



TFSA Investors: 1 Precious Metals Value Stock Set to Outperform

Description

Silvercorp ([TSX:SVM](#))(NYSE:SVM) is a profitable Canadian mining company producing silver, lead, and zinc metals in concentrates from mines in China through the operation of the silver-lead-zinc mines in the Ying district in Henan province and another mine in Guangdong province. The company's goal is to continuously create [healthy returns to shareholders](#) through efficient management, organic growth, and the acquisition of profitable projects. Silvercorp balances profitability, social and environmental relations, employees' wellbeing, and sustainable development.

Robust business strategy

Silvercorp has a distinct long-term strategy characterized by three key steps. It acquires a project and conducts selective exploration to further delineate the project's potential. Subsequently, it develops mine operations and generates profits before the project's potential is fully drilled off. Finally, it uses the cash flows generated from operations to fund further exploration, resource expansion, and production ramp up.

This strategy produces several key benefits. Mine development creates jobs for neighbouring communities, boosting the local economy and creating an immediate sense of [community involvement in the project](#). Additional tax revenue for local government is also generated due to a boost in local support. The taxes collected from profits ensures the support of the local government for the continuation and success of the project. Further, immediate profits and returns means immediate value appreciation for Silvercorp's shareholders and minimum dilution of shareholders' equity.

Higher-margin operation

Silvercorp's principal products and sources of sales are silver-bearing lead and zinc concentrates. At present, Silvercorp sells all the company's products to local smelters or companies in the mineral products trading business.

The mining industry is intensely competitive, and the company competes with many companies

possessing similar or greater financial and technical resources. Silvercorp's competitive position is largely reliant upon the company's ability to maintain a high-margin operation, resulting from relatively high-grade resources and lower production costs in China compared to the costs of other producers outside China.

Competitive advantages

The company's competitive advantage also results from the quality of Silvercorp's concentrates and proximity to local smelters. Recently, Silvercorp has reported an increase in silver production. The higher silver production was mainly due to the increase in head grades, offset by lower ore production achieved and the higher zinc production was mainly due to the improvement in recovery rates.

Further, the company continues to pursue future growth opportunities by carrying out exploration programs within existing permit areas at Silvercorp's projects. In addition, the company continues to evaluate the acquisition of exploration, development and production assets, or the acquisition of other entities. The company regularly engages in discussions with respect to such possible opportunities.

Focus on sustainability

Also, the company highly values sustainable development. This corporate philosophy ties directly into the emphasis on efficient process design and effective management across all aspects of Silvercorp's operations. Significant, ongoing efforts are made to identify and minimize various risks, as well as streamline the collection, monitoring, and reporting of relevant data. A social media platform operated by Silvercorp is an instrumental tool used to ensure all mandatory procedures are being performed. This focus on sustainability is expected to create shareholder wealth.

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