

CMP: INR 83

Rating: Accumulate

Target Price: INR 98

Stock Info

BSE	502180
NSE	SHREDIGCEM
Bloomberg	DIGV IN
Routers	SRDC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	1423
Mkt Cap (INR mn)	11975
52W H/L (INR)	98/50
Avg Yearly Vol (in 000')	840.4

Shareholding Pattern %

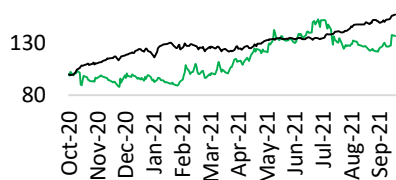
(As on september 2021)

Promoters	56.22
Public & Others	43.78

Stock Performance (%)

	1m	3m.	1 Yr
Shree Digvijay Cement	9.1	-10.5	27.9
Nifty50	1.9	15.6	53.1

Shree Digvijay Cement Price Chart



— Shree Digvijay Cement

— Nifty 50

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Shree Digvijay Cement Company Limited (SDCCL) showed good growth YoY basis due to lower base in same period last year amid repairing work undertaken in their plant last year. QoQ company delivered weak set of numbers. Although numbers were above our estimates on all front Net Revenue grew by 58.7% YoY, however declined by 0.5% QOQ to INR 1539 mn above our expectation of INR 1100 mn . Healthy topline growth on YOY basis was mainly due to rise in sales volume & realization Sales volume grew by 41.1% YoY, however remained flat QOQ to 2.95 lakh tonnes above our expectation of 2.4 lakh tonnes. Realization /tonne grew by 12.4% YoY however declined by 0.2% QoQ to INR 5217 below our expectation of INR 5500

EBIDTA grew by 165% YoY however declined by 32.5% QoQ to INR 276 mn above our expectation of INR 220 mn, Growth in EBIDTA on YoY basis was backed by healthy growth in top line and better operational efficiency. Decline in operating profit on QoQ basis was due to delayed monsoon which restricted topline growth and heavy rise in fuel and energy prices EBIDTA margin expanded by 721bps YoY, however contracted by 850 bps QoQ to 17.9%. EBIDTA /tonne grew by 88% YoY & and declined by 32.3% QoQ to INR 935 below our expectation of INR 1100.

PAT grew by 415% YoY however declined by 38.2% QoQ to INR 134 mn above our estimates of INR 99 mn. YoY growth in PAT was led by healthy growth in top line and better operating profit. However decline in operating profit led to decline in PAT on QoQ basis. PAT margin expanded by 603 bps YoY and contracted by 532 bps QoQ to 8.7% in Q2FY22.

Company has declared an interim dividend of 1.5 per equity share for FY22

Valuation and Outlook

At CMP of INR 83, SDCCL is trading at EV/EBIDTA multiple of 8.1(x) & 6.1(x) to its FY22E & FY23E Although company delivered weak performance this quarter due to delayed monsoon and rising input cost, We are positive on the company owing to phenomenal business recovery in past one year With improved profitability with stronger execution from management , probable resolution of limestone issues, and boost in demand for cement backed by government spending on infrastructure and growth in real-estate sector which is likely to continue. Despite shortage of coal faced by cement companies SDCCCL is able to operate at full capacity as it is able to import coal from its own port. Also company's monopoly in oil well cement, customer centric approach and reasonable valuations compared to it other peers augurs well for the company. However margin are expected to remain in pressure in near term due to rising input cost. We value the stock at a EV/EBIDTA multiple of 6.5x to its FY23E EBIDTA of INR 1819 mn to arrive at a target price of INR 98 which gives potential upside of 18.2% from current level. We maintain Accumulate rating on the stock.

Q2FY22 Results (Standalone basis)

INR mn	Q2FY22	Q2FY21	Q1FY22	YOY	QOQ
Net Revenue	1,539	970	1,547	58.7%	-0.5%
Operating Costs	975	579	915	68.4%	6.6%
Employee cost	96	96	96	0.0%	0.0%
Other Expenses	192	191	127	0.5%	51.2%
EBITDA	276	104	409	165.4%	-32.5%
<i>EBITDA margin %</i>	<i>17.9%</i>	<i>10.7%</i>	<i>26.4%</i>	<i>721bps</i>	<i>-850bps</i>
Depreciation	74	67	71	10.4%	4.2%
EBIT	202	37	338	445.9%	-40.2%
Other Income	9	7	10	28.6%	-10.0%
Finance cost	3	4	4	-25.0%	-25.0%
Exceptional Item	-	-	-	-	-
PBT	208	40	344	420.0%	-39.5%
Tax Expense	74	14	127	428.6%	-41.7%
Effective tax rate %	35.6%	35.0%	36.9%	58bps	-134bps
PAT	134	26	217	415.4%	-38.2%
<i>PAT margin %</i>	<i>8.7%</i>	<i>2.7%</i>	<i>14.0%</i>	<i>603bps</i>	<i>-532bps</i>
EPS (Rs)	0.90	0.18	1.52	400.0%	-40.8%

Particulars	Q2FY22	Q2FY21	Q1FY22	YOY	QOQ
Sales Volume (Lactonne)	2.95	2.09	2.96	41.1%	-0.3%
Sales in Lakhs	15,390	9700	15471	58.7%	-0.5%
Realization/tonne	5217	4641	5227	12.4%	-0.2%
EBIDTA in lakhs	2760	1040	4090	165.4%	-32.5%
EBIDTA/tonne	935.6	497.6	1381.8	88.0%	-32.3%

Valuation

Particular (INR in Mn)	FY23E
EV/EBIDTA (x)	6.5
EBIDTA	1,819
EV	11821
Cash & bank	2,438
Debt	299
M Cap	13960
No Shares	142.3
Fair Value (INR) (TP)	98
CMP (INR)	83
Upside (%)	18.2

Financial Statement

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Revenues	4,365	4,698	5,028	5,914	6,786
Change (%)	5.6%	7.6%	7.0%	17.6%	14.8%
Cost of Goods Sold	2,851	2,864	3,056	3,371	3,732
Employee costs	290	344	366	432	489
Other expenses	959	482	556	651	746
Total operating Expense	4,100	3,690	3,978	4,453	4,967
EBITDA	265	1,009	1,050	1,461	1,819
Other Income	46	22	63	59	68
Depreciation	240	248	268	311	354
Interest	39	18	16	24	24
PBT	33	765	829	1,185	1,508
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	33	765	829	1,185	1,508
Tax	13	201	289	413	526
Rate (%)	38.5%	26.3%	34.9%	34.9%	34.9%
PAT	20	564	540	772	982
Change (%)	-84.8%	2688.4%	-4.3%	42.9%	27.3%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Share Capital	1,414	1,414	1,423	1,423	1,423
Reserves & Surplus	783	1,350	1,688	2,176	2,874
Net Worth	2,197	2,764	3,111	3,599	4,297
Long term debt	0	1	0	0	0
Short term debt	403	302	269	283	299
Total Debt	403	303	269	283	299
Other Liabilities & Provisions	1053	731	937	1202	1607
Capital Employed	3,653	3,798	4,317	5084	6203
Application of Funds					
Net Block	1,945	1,865	1,715	1,991	2,267
Deferred Tax Asset	166	103			
Other Non-Current Assets	400	281	404	314	314
Non Current Asset	2,511	2,249	2,119	2,305	2,581
Investments	0	0	0	0	0
Debtors	137	98	107	124	142
Inventories	579	649	750	850	941
Cash & bank balance	362	744	1,239	1,703	2,438
Loans & advances & other CA	64	58	102	102	102
Total current assets	1,142	1,549	2,198	2,778	3,623
Total Assets	3,653	3,798	4,317	5,084	6,203

Financial Statement

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
PBT	33	765	829	1,185	1,508
Depreciation	240	248	268	311	354
Interest & others	24	0	-14	-11	-11
Cash flow before WC changes	284	1,026	1,094	1,495	1,862
(Inc)/dec in working capital	-290	44	-6	-64	-49
Operating CF after WC changes	-6	1,070	1,088	1,432	1,813
Less: Taxes	-10	-129	-139	-413	-526
Operating cash flow	-16	941	949	1,019	1,287
(Inc)/dec in F.A + CWIP	-171	-165	-276	-276	-276
(Pur)/sale of investment	0	0	0	0	
Cash flow from investing	-41	-137	-244	-244	-244
Free cash flow (FCF)	-78	782	673	743	1,011
Loan raised/(repaid)	150	-400	0	-	-
Equity raised	0	0	15	0	0
Interest & others	-34	-21	-14	-24	-24
Dividend	0	0	-212	-284	-284
Cash flow from financing activities	116	-421	-211	-308	-308
Net inc /(dec) in cash	59	384	494	467	735
Opening balance of cash	299	359	742	1,236	1,703
Closing balance of cash	359	742	1,236	1,703	2,438

Source: Company, Arihant Research

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Per share (Rs)					
EPS	0.1	4.0	3.8	5.4	6.9
BVPS	1.8	5.7	5.7	7.6	9.4
CEPS	15.5	19.5	21.9	25.3	30.2
Valuation (x)					
P/E	580.1	20.8	21.9	15.3	12.0
P/BV	45.1	14.5	14.6	10.9	8.8
P/CEPS	5.3	4.2	3.8	3.3	2.7
EV/EBITDA	50.7	12.5	11.7	8.1	6.1
Return Ratios (%)					
Gross Margin	34.7%	39.0%	39.2%	43.0%	45.0%
EBIDTA Margin	6.1%	21.5%	20.9%	24.7%	26.8%
PAT Margin	0.5%	12.0%	10.7%	13.0%	14.5%
ROE	0.9%	20.4%	17.4%	21.4%	0.0%
ROCE	1.0%	24.8%	23.1%	29.6%	31.9%
Leverage Ratio (%)					
Total D/E	0.2	0.1	0.1	0.1	0.1
Turnover Ratios					
Asset Turnover (x)	1.2	1.2	1.2	1.2	1.1
Inventory Days	74	83	90	92	92
Receivable Days	11	8	8	8	8
Payable days	44	37	37	35	33

Source: Company, Arihant Research

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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