Twitter Thread by Nigel D'Souza

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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

