

Twitter Thread by Nigel D'Souza



Nigel D'Souza

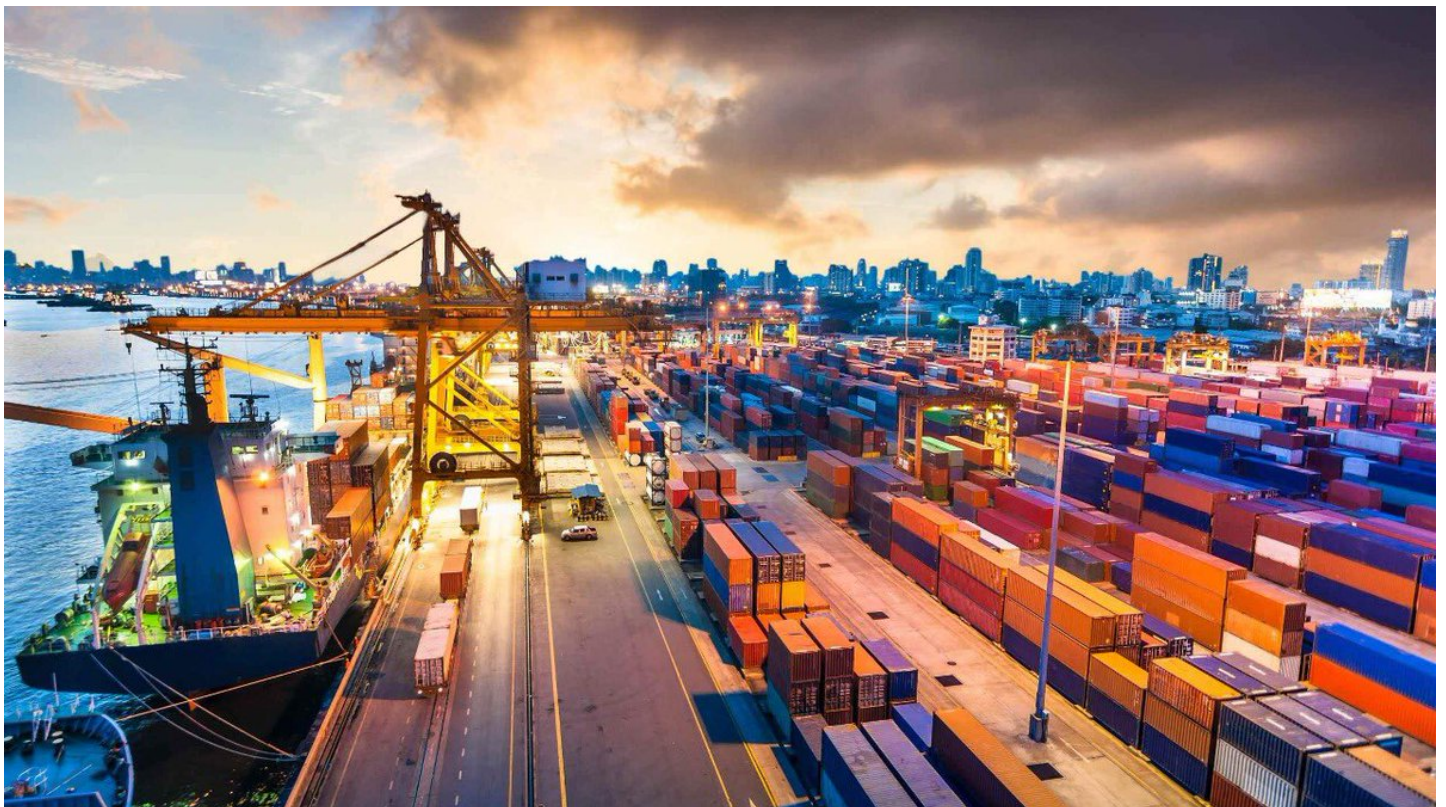
@Nigel_DSouza



In Past 1 year various Commodities & Chemicals have spiked & fired up quite a few stocks ■

Let's look at how the stocks have performed vs the commodity / chemical price move from May 2020 - May 2021 ■

Listing down a few points on each in the below thread ■



Steel +80%

JSPL +303%

Tata Steel +300%

JSW Steel +334%

SAIL +340%

- ✓■ Strong Chinese demand & focus on reduction in carbon emissions.
- ✓■ Domestic Steel prices still at a 15% discount vs imported
- ✓■ Top 5 Cos increased market share
- ✓■ Cos continue to deleverage their balance sheets



Gold 12%

Muthoot Finance & Manappuram Finance +50%

- ✓■ Increased loan book growth as they lend more & get operating leverage
- ✓■ Reduced auctions of pledged Gold = less NPAs
- ✓■ RBI relaxed LTV for gold financiers to 90% from 75% = level playing field for Banks & NBFCs



Silver & Zinc +50%

Lead +35%

Hindustan Zinc +120% [only silver play in ■■■]

- ✓■ Silver contribution EBITDA likely to hold above 25% vs historic 15% to 20%
- ✓■ Silver gets a higher multiple (10x EV/EBITDA) vs Zinc-Lead (7x EV/EBITDA)
- ✓■ Healthy cash balance & solid dividend paying



Copper +80%

Hindustan Copper +700%

- ✓■ Only direct beneficiary of rising Copper prices
- ✓■ Hindalco & Vedanta exposure is limited to 'TcRc margins'
- TcRc: Treatment Charge and Refining Charge

■ Need to note that: GOI + LIC + Institutions hold 90% in co so float is limited



Aluminium +70%

Nalco +159%

- ✓■ Nalco is a pure & direct play on Aluminium & Alumina prices
- ✓■ Though Alumina prices have been range bound & moved just 20%
- ✓■ But its Aluminium business has turned from a loss to a profit
- ✓■ In Q3FY21 contributed near 47% of EBIT



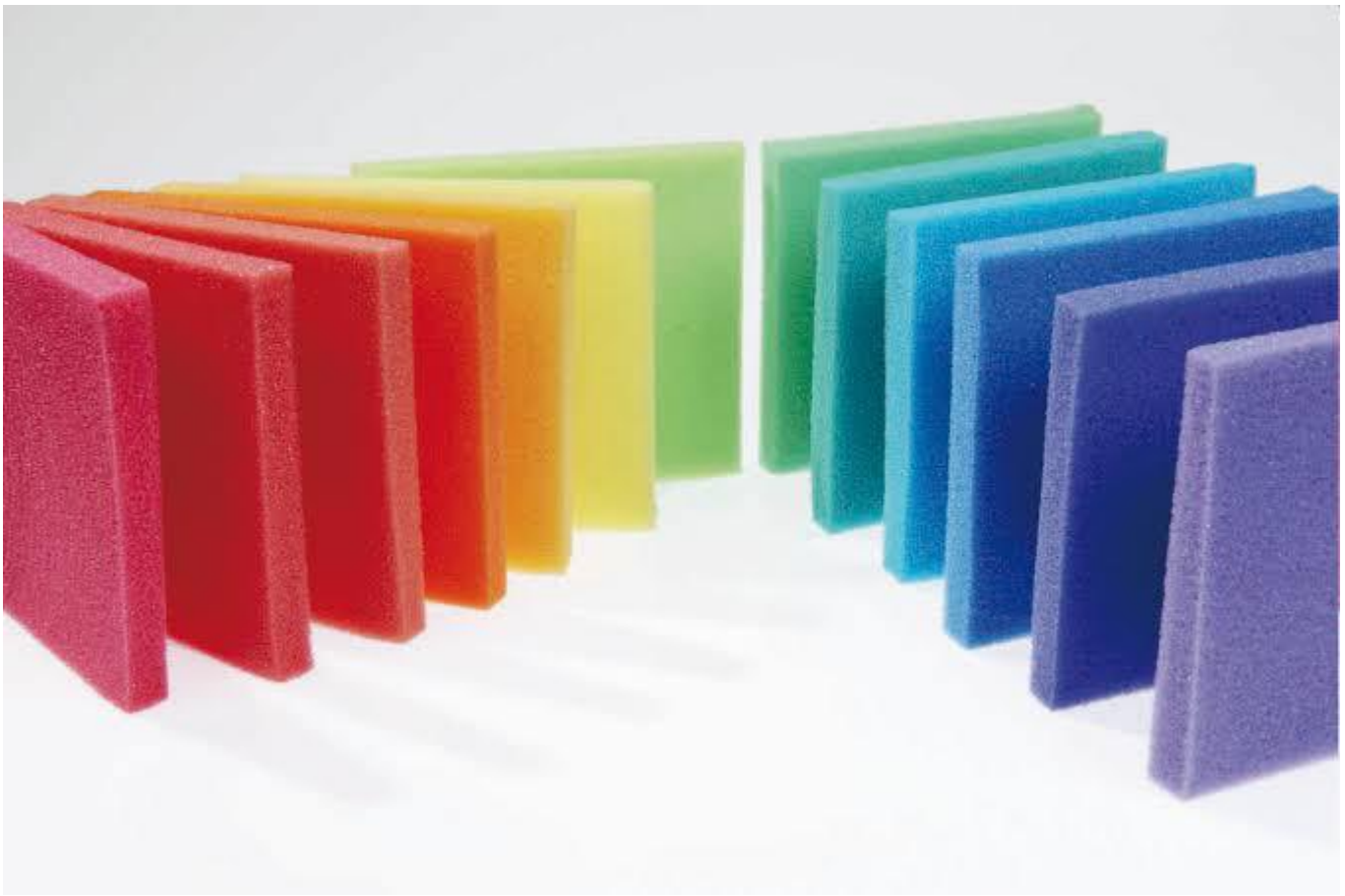
TDI (Toluene diisocyanate) +50%

GNFC +300%

✓■Co is into fertilisers & chemicals, however most of its profits come from chemicals

✓■TDI has cooled off a bit but other chemicals like Methanol, Acetic & Nitric acid made by GNFC are ■

✓■TDI is a vital raw material for mattress



ABS (Acrylonitrile Butadiene Styrene) +120%

BEPL +330%

Ineos +130%

- ✓■ In ■■ ABS is being manufactured by Bhansali Engineering & Ineos
- ✓■ Aided spreads moved to lifetime highs
- ✓■ ABS is used in the automobile & home appliances
- ✓■ Lower imports from Korea aided Indian ABS Producers

