)	6.17	-68.43	8
ROCE (%)	6.19	-17.72	10.46
RONW (%)	10.75	-43.84	8.87
Debtors Velocity (Days)	34	36	73
Creditors Velocity (Days)	52	78	53
Inventory Velocity (Days)	200	343	108
Assets Utilisation Ratio (times)			
Value of Output/Total Assets	0.45	0.45	0
Value of Output/Gross Block	2.66	2.82	0



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E-mail: smc.care@smcindiaonline.com



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Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

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